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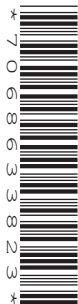
A2 GCE CRITICAL THINKING

F504/01/RB Critical Reasoning

RESOURCE BOOKLET

To be issued with the Question Paper

Duration: 1 hour 30 minutes



INSTRUCTIONS TO CANDIDATES

- Read and use Documents 1, 2, 3 and 4 to answer the questions.

INFORMATION FOR CANDIDATES

- The information contained in this Resource Booklet was accurate when it went to press, but may subsequently have changed. Questions should be answered on the basis that the information is correct.
- This document consists of **8** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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Document 1

'Adapted from 'Richest 1,000 People Have More Wealth Than Poorest 40%', 6 May 2017, www.equalitytrust.org.uk, The Equality Trust. Item removed due to third party copyright restrictions. Link to unadapted material: <https://www.equalitytrust.org.uk/richest-1000-people-have-more-wealth-poorest-40>

Document 2

Adapted from 'Rich and Poor Countries', www.equalitytrust.org.uk, The Equality Trust. Item removed due to third party copyright restrictions. Link to unadapted material: <https://www.equalitytrust.org.uk/rich-and-poor-countries>

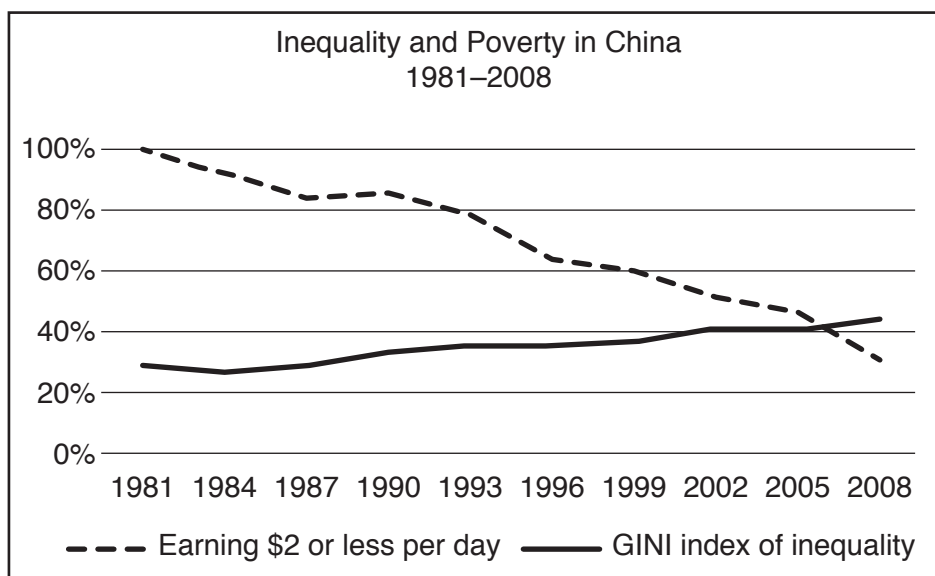
Document 3

Inequality can be a good thing

The growing inequality of wealth and income has become a hot topic in the last few years, attracting both moral condemnations and radical recommendations aiming at reversing it. According to the most popular quotation, the top 1% of the population of the United States controls 40% of the country's wealth and 25% of its income.

But the existence of inequality is not the issue. The point is whether inequality is bad in itself. In fact, inequality can be the price of the reduction of poverty through the creation of opportunities. Every innovation initially generates inequality in incomes, but this inequality, in turn, attracts new innovators, creating millions of new opportunities.

The graph below illustrates this process. In 1981, China was trying to keep incomes equal, but people overall were very poor. There were no incentives to improve, because everyone earned the same. As controls over the Chinese economy were relaxed and it turned towards a free market, opportunities arose for many potential entrepreneurs to generate new economic activities, hire people and become rich. As they succeeded, inequality rose. But poverty declined because, as the entrepreneurs became millionaires, they created new and better employment and new and better opportunities for other entrepreneurs.



This graph illustrates how poverty (measured by the % of the population earning \$2 or less per day) declined as the GINI index of inequality rose. The GINI index measures the income distribution of a country's residents. Higher numbers represent greater inequality, 0% indicating complete equality and 100% complete inequality.

In today's world the best examples of innovations that increase wealth while also increasing inequality come from the new knowledge economy. Successful internet entrepreneurs including Bill Gates (founder of Microsoft), Steve Jobs (Apple), and Mark Zuckerberg (Facebook), accumulated personal wealth estimated at hundreds of billions of dollars. By becoming billionaires, they increased inequality. But by improving the productivity of others, their innovations created millions of opportunities across nations and continents.

5

Inequality is the mechanism that will spread the benefits of the new knowledge economy across the entire world. Without inequality, there would be no incentive to spread these benefits and the world would lose the most exciting opportunity to increase its wealth and reduce poverty since the Industrial Revolution.

6

Source: Quartz

Quartz is a US based online news service specialising in global business and financial news.

Document 4**The world is not as unequal as we might think.**

Inequality is apparently inevitable. If everyone were equal who would choose to undertake the unappealing tasks that no one really wants – sweeping streets, cleaning lavatories, picking up other people's trash?

1

Obviously disproportionate wealth creates a divide, and this injustice prevails globally. But it is surprising that countries we think of as being comparatively impoverished appear to have happier citizens than those in more advanced, and richer, nations.

2

The Happy Planet Index from the New Economic Foundation shows the extent to which 151 countries worldwide produce 'long, happy and sustainable lives' for their inhabitants. It ranks each nation on three measures: life expectancy, the experience of well-being and the ecological disruption created by its citizens.

3

Costa Rica was ranked as the happiest place on Earth, yet it is a country where the average household income is just £5000 a year. Second is Vietnam, followed by Colombia, Belize, El Salvador and Jamaica. The highest ranking Western nation is New Zealand in 28th place followed by Norway, 29th. The UK is 51st and Germany is 56th.

4

Due to decades of economic growth, medical advances and improved living standards, life expectancy in the West has increased rapidly. Therefore, a man living in the UK is generally forecast to live 78.5 years compared to 58 years in Ethiopia. However, shockingly, men in east Glasgow have a life expectancy of 54, one of the lowest among developed nations and lower than Afghanistan (59), Ivory Coast (55), Haiti (61) and Iraq (65). Severe poverty, with its hardships leading to alcohol abuse, drug addiction and homelessness, has made east Glasgow one of the most deprived places in the world.

5

So the world is not so unequal, if we don't just focus on financial measures.

6

Source: Charles Saatchi

Charles Saatchi is a wealthy British businessman and co-founder of the world's largest advertising agency.

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