Pearson Edexcel International GCSE

Wednesday 13 November 2024

Morning (Time: 1 hour 30 minutes)

Paper reference **4EC1/02**

Economics

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

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
  – *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*.

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.

Turn over ▶

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a reason why a government wants to reduce poverty and inequality?

(1)

☒ **A** It is a legal requirement

☒ **B** To increase the gap between rich and poor

☒ **C** For basic needs to be met

☒ **D** To increase relative poverty

(b) Which **one** of the following is a benefit of using gross domestic product (GDP) as a measure of growth?

(1)

☒ **A** It considers the distribution of income

☒ **B** It is an accurate measurement of all economic activity

☒ **C** It takes inflation into account

☒ **D** It is easy to compare economic growth between countries

(c) What is meant by the term deflation?

(2)

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(d) Describe the impact of a reduction in the cost of communication on globalisation.

(2)

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Figure 1 shows imports and exports for a country in $bn.

	$bn
Exports of goods	100
Exports of services	26
Imports of goods	87
Imports of services	16

Figure 1

(e) Calculate the **invisible trade balance** in $bn for the country. You are advised to show your working.

(2)

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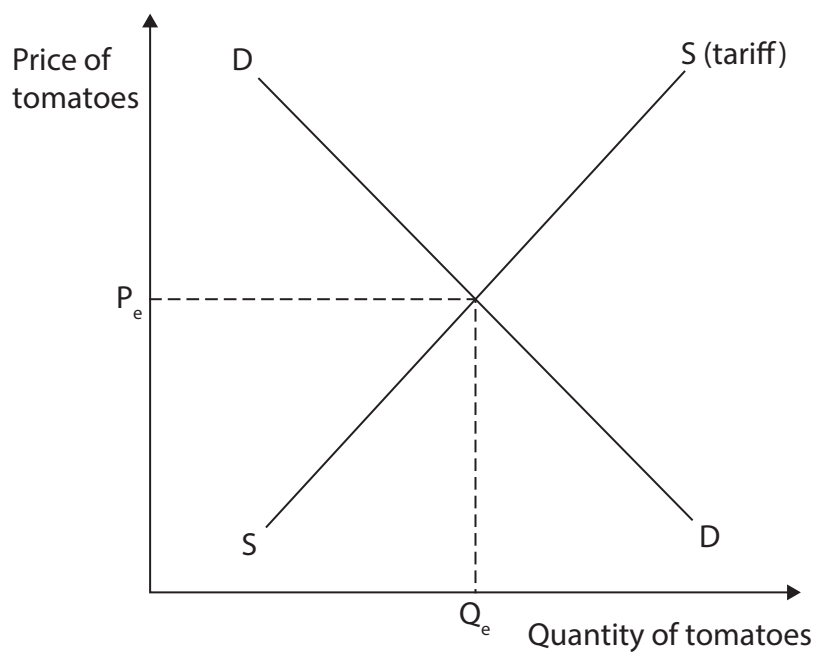
In August 2024, India removed a tariff on imports of tomatoes from Nepal.

(f) Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of tomatoes in India. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

Figure 2

In Singapore, the government fined a construction company $1m for breaking safety laws that led to the death of a worker. The company had failed to provide adequate safety equipment and training for its workers.

(g) Explain **one** reason why governments use fines.

(3)

Annual inflation in Türkiye was 73.5% in May 2023, the highest rate since 1998. This was mainly caused by an annual increase of 152.7% in energy prices.

(h) With reference to the data above and your knowledge of economics, analyse how high levels of cost-push inflation affect business confidence in a country such as Türkiye.

(6)

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(Total for Question 1 = 20 marks)

2 (a) Which **one** of the following is a rise in the value of an exchange rate in a floating exchange rate system?

(1)

- ☒ **A** Appreciation
- ☒ **B** Depreciation
- ☒ **C** Revaluation
- ☒ **D** Devaluation

(b) Which **one** of the following is a reason why there is protection for international trade?

(1)

- ☒ **A** To allow dumping
- ☒ **B** To promote free trade
- ☒ **C** To protect domestic jobs
- ☒ **D** To increase the current account deficit

(c) State **one** possible impact of globalisation on consumers.

(1)

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(d) What is meant by the term asset purchasing?

(2)

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In China there are restrictions on coal consumption and emissions from factories. These restrictions have led to job losses in some industries.

(e) Explain **one** reason why there might be a trade-off between economic growth and environmental protection for an economy such as China.

(3)

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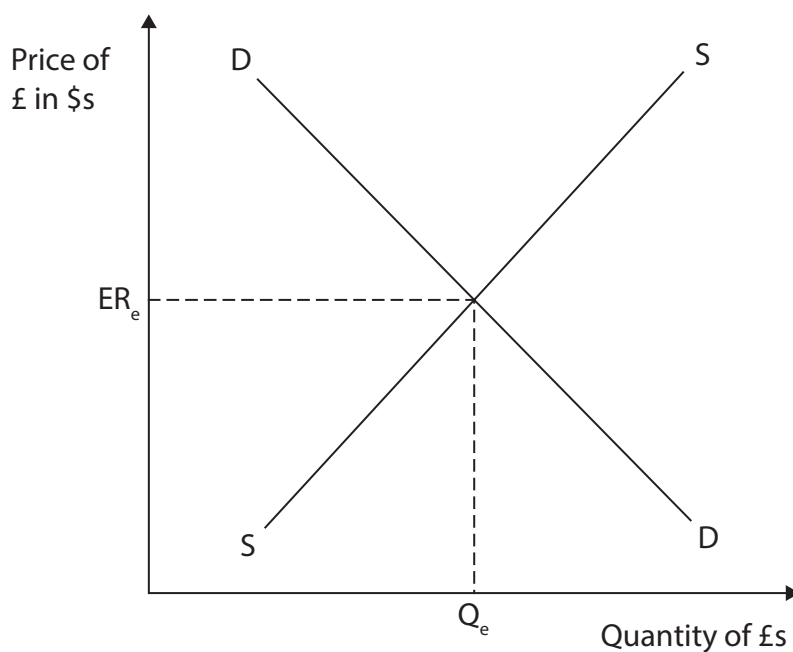
Figure 3 shows the supply of and demand for UK pounds (£) and the equilibrium exchange rate against the US dollar ($).

(f) Using the diagram below, draw the likely effect of a decrease in imports from the US on the equilibrium exchange rate of the UK pound (£) against the US dollar ($). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

Figure 3

ChatGPT is the latest example of artificial intelligence (AI)* technology. There are increased concerns that AI will cause the loss of jobs for millions of workers. This includes Wall Street traders, salespeople, writers of basic computer code and journalists.

IBM has stopped recruiting for 7,800 jobs that could be eventually replaced by AI. British Telecom (BT) predicted that AI would replace 10,000 jobs by 2030.

The use of computer systems to perform tasks normally undertaken by humans.

(g) With reference to the data above and your knowledge of economics, assess the possible impact of the introduction of AI on the levels of structural unemployment.

(9)

(Total for Question 2 = 20 marks)

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QUESTION 3 BEGINS ON THE NEXT PAGE

3 (a) Which **one** of the following is an advantage of a government giving subsidies to domestic producers?

(1)

- ☒ **A** Reduces government spending
- ☒ **B** Increases imports from other countries
- ☒ **C** Increases production of goods and services
- ☒ **D** Reduces trade disputes

The price of a basket of goods and services was £1 200. The consumer price index (CPI) increased from 120 to 130.

(b) Calculate the new price of the basket of goods and services.

(1)

- ☒ **A** £1 210
- ☒ **B** £1 300
- ☒ **C** £1 330
- ☒ **D** £1 450

In March 2023, as part of its supply-side policy, the Italian Government announced business taxes would be reduced from 27% to 24% in January 2024.

(c) Explain the likely impact on productivity of this change in business taxes for a country such as Italy.

(3)

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The Clean Air Act (CAA) is an important regulation that sets standards for air quality in the US. The CAA regulates emissions from cars, trucks and buses.

(d) With reference to the data above and your knowledge of economics, analyse how regulations can help to protect the environment in a country such as the US.

(6)

Australia has a progressive income tax system. Individuals are allowed to earn $18 200 before paying any tax. The rate of tax payable increases as income gets higher. In recent years, income tax has been the fastest growing source of government revenue in Australia.

Australian Government revenue 2022–2023

Key:

■ Income tax
▨ Business tax
⣿ Sales tax
■ Excise duty
▨ Fuel duty
□ Other taxes
▤ Other revenue

8%
3%
3%
3%
14%
47%
22%
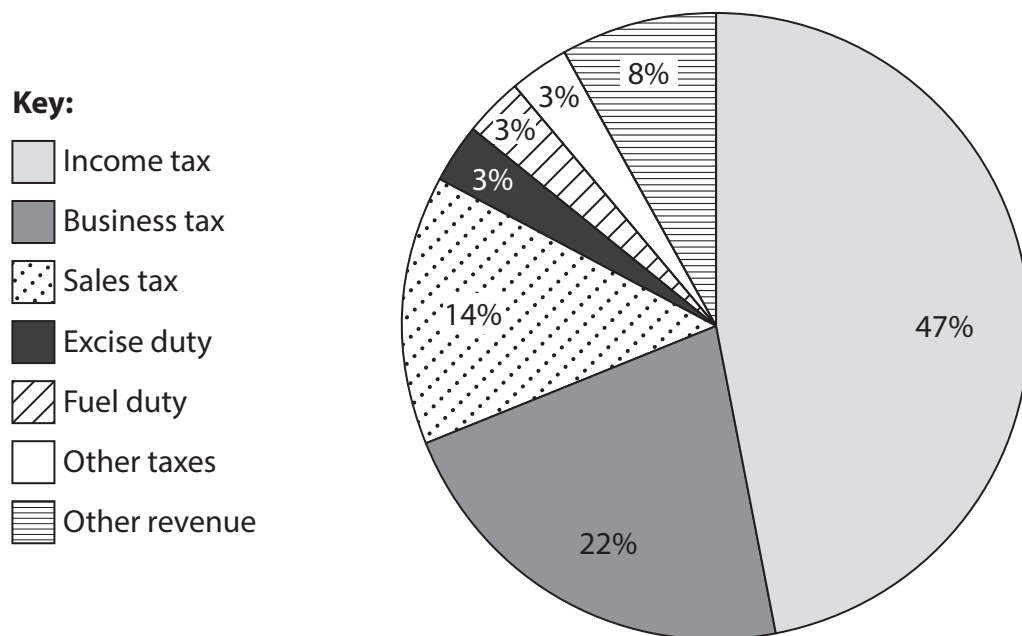
Figure 4

(e) With reference to the data above and your knowledge of economics, assess whether income tax is a reliable source of government revenue for a country such as Australia.

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(Total for Question 3 = 20 marks)

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QUESTION 4 BEGINS ON THE NEXT PAGE

4 Figure 5 shows the gross domestic product (GDP) for India in 2021 and 2022.

	2021	2022
GDP ($bn)	3 150.31	3 385.09

Figure 5

(a) Calculate, to two decimal places, the **percentage change in GDP** for India between 2021 and 2022. You are advised to show your working.

(2)

The Indian Government offers many different benefit payments and other provisions to very low-income individuals and families to help to reduce poverty. These include cash transfers, food rations and training courses for unemployed workers.

(b) With reference to the data above and your knowledge of economics, analyse how benefits offered by the government can help to reduce poverty for a country such as India.

(6)

In October 2023, India was once again considering joining the Regional Comprehensive Economic Partnership (RCEP).

The RCEP is the world's largest trading bloc, accounting for about 30% of global trade. It consists of 15 member countries including China, Japan and South Korea, the three largest economies in Asia.

India withdrew from RCEP negotiations in 2019, saying that it had concerns about the impact of the agreement on its domestic industries, particularly agriculture and manufacturing.

The Indian Government has been in talks with RCEP member countries to obtain a fair and balanced trade deal that would benefit all stakeholders.

(c) With reference to the data above and your knowledge of economics, evaluate the possible benefits for India of joining the RCEP trading bloc.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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