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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

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 ▶

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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 role of the World Trade Organization (WTO)?

(1)

- ☒ **A** Writing off debts
- ☒ **B** Settling trade disputes
- ☒ **C** Increasing trade barriers
- ☒ **D** Paying subsidies to producers

(b) Which **one** of the following is an example of a supply-side policy to increase output?

(1)

- ☒ **A** Increasing income tax
- ☒ **B** Increasing interest rates
- ☒ **C** Increasing the school-leaving age
- ☒ **D** Increasing business taxes

(c) What is meant by the term economies of scale?

(2)

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(d) Describe **one** advantage of free trade for consumers.

(2)

Figure 1 shows the income tax rates for the UK in 2020–2021. Sofia earns £35 000 as a teacher. This means Sofia only pays 20% tax on £22 500 of her salary.

Taxable income	Tax rate (%)
0 to £12 500	0%
£12 501 to £50 000	20%
£50 001 to £150 000	40%
Over £150 000	45%

Figure 1

(Source: https://www.gov.uk/income-tax-rates)

(e) Calculate the **net pay** in £ for Sofia. You are advised to show your working.

(2)

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In May 2020, China introduced a tariff of 80% on Australian barley.

(f) Using the diagram below, draw the effects of the introduction of a tariff on the equilibrium price and quantity of Australian barley. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

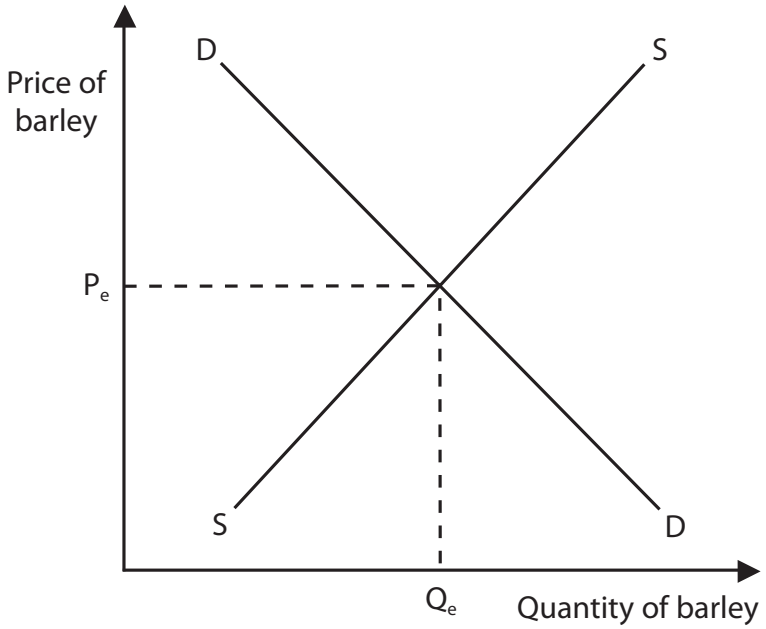

Figure 2

Tourism is a major sector in the French economy. It employs around 2 million people, both directly and indirectly.

(g) Explain **one** reason why some people in the tourism sector might suffer from seasonal unemployment in a country such as France.

(3)

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In December 2020, Australia had a current account surplus of $18.1bn, a rise of $4.4bn on the previous quarter.

(h) Analyse the benefits of a current account surplus for a country such as Australia.

(6)

(Total for Question 1 = 20 marks)

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2 (a) Money earned from foreign tourists visiting Canada is shown in Canada's current account on the balance of payments as:

(1)

- ☒ **A** visible exports
- ☒ **B** visible imports
- ☒ **C** invisible exports
- ☒ **D** invisible imports

(b) Which **one** of the following is likely to help protect the environment?

(1)

- ☒ **A** An increase in fines
- ☒ **B** An increase in pollution permits
- ☒ **C** A reduction in regulation
- ☒ **D** A reduction in the provision of parks

(c) State **one** possible disadvantage of economic growth.

(1)

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(d) What is meant by the term privatisation?

(2)

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In March 2021, the Scottish Government announced a package of measures worth £37.2m. This money is to be given to low income households to tackle poverty and inequality in Scotland.

(e) Explain **one** possible reason why the Scottish Government wants to reduce poverty and inequality.

(3)

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(f) Using the diagram below, label the remaining **three** stages of the economic cycle in the boxes on the diagram.

(3)

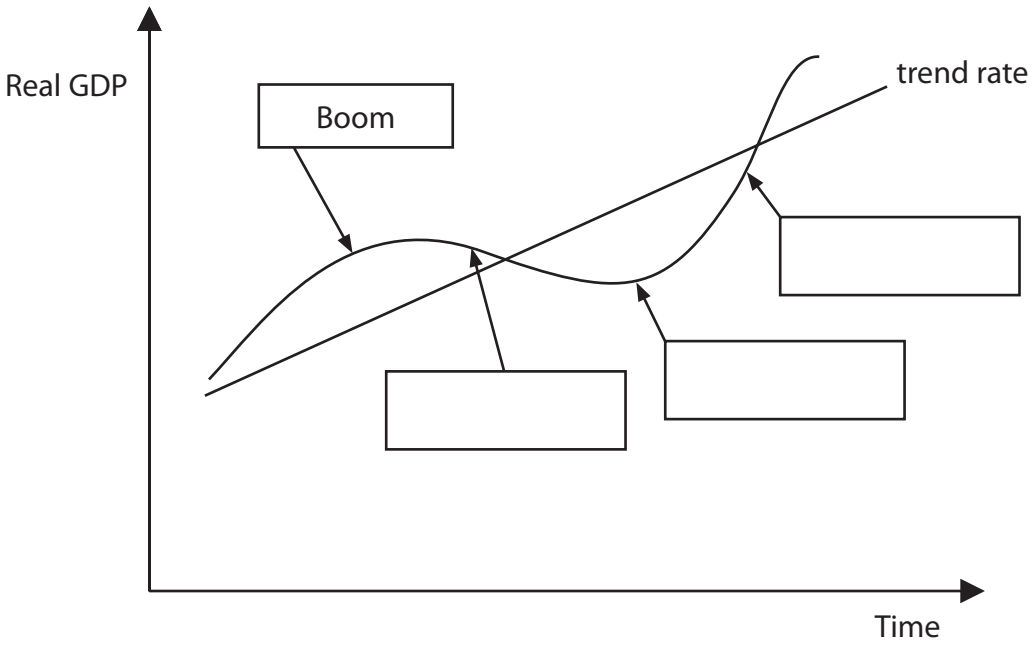

Figure 3

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In 2020, 2% of US exports went to Australia. The main categories of goods exported included machinery, vehicles, medical instruments and aircraft. The US dollar ($) depreciated against the Australian dollar (AUD) in 2020.

(g) With reference to the data above and your knowledge of economics, assess the likely impact on the demand for US exports to Australia after the depreciation of the US dollar.

(9)

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(Total for Question 2 = 20 marks)

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3 (a) What was the rate of inflation if the consumer price index (CPI) of a country rose from 120 to 150?

(1)

- ☒ **A** 25%
- ☒ **B** 30%
- ☒ **C** 50%
- ☒ **D** 150%

(b) Which **one** of the following is an impact of globalisation?

(1)

- ☒ **A** Higher prices
- ☒ **B** Closing of traditional industries
- ☒ **C** Reduced choice
- ☒ **D** Increased cost of communication

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In December 2020, the UK unemployment rate was 5.1%. This was an increase of 1.3% from September 2020.

(c) Explain **one** likely impact on UK tax revenue from rising unemployment rates.

(3)

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Lithium is used in batteries to power various electrical and electronic goods including mobile phones and electric cars. Lithium has to be mined from the ground and large deposits are found in countries such as Chile. Lithium mining uses a lot of water – approximately 2 million litres per tonne of lithium.

(d) Analyse how business activity can damage the environment in a country such as Chile.

(6)

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The number of unemployed people in Spain reached 4 million in February 2021. This was a rise of 44,436 people from the previous month and was the highest level since May 2016. This was the fifth monthly increase in unemployment. The sectors most affected included tourism and commerce. The only sector that made a recovery was construction.

(e) With reference to the data above and your knowledge of economics, assess the likely benefits of lowering taxes to reduce unemployment for a country such as Spain.

(9)

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(Total for Question 3 = 20 marks)

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4 Figure 4 shows labour force information for Mexico in the third quarter of 2020.

Labour force	51,011,033
Number of unemployed	2,769,491

Figure 4

(Source adapted from: https://tradingeconomics.com/mexico/unemployed-persons)

(a) Calculate, to two decimal places, the **rate of unemployment** for Mexico in the third quarter of 2020. You are advised to show your working.

(2)

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In Mexico the minimum wage was increased by 15% to 141.7 pesos (US $7.15) in 2021. Nearly 11 million workers in Mexico are paid the minimum wage.

(b) Analyse the impact of increasing wages on inflation in Mexico.

(6)

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In December 2020, Mexico had its biggest fall in GDP for nearly 100 years. Its GDP fell by 9.3% compared to 2019. Inflation was at 3.3% and had exceeded its target rate of 3% in August and October 2020.

Mexico's central bank kept its interest rate at 4.25% in December 2020. This followed 11 reductions in interest rates and the central bank said it needed time to assess the country's economic situation.

Mexican Interest Rate (%)

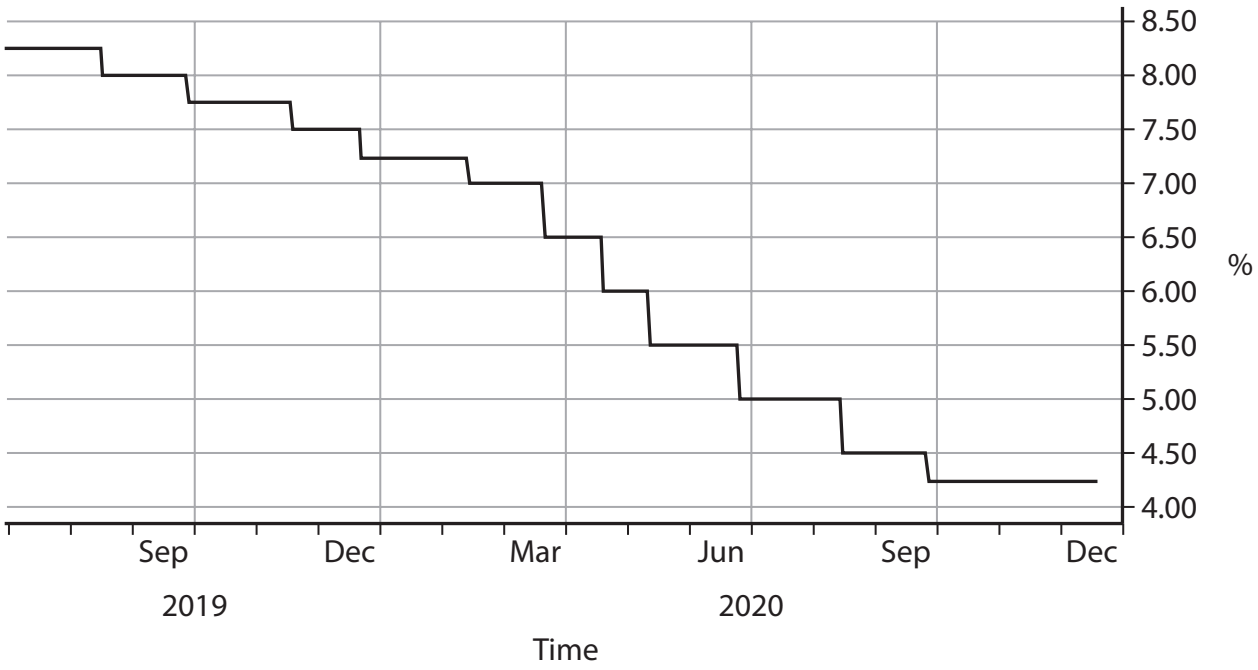

Figure 5

(Source adapted from: https://www.bloomberg.com/news/articles/2020-12-17/mexico-holds-key-interest-rate-despite-abrupt-inflation-slowdown)

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of monetary policy in increasing total output in a country such as Mexico.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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