

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

<b>Total Marks</b>
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**Economics**  
**Level 1/2**  
**PAPER 2: Macroeconomics and the Global Economy**

**Time: 1 hour 30 minutes**

**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>					

**YOU MUST HAVE**

**Nil**

**YOU WILL BE GIVEN**

**Data Booklet**

## **INSTRUCTIONS**

**Answer ALL questions.**

**Answer the questions in the spaces provided in this Question Paper or in the Data Booklet – 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 in case you need them.**

**Turn over**

**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.**

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**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) A firm is described as a multinational corporation (MNC) if it

**A** has shareholders in many countries

**B** exports goods to other countries

**C** is owned by the government

**D** operates in more than one country

Answer

(1 mark)

(continued on the next page)

1. continued.

(b) An increase in which ONE of the following would be most likely to encourage saving?

**A** Interest rate

**B** Income tax rate

**C** Exchange rate

**D** Indirect tax rate

Answer

(1 mark)

(continued on the next page)

1. continued.

(c) What is meant by the term imports?

(2 marks)

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1. continued.

(d) Describe ONE reason why governments make benefit payments.

(2 marks)

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**1. continued.**

**Look at the table for Question 1(e) in the Data Booklet. It shows the UK's imports and exports for the year ending July 2019.**

**(e) Using the data in the table in the Data Booklet, calculate in £ billion, the current account for the UK year ending July 2019. You are advised to show your working.**

**(2 marks)**

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**Turn over**

**1. continued.**

**Look at the diagram for Question 1(f) in the Data Booklet. In December 2019, the UK and the European Union (EU) negotiated North Sea fishing quotas for 2020. It was agreed to increase the fishing quota for haddock by 30%.**

- (f) Using the diagram in the Data Booklet, draw the effects of the introduction of the new quota on the equilibrium price and quantity of haddock. Label the new curve, the new equilibrium price and new equilibrium quantity.**
- (3 marks)**

**(continued on the next page)**

1. continued.

Norway had a current account surplus of **19·07** billion Norwegian Krone (NOK) in the fourth quarter of **2019**.

(g) Explain ONE possible reason why a country such as Norway had a current account surplus.  
(3 marks)

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1. (g) continued.

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**1. continued.**

**The rate of Value Added Tax (VAT), a type of indirect taxation in the UK, is 20%.**

**(h) With reference to the data above and your knowledge of economics, analyse how a reduction in indirect taxation is likely to affect the standard of living in a country such as the UK.**

**(6 marks)**

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

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**1. (h) continued.**

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1. (h) continued.

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(Total for Question 1 = 20 marks)

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2. (a) Globalisation results in increasing

- A** levels of debt for all national economies
- B** protectionism amongst national economies
- C** amounts of legislation for national economies
- D** integration and interdependence of national economies

Answer

(1 mark)

(continued on the next page)



**2. continued.**

**(b) Which ONE of the following is a possible impact of economic growth?**

- A An increase in unemployment**
- B An increase in environmental damage**
- C A reduction in investment**
- D A reduction in tax revenues**

**Answer**

**(1 mark)**

**(continued on the next page)**

**2. continued.**

**(c) State ONE type of unemployment.**

**(1 mark)**

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2. continued.

(d) What is meant by the term recovery?

(2 marks)

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**2. continued.**

**Nigeria's rate of inflation increased to 12·2% in February 2020. A rise in the price of food products, such as bread and meat, was the main reason for the increase.**

**(e) Explain ONE impact of rising inflation on shoe leather costs in Nigeria.**

**(3 marks)**

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2. (e) continued.

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**2. continued.**

**Look at the diagram for Question 2(f) in the Data Booklet. It shows the supply of and demand for the UK pound (£) in terms of US dollars (\$) and the equilibrium exchange rate.**

- (f) Using the diagram in the Data Booklet, draw the effects on the exchange rate of the UK pound (£) from an increase in UK exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.**
- (3 marks)**

**(continued on the next page)**

**2. continued.**

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

**(g) With reference to the data in the Data Booklet and your knowledge of economics, assess the advantages of free trade for firms located within the EU.**

**(9 marks)**

**Answer lines continue on the next three 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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**(Total for Question 2 = 20 marks)**

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3. (a) Which ONE of the following is an example of deregulation?

**A** Introducing a national minimum wage rate

**B** More health and safety laws

**C** Introducing licences for firms to operate

**D** More firms allowed to enter a market

Answer

(1 mark)

(continued on the next page)

**3. continued.**

**(b) Which ONE of the following is likely to cause cost–push inflation?**

- A An improvement in productivity**
- B An improvement in weather conditions**
- C An increase in wage rates**
- D An increase in the consumption of goods**

**Answer**

**(1 mark)**

**(continued on the next page)**

**3. continued.**

**The UK Government gives subsidies to firms in the renewable energy market that provide wind and solar energy.**

**(c) Explain ONE reason why the UK Government gives subsidies to firms in the renewable energy market.**

**(3 marks)**

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**Turn over**

3. (c) continued.

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**3. continued.**

**Nauru is a tiny island country in Micronesia, northeast of Australia. It has a population of 10,824. In 2019, Nauru had a fiscal surplus of 16.1% of GDP.**

**(d) With reference to the data above and your knowledge of economics, analyse the benefits of having a fiscal surplus for a country such as Nauru.**

**(6 marks)**

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**3. (d) continued.**

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3. (d) continued.

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**3. continued.**

**Look at the data for Question 3(e) in the Data Booklet.**

- (e) With reference to the data in the Data Booklet and your knowledge of economics, assess the effectiveness of pollution permits in protecting the environment for a country such as the US. (9 marks)**

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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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4. Look at the table for Question 4(a) in the Data Booklet. It shows the **\$618 billion** spent by India on existing infrastructure projects in **2019**.

(a) Calculate, to two decimal places, the **percentage** of spending on all existing infrastructure projects that was spent on renewable energy in India in **2019**. You are advised to show your working.

(2 marks)

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**4. continued.**

**Look at the diagram for Question 4(b) in the Data Booklet. It shows the average unemployment rate (%) in India between 2016 and April 2020.**

**(b) With reference to the data in the Data Booklet and your knowledge of economics, analyse the impact of rising unemployment rates on business confidence for a country such as India.**

**(6 marks)**

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

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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 Booklet.**

- (c) With reference to the data in the Data Booklet and your knowledge of economics, evaluate the effectiveness of spending on infrastructure to increase total output in a country such as India. (12 marks)**

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

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**4. (c) continued.**

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**4. (c) continued.**

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**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)

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**TOTAL FOR PAPER = 80 MARKS**

**END OF PAPER**

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