

**Paper Reference 4EC1/02**  
**Pearson Edexcel**  
**International GCSE**

Total Marks

**Economics**

**Level 1/2**

**Paper 2: Macroeconomics and the  
Global Economy**

**Monday 3 June 2019 – Afternoon**

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

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

<b>Surname</b>					
<b>Other names</b>					
<b>Centre Number</b>					
<b>Candidate Number</b>					

**Y60748A**

**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 in the Data Book – 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.**

**Turn over**

## **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) The increased integration and interdependence of economies is known as**

**A privatisation**

**B specialisation**

**C protectionism**

**D globalisation**

**Answer**

**(1 mark)**

**(continued on the next page)**

**Turn over**

1. continued.

(b) What is the main cause of frictional unemployment?

- A** People choosing not to work
- B** People having the wrong skills
- C** People changing jobs
- D** People employed at certain times of the year

Answer

(1 mark)

(continued on the next page)

Turn over

**1. continued.**

**(c) What is meant by the term  
interest rate?  
(2 marks)**

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**Turn over**

1. continued.

(d) Describe ONE impact on consumers of a decrease in interest rates.

(2 marks)

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Turn over



**1. continued.**

**Rachel buys a t–shirt for  
1 000 Kenyan shillings (KES) when  
she is on holiday. The exchange rate  
is £1 = 137.73 KES.**

**(e) Calculate, to two decimal places,  
the price in sterling (£) of  
Rachel’s t–shirt. You are advised  
to show your working.**

**(2 marks)**

**Answer lines continue on the  
next page.**

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**Turn over**

**1. (e) continued.**

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**(continued on the next page)**

**Turn over**

**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 quota on the equilibrium price and quantity of a good. Label the new curve, the new equilibrium price and new equilibrium quantity.  
(3 marks)**

**(continued on the next page)**

**Turn over**

**1. continued.**

**In 2017 the US government wanted to introduce a 300% tariff on imported aircraft made by Canadian manufacturer Bombardier.**

**(g) Explain ONE way the World Trade Organisation could promote free trade between countries such as Canada and the US.**

**(3 marks)**

**Answer lines continue on the next page.**

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**Turn over**

1. (g) continued.

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Turn over

**1. continued.**

**In January 2018, Australia had an unemployment rate of 5.5%**

**(h) Analyse how the Australian government might reduce unemployment by using fiscal policy.**

**(6 marks)**

**Answer lines continue on the next two pages.**

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**Turn over**

1. (h) continued.

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Turn over

**1. (h) continued.**

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**(Total for Question 1 = 20 marks)**

**Turn over**



2. The price of a basket of goods and services used to calculate the Consumer Price Index (CPI) in an economy, rose from €1 250 to €1 300 in one year.

(a) What is the rate of inflation?

A 0·96%

B 1·04%

C 4%

D 5%

Answer

(1 mark)

(continued on the next page)

Turn over

**2. continued.**

**(b) What is the name of the term used to describe tax on income, wealth and profit?**

**A Direct taxation**

**B Value added tax**

**C Excise duties**

**D Indirect taxation**

**Answer**

**(1 mark)**

**(continued on the next page)**

**Turn over**

**2. continued.**

**(c) State ONE way businesses can  
damage the environment.**

**(1 mark)**

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**Turn over**

**2. continued.**

**(d) What is meant by the term  
supply–side policy?  
(2 marks)**

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**Turn over**

**2. continued.**

**In October 2017 the currency of the Philippines, the peso, fell to its lowest level against the US dollar in more than 11 years.**

- (e) Explain ONE advantage of having a depreciating currency for an economy such as the Philippines.  
(3 marks)**

**Answer lines continue on the next page.**

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**Turn over**

**2. (e) continued.**

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**Turn over**

**2. continued.**

**According to the UN there are now over 63,000 multinational corporations (MNCs) and the number is growing daily. Many well-known MNCs, including PepsiCo, the Tata Group and Microsoft, are expanding in India.**

**(f) Explain ONE possible reason for the emergence of MNCs in a country such as India.**

**(3 marks)**

**Answer lines are on the next two pages.**

**Turn over**

**2. (f) continued.**

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**Turn over**



**2. (f) continued.**

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**Turn over**

**2. continued.**

**The Association of South East Asian Nations (ASEAN) is a trade bloc. It was set up in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Later it was joined by Brunei, Laos, Vietnam, Myanmar and Cambodia and became a 10 member trading bloc in 2016**

**(continued on the next page)**

**Turn over**

**2. continued.**

**(g) Look at the information for Question 2(g) in the Data Book. With reference to the data and your knowledge of economics, assess the benefits for a country, such as Thailand, of being a trade bloc member.**

**(9 marks)**

**Answer lines continue on the next five pages.**

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**Turn over**

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)**

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**Turn over**



3. (a) What is the name given to a country's exports and imports of physical goods?

**A** Trade in goods

**B** Income flows

**C** Trade in services

**D** Transfer payments

Answer

(1 mark)

(continued on the next page)

Turn over

**3. continued.**

**(b) What term refers to a firm or country selling an export below the cost of production?**

**A Quotas**

**B Dumping**

**C Deregulation**

**D Tariffs**

**Answer**

**(1 mark)**

**(continued on the next page)**

**Turn over**

**3. continued.**

**(c) Explain ONE method of government intervention that could be used to protect the environment.**

**(3 marks)**

**Answer lines continue on the next page.**

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**Turn over**

**3. (c) continued.**

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**Turn over**

**3. continued.**

- (d) Analyse the possible impact of unemployment on an economy.  
(6 marks)**

**Answer lines continue on the next two pages.**

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**Turn over**

3. (d) continued.

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**3. (d) continued.**

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**Turn over**

**3. continued.**

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

**Inflation remains a major problem for Turkey's economy. Annual inflation in Turkey increased to 11·9% in October 2017. The highest price rises were for transportation, which rose by 16·79% and food, which increased by 12·74%**

**(continued on the next page)**

**Turn over**



**3. continued.**

**(e) With reference to the data and your knowledge of economics, assess the impact of inflation on a country such as Turkey.**

**(9 marks)**

**Answer lines continue on the next four pages.**

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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)**

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**Turn over**

- 4. Look at the table for Question 4 in the Data Book.**

**GDP per capita is a measure of a country's economic output that accounts for population. The table shows the population and gross domestic product (GDP) for Vietnam in 2016**

- (a) Calculate, to two decimal places, the GDP per capita for Vietnam in 2016. You are advised to show your working.**

**(2 marks)**

**Answer lines are on the next page.**

**Turn over**

4. (a) continued.

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(continued on the next page)

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**4. continued.**

**The unemployment rate fell in Vietnam between 2015 and 2016 but in the same period the inflation rate increased.**

**(b) Analyse how a fall in unemployment may have caused an increase in Vietnam's inflation rate.**

**(6 marks)**

**Answer lines continue on the next two pages.**

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**Turn over**



**4. (b) continued.**

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4. (b) continued.

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**4. continued.**

**A report by the charity Oxfam, stated that Vietnam has 210 super-rich people. Their combined earnings for one year are enough to take 3·2 million people out of poverty and end absolute poverty in Vietnam. To reduce inequality and poverty, Oxfam is calling on international leaders to increase taxes to fund healthcare, education and job creation. Oxfam also asked business leaders to pay employees a living wage and pay their fair share of tax.**

**(continued on the next page)**

**Turn over**

**4. continued.**

**(c) With reference to the data on the previous page and your knowledge of economics, evaluate whether an increase in progressive taxes is the most effective way to reduce inequality and poverty for a country such as Vietnam.**

**(12 marks)**

**Answer lines continue on the next six pages.**

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**Turn over**

4. (c) continued.

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4. (c) continued.

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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**