

Paper Reference 4EC1/02
Pearson Edexcel
International GCSE

Total Marks

Economics

Level 1/2

PAPER 2: Macroeconomics and the Global Economy

Wednesday 14 June 2023 – Afternoon

Time: 1 hour 30 minutes

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

Surname					
Other names					
Centre Number					
Candidate Number					

YOU MUST HAVE

Nil

YOU WILL BE GIVEN

Data Booklet

INSTRUCTIONS

Answer ALL questions.

Answer the questions in the spaces provided in the 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 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.

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) Which ONE of the following describes the recovery phase of the economic cycle?

- A** GDP is growing at its fastest and business activity increases
- B** GDP starts to rise and economic activity is on the increase
- C** GDP is still growing but more slowly
- D** GDP falls for two successive quarters

Answer

(1 mark)

(continued on the next page)

1. continued.

(b) Which ONE of the following is an example of frictional unemployment?

- A** A bank cuts jobs during a global recession
- B** Workers are unemployed whilst waiting to start a new job
- C** Fewer workers are employed on fruit farms in the winter months
- D** Factory workers lose their jobs as more machines are used

Answer

(1 mark)

(continued on the next page)

1. continued.

(c) What is meant by the term exports?

(2 marks)

(continued on the next page)

1. continued.

(d) What is meant by the term globalisation?

(2 marks)

(continued on the next page)

1. continued.

The consumer price index (CPI) was **105·4** in **2021** and it was **100** in the base year **2018**.

(e) Calculate how much the **average price level** increased between **2018** and **2021**.

You are advised to show your working.

(2 marks)

(continued on the next page)

1. continued.

Look at the diagram for Question 1(f) in the Data Booklet. It shows the supply of and demand for UK pounds (£) in terms of US dollars (\$) and the equilibrium exchange rate.

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

(continued on the next page)

1. continued.

The UK's annual inflation rate was **5·1%** in **December 2021**, its highest rate in a decade. The rise was due to higher prices for transport, food, clothing and footwear.

(g) Explain ONE effect of rising inflation on menu costs in the UK.

(3 marks)

Answer lines continue on the next page.

1. (g) continued.

(continued on the next page)

1. continued.

In **2022**, Columbia maintained its current import quotas for rice. Rice is a staple food in Columbia and many domestic farmers rely on its production.

(h) Analyse the possible benefits for Columbia of having import quotas.

(6 marks)

Answer lines continue on the next two pages.

1. (h) continued.

[illegible]

1. (h) continued.

[illegible]

(Total for Question 1 = 20 marks)

Turn over

2. (a) Fiscal policy would involve a change in which ONE of the following?

- A Exchange rates
- B Interest rates
- C Production rates
- D Tax rates

Answer

(1 mark)

(continued on the next page)

2. continued.

(b) A savings account has €5 000 in it at the start of the year. If the interest rate is 2%, what is the total amount in the account at the end of the year?

A €100

B €2 500

C €4 900

D €5 100

Answer

(1 mark)

(continued on the next page)

2. continued.

(c) State ONE role of a central bank.

(1 mark)

(continued on the next page)

2. continued.

(d) What is meant by the term current account surplus?

(2 marks)

(continued on the next page)

2. continued.

Erasmus is an organisation that provides education and training for young people in Europe. In 2020, it funded over 640,000 educational experiences.

(e) Explain ONE impact education and training may have on inequality and poverty.

(3 marks)

Answer lines continue on the next page.

2. (e) continued.

(continued on the next page)

2. continued.

Look at the diagram for Question 2(f) in the Data Booklet. In 2021, the Canadian Government introduced subsidies for the purchase of electric vehicles.

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

(continued on the next page)

2. continued.

In 2022, the UK Government announced plans to spend over £130 billion to improve the economic infrastructure of the country. This included £5·7 billion for eight city regions in order to improve transport links between the cities. In addition, £5 billion has been allocated to provide super-fast broadband in hard-to-reach areas of the UK.

(g) With reference to the data above and your knowledge of economics, assess the impact of infrastructure spending on the productive potential of a country such as the UK.

(9 marks)

Answer lines continue on the next four pages.

2. (g) continued.

[illegible]

Turn over

2. (g) continued.

[illegible]

Turn over

2. (g) continued.

[illegible]

2. (g) continued.

(Total for Question 2 = 20 marks)

3. (a) A decrease in unemployment is likely to result in

A a decrease in tax revenues

B a decrease in economic growth

C an increase in inflation

D an increase in relative poverty

Answer

(1 mark)

(continued on the next page)

3. continued.

(b) Which ONE of the following is a possible disadvantage of Foreign Direct Investment (FDI)?

A Increased level of skills

B Greater environmental damage

C Higher employment levels

D Faster economic growth

Answer

(1 mark)

(continued on the next page)

3. continued.

In December 2021, the US current account deficit increased to \$214.8 billion. This was the largest deficit since 2006.

(c) Explain ONE reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US current account.

(3 marks)

Answer lines continue on the next page.

3. (c) continued.

(continued on the next page)

3. continued.

In December 2021, the UK and Australia signed a free trade agreement. The agreement will remove 99% of the tariffs on imports from Australia.

(d) With reference to the data above and your knowledge of economics, analyse the disadvantages of free trade for UK firms.

(6 marks)

Answer lines continue on the next two pages.

3. (d) continued.

[illegible]

Turn over

3. (d) continued.

[illegible]

(continued on the next page)

Turn over

3. continued.

The Shetland Islands are part of Scotland.

Shetland College is the only Further Education college located in the Shetland Islands. It was privatised in August 2021. The managers at the college claim privatisation will improve educational and training opportunities on the Shetland Islands.

Critics claim it could negatively impact staff contracts and working conditions. It may reduce the number of courses available to students and allow managers at the college to award themselves much higher levels of pay.

(e) With reference to the data above and your knowledge of economics, assess the possible benefits of privatising the college.

(9 marks)

Answer lines continue on the next four pages.

3. (e) continued.

[illegible]

Turn over

3. (e) continued.

[illegible]

Turn over

3. (e) continued.

[illegible]

Turn over

3. (e) continued.

(Total for Question 3 = 20 marks)

4. Look at the table for Question 4(a) and 4(b) in the Data Booklet. It shows the fiscal deficit (€ billion) for Spain in 2019 and 2020.

- (a) Calculate, to two decimal places, the percentage change in the fiscal deficit for Spain between 2019 and 2020. You are advised to show your working.

(2 marks)

(continued on the next page)

4. continued.

One of Spain's main macroeconomic objectives is to reduce its fiscal deficit.

(b) With reference to the data in the table for Question 4(a) and 4(b) in the Data Booklet, and your knowledge of economics, analyse the impact of a fiscal deficit for a country such as Spain.

(6 marks)

Answer lines continue on the next two pages.

Turn over

4. (b) continued.

[illegible]

Turn over

4. (b) continued.

[illegible]

(continued on the next page)

Turn over

4. continued.

Look at the information for Question 4(c) in the Data Booklet.

(c) With reference to the data for Question 4(c) in the Data Booklet and your knowledge of economics, evaluate how effective subsidies are in protecting the environment in a country such as Spain.

(12 marks)

Answer lines continue on the next five pages.

4. (c) continued.

[illegible]

Turn over

4. (c) continued.

[illegible]

Turn over

4. (c) continued.

[illegible]

Turn over

4. (c) continued.

[illegible]

Turn over

4. (c) continued.

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

END OF PAPER

Sources

Question 2(g)

(Source: <https://www.gov.uk/government/news/levelling-up-boost-for-yorkshire-as-new-national-infrastructure-commission-site-announced-in-leeds>)

Question 3(e)

(Source: <https://www.thenational.scot/news/19483135.campaigners-unions-issue-warning-shetland-college-privatisation/>)