Paper Reference 4EC1/02
Pearson Edexcel
International GCSE

Economics

Level 1/2
Paper 2: Macroeconomics and the Global Economy

Friday 17 January 2020 – Morning

Time: 1 hour 30 minutes plus your additional time allowance.

In the boxes below, write your name, centre number and candidate number.

Surname	
Other names	
Centre Number	
Candidate Number	

Y58384A

Pearson

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

Answer ALL questions.

Answer the questions in the spaces provided in this Question Paper or on the separate data sheets – there may be more space than you need.

Calculators may be used.

You are advised to show all your working out with your answer clearly identified at the end of your solution.

INFORMATION

The total mark for this paper is **80**.

The marks for EACH question are shown in brackets – use this as a guide as to how much time to spend on each question.

There may be spare copies of some data sheets.

ADVICE

Read each question carefully before you start to answer it.

Try to answer every question.

Check your answers if you have time at the end.

Answer ALL questions.

Write your answers in the spaces provided.

Some questions are multiple choice. Write the letter(s) of your chosen answer(s) in the box(es) provided.

1. (a) International trade that takes place with no restrictions is known as

> A globalisation
>
> B protectionism
>
> C free trade
>
> D Foreign Direct Investment

Answer [   ] (1 mark)

(continued on the next page)

1. continued.

(b) What is the name given to a country's exports and imports of services?

A   Visible trade

B   Invisible trade

C   Transfer payments

D   The balance of payments

Answer [ ] (1 mark)

(continued on the next page)

1. continued.

(c) What is meant by the term unemployment?

(2 marks)

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(continued on the next page)

Turn over

1.   continued.

   (d) **What is meant by the term trade–off?**

   (2 marks)

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(continued on the next page)

1. continued.

(e) Calculate, to TWO decimal places, the **rate of unemployment** for a country which has a labour force of **72** million of which **8** million are unemployed.

You are advised to show your working.

(2 marks)

Answer lines continue on the next page.

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1.   (e)   continued.

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(continued on the next page)

1. continued.

    (f) Look at the diagram for Question 1(f) in the Data Book. Using the diagram, draw the effects of the introduction of a tariff on the equilibrium price and quantity of a good. Label the new curve, the new equilibrium price and quantity.

    (3 marks)

(continued on the next page)

1. continued.

In November **2018**, Mexico's current account deficit increased to **$5·082** billion.

(g) Explain ONE reason why the quality of domestic goods might have resulted in this increase in the current account deficit for Mexico.
(3 marks)
Answer lines continue on the next page.

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1. (g) continued.

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1.   continued.

Australia has referred India to the World Trade Organization (WTO) because of the **$725** million subsidies it pays to its sugar cane farmers.

(h)   Analyse why the Indian Government might have given subsidies to its sugar cane farmers.

(6 marks)

Answer lines continue on the next three pages.

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1. (h) continued.

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1. **(h)** **continued.**

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1. **(h)** **continued.**

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(Total for Question 1 = 20 marks)

2. Look at the table for Question 2 in the Data Book.

It shows the rates of taxation in the UK in **2018**.

(continued on the next page)

2.   continued.

(a)   This is an example of what type of taxation system?

A   Indirect

B   Progressive

C   Regressive

D   Value added

Answer [   ]   (1 mark)

(continued on the next page)

2. continued.

(b) To improve the standard of living, which ONE of the following is a government likely to reduce?

A   Welfare payments

B   Subsidies for housing

C   Education

D   Indirect taxes

Answer ☐ (1 mark)

(continued on the next page)

2. continued.

(c) State ONE method of government intervention that should lead to the protection of the environment.

(1 mark)

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(continued on the next page)

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2. continued.

(d) **What is meant by the term relative poverty?**

(2 marks)

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(continued on the next page)

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2. **continued.**

In Manchester, UK, over **350,000** motorists have been issued with parking fines of **£30**. This gave the local government of Manchester additional revenue of **£10·4** million in one year.

(e) Explain ONE advantage for a local government, such as Manchester, of issuing parking fines.

(3 marks)

Answer lines are on the next two pages.

2. **(e)** **continued.**

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2. **(e)** **continued.**

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2.   continued.

A recent report estimates **23%** of gross domestic product (GDP) in Greece is from revenue that goes unrecorded by the government.

(f)   Explain ONE possible reason why a large percentage of Greece's GDP might be unrecorded.

(3 marks)

Answer lines continue on the next page.

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2. (f) continued.

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2.   continued.

Look at the data for Question 2(g) in the Data Book.

(g) With reference to the data and your knowledge of economics, assess the ways a country such as New Zealand could reduce the shortage of seasonal workers. (9 marks)

Answer lines continue on the next five pages.

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2. **(g)** **continued.**

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2. **(g)** **continued.**

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2. **(g)** **continued.**

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2. **(g)** **continued.**

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2. **(g)** **continued.**

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(Total for Question 2 = 20 marks)

3.   (a)   **A fiscal surplus occurs when**

A   **a country exports more than it imports**

B   **government revenue is greater than government expenditure**

C   **a country imports more than it exports**

D   **government expenditure is greater than government revenue**

Answer [ ]   **(1 mark)**

(continued on the next page)

Turn over

3.   continued.

(b)   In an exchange rate system without government intervention, a rise in the exchange rate is known as

   A   appreciation

   B   devaluation

   C   depreciation

   D   revaluation

   Answer [   ]   (1 mark)

(continued on the next page)

3. **continued.**

The rate of inflation in Cyprus decreased from **3·1%** in September to **3%** in October.

(c) Explain ONE reason why low and stable inflation is a macroeconomic objective for a country such as Cyprus.

(3 marks)

Answer lines continue on the next page.

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3. **(c)** **continued.**

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3.   continued.

In November **2018**, the South African Monetary Policy Committee decided to increase interest rates by **0·25%** to **6·75%**. This decision affected the currency of South Africa, the Rand.

(d)   Analyse the likely impact of an increase in interest rates on the currency of South Africa.
(6 marks)
Answer lines continue on the next three pages.

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3. **(d)** **continued.**

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3.   (d)   continued.

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3. **(d)** **continued.**

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3.   continued.

Look at the information and diagram for Question 3(e) in the Data Book.

(e)   With reference to the data for Question 3(e) in the Data Book and your knowledge of economics, assess the likely effectiveness of lower business taxes in stimulating investment in a country such as the US.
(9 marks)
Answer lines are on the next five pages.

3. **(e)** **continued.**

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3. **(e)** **continued.**

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3. **(e)** **continued.**

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3. **(e)** **continued.**

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3.   (e)   continued.

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(Total for Question 3 = 20 marks)

4. **Look at the diagram for Question 4 in the Data Book.**

   It shows Kenya's interest rate (%) from January to October 2018.

   (a) **Calculate the percentage change in Kenya's interest rate between January and October 2018. You are advised to show your working.**

   (2 marks)

   Answer lines continue on the next page.

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4. **(a)** **continued.**

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4. **continued.**

The annual rate of inflation in Kenya was **5·7%** in September **2018** and fell to **5·53%** in October **2018**.

(b) Analyse how monetary policy could be used to further reduce the rate of inflation in Kenya. (6 marks)

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4. **(b)** **continued.**

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4. **(b)** **continued.**

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4. **(b)** **continued.**

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4. **continued.**

Look at the data for Question 4(c) in the Data Book.

(c) **With reference to the data and your knowledge of economics, evaluate the likely benefits for Kenya of the globalisation of its flower industry.**

(12 marks)

Answer lines continue on the next six pages.

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4.   (c)   continued.

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

END OF PAPER