www.dynamicpapers.com

Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
|---|---|
| | |

Centre Number | Candidate Number

# Pearson Edexcel International Advanced Level

**Time** 2 hours

**Paper reference** **WEC14/01**

# Economics

## International Advanced Level
## UNIT 4: Developments in the global economy

**You must have:**
Source Booklet (enclosed)

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 in Section A and Section B.
- Answer **TWO** questions in Section C.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

## 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.*
- Calculators may be used.

## Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

*Turn over* ▶

P73485A

©2023 Pearson Education Ltd.

J:1/1/1/

P 7 3 4 8 5 A 0 1 2 8

Pearson

www.dynamicpapers.com

## SECTION A

**Answer ALL questions in this section.**

**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** In 2021 the US dollar appreciated by around 10% against the euro.

Which **one** of the following factors is likely to have caused this appreciation of the US dollar?

☒ **A** A decrease in confidence in the USA's economy by currency speculators

☒ **B** A decrease in the USA's rate of economic growth

☒ **C** An increase in capital flight out of the USA into the eurozone

☒ **D** An increase in the USA's base interest rate relative to the eurozone

**(Total for Question 1 = 1 mark)**

**2** Between 2012 and 2021 Paraguay's national debt increased from $3.6 billion to $13.3 billion.

Which **one** of the following is the most likely effect of an increase in the national debt of a country?

☒ **A** A decrease in the rate of inflation

☒ **B** A decrease in debt servicing costs

☒ **C** An increase in crowding out

☒ **D** An increase in tax revenues

**(Total for Question 2 = 1 mark)**

**3** In 2021 the Nigerian Government introduced a tax of N10 per litre on sugary drinks.

Which **one** of the following can be deduced from this information?

☒ **A** It is an ad valorem tax

☒ **B** It is a specific tax

☒ **C** It is a tax on income

☒ **D** It is a tax on company profits

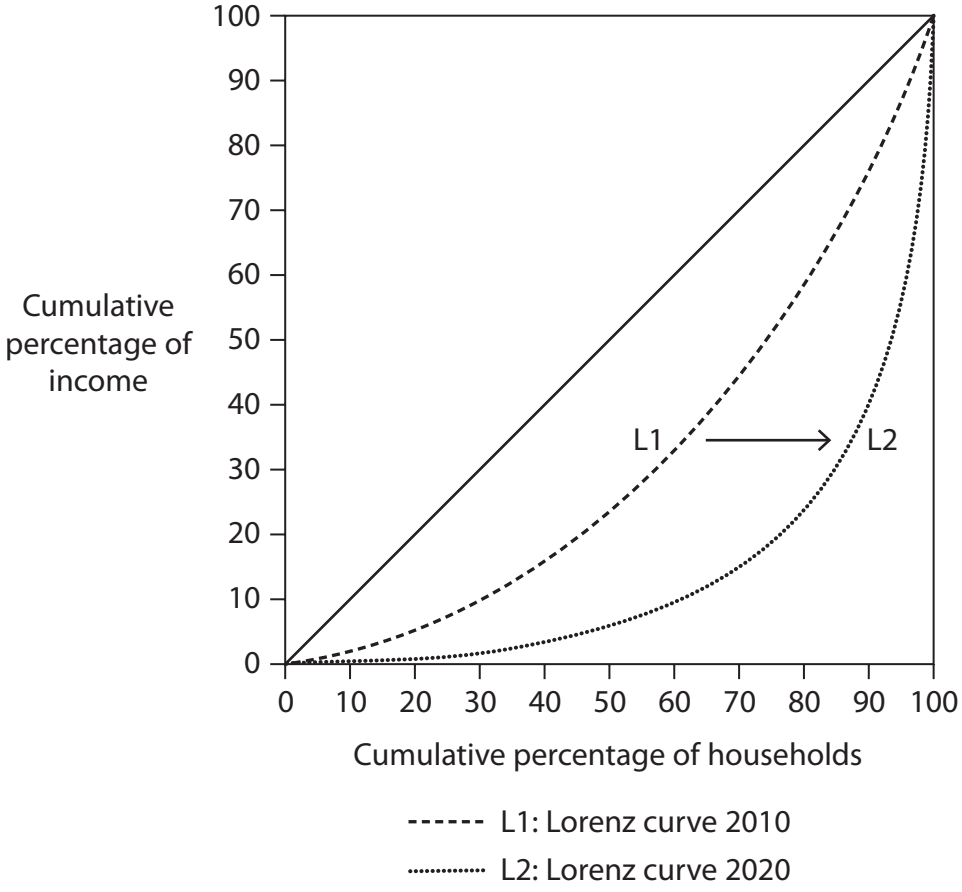
**(Total for Question 3 = 1 mark)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

**4** The diagram illustrates the Lorenz curves for an economy in 2010 and 2020.



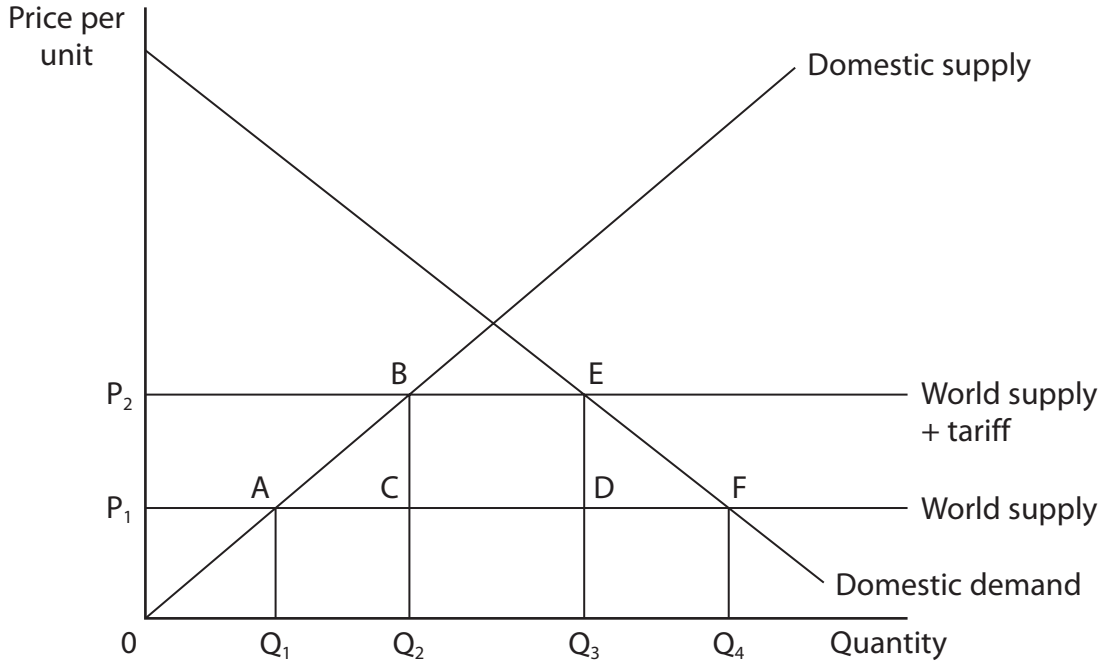

Which **one** of the following is most likely to have caused the shift in the Lorenz curve from L1 to L2?

- ☒ **A** A decrease in public expenditure on transfer payments
- ☒ **B** A decrease in the rate of unemployment
- ☒ **C** An increase in the national minimum wage
- ☒ **D** An increase in spending on training for unskilled workers

**(Total for Question 4 = 1 mark)**

www.dynamicpapers.com

**5** The diagram illustrates the imposition of a tariff.




Which **one** of the following can be deduced from this diagram?

☒ **A** Consumer surplus has increased by the area $P_1P_2EF$

☒ **B** Government tax revenue is the area ABEF

☒ **C** Net welfare loss areas are ABC and DEF

☒ **D** Producer surplus has decreased by the area $P_1P_2BA$

**(Total for Question 5 = 1 mark)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

**6** Between 2019 and 2020 France's rank on the Global Competitiveness Index decreased from 31st to 32nd. This was as a result of a significant decrease in its labour productivity.

Which **one** of the following combinations is the most likely effect of a decrease in labour productivity?

| | | Unit labour costs | Export prices |
|---|---|---|---|
| ☒ | **A** | Fall | Fall |
| ☒ | **B** | Fall | Rise |
| ☒ | **C** | Rise | Fall |
| ☒ | **D** | Rise | Rise |

**(Total for Question 6 = 1 mark)**

**TOTAL FOR SECTION A = 6 MARKS**

www.dynamicpapers.com

## SECTION B

**Study Figure 1 and Extracts A and B in the Source Booklet before answering Question 7.**

**Write your answers in the space provided on the following pages.**

**7** (a) Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%.

Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working.

**(2)**

(b) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** causes of the increase in the rate of inflation.

**(6)**

(c) Explain what is meant by 'monetary policy instruments' (Extract A, line 9).

**(4)**

(d) Examine **two** 'problems facing central banks when applying monetary policies to reduce the rate of inflation' (Extract A, lines 11–12).

**(8)**

(e) With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies.

**(14)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(a) Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%.

Calculate the change in the rate of inflation between Q1 2020 and Q4 2021.
You are advised to show your working.

**(2)**

www.dynamicpapers.com

(b) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** causes of the increase in the rate of inflation.

**(6)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(c) Explain what is meant by 'monetary policy instruments' (Extract A, line 9).

**(4)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(d) Examine **two** 'problems facing central banks when applying monetary policies to reduce the rate of inflation' (Extract A, lines 11–12).

**(8)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(e) With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies.

**(14)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

**(Total for Question 7 = 34 marks)**

**TOTAL FOR SECTION B = 34 MARKS**

www.dynamicpapers.com

## SECTION C

**Answer TWO questions from this section.**

**8** In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Evaluate the likely economic benefits to a country of joining a trading bloc.

**(Total for Question 8 = 20 marks)**

**9** In 2021 Singapore's surplus on its current account of the balance of payments was over $60 billion.

Evaluate possible causes of a current account surplus. Refer to a developed country of your choice in your answer.

**(Total for Question 9 = 20 marks)**

**10** In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019.

Evaluate interventionist strategies that a government in a developing country of your choice might use to increase *economic development*.

**(Total for Question 10 = 20 marks)**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

**Write the answer to your FIRST chosen question here.**

**Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.**

**Write the answer to your SECOND chosen question on page 22.**

Chosen question number: **Question 8** ☐ **Question 9** ☐ **Question 10** ☐

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

**Write the answer to your SECOND chosen question here.**

**Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.**

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

**TOTAL FOR SECTION C = 40 MARKS**

**TOTAL FOR PAPER = 80 MARKS**

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

**BLANK PAGE**

www.dynamicpapers.com

**BLANK PAGE**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

# Pearson Edexcel International Advanced Level

**Time** 2 hours

**Paper reference** **WEC14/01**

# Economics

## International Advanced Level
## UNIT 4: Developments in the global economy

**Source Booklet**

**Do not return this Booklet with the question paper.**

*Turn over* ▶

P73485A

©2023 Pearson Education Ltd.

J:1/1/1/

P 7 3 4 8 5 A

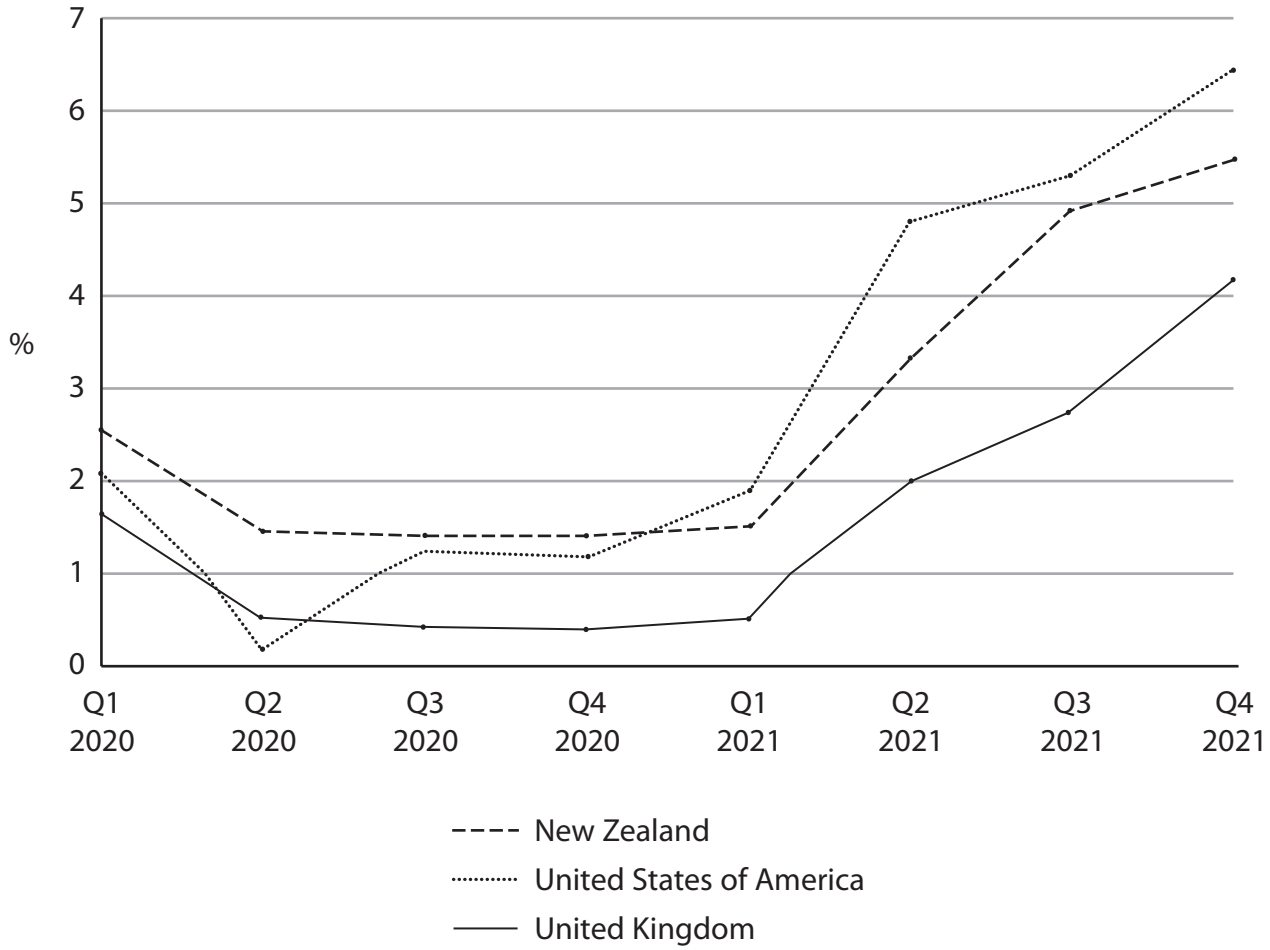
Pearson

www.dynamicpapers.com

## Sources for use with Section B

### Inflation and labour markets in developed economies

**Figure 1 Annual inflation rate for selected countries (%), as measured by the consumer price index (CPI), Q1 2020–Q4 2021**



www.dynamicpapers.com

**Extract A Rising rates of inflation**

In 2021 many developed countries experienced an increase in the rate of inflation. Average price levels increased as a result of disruptions to global supply chains. These were caused by restrictions that had been in place during the global health crisis. As developed countries eased these restrictions, demand for goods, services and energy increased. There was also a significant rise in average house prices.

Rising rates of inflation are a challenge for central banks, especially for developed countries that have an inflation target of 2%. The central banks of these countries can adjust their monetary policy instruments to meet this target. Nevertheless, these instruments are less effective in tackling inflation created by a lack of supply.

There are problems facing central banks when applying monetary policies to reduce the rate of inflation. One problem is the inability of policymakers to control the rising rate of inflation caused by external factors. Another problem is estimating whether the increase in the rate of inflation is temporary or permanent.

Policymakers who believe that this is a temporary issue suggest that the rise in the rate of inflation is as a result of short-term external shocks. They attribute it to a one-off increase in supply chain disruptions and a one-off increase in consumer demand. By contrast, policymakers who believe that this is a permanent issue indicate that the increase in the average price level is a result of rising wages.

**Extract B Labour markets**

Many developed countries have ageing populations and a falling proportion of people of working age. Since the global health crisis there has been instability in global labour markets. Many workers have retired early whilst others have left the workforce to focus on other personal objectives. There has also been a decline in international migration. As a result of this fall in the labour supply, many companies have been forced to decrease production. This represents a considerable threat to global economic recovery.

The critical question is whether workers will rejoin the labour force or whether employers and policymakers will need to adapt to a world in which labour becomes an even scarcer resource. In the USA more than four million workers have left the labour force since the crisis. However, employment in the eurozone has almost returned to its pre-crisis level and the labour force participation rate has risen rapidly. For example, in France and Spain this rate is already higher than it was before the crisis.

Employers are preparing for a future in which they will need to offer greater incentives to attract more workers back into the labour market.

www.dynamicpapers.com

**BLANK PAGE**

**Acknowledgements**

Figure 1 adapted from OECD, https://data.oecd.org/price/inflation-forecast.htm

Extract A adapted from FT, https://www.ft.com/content/088d3368-bb8b-4ff3-9df7-a7680d4d81b2

Extract B adapted from FT, https://www.ft.com/content/3cff0294-4c4d-4e29-b482-1f6f41889399