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Candidate surname | Other names

Centre Number | Candidate Number

# Pearson Edexcel International GCSE

## Wednesday 14 June 2023

Afternoon (Time: 1 hour 30 minutes)

Paper reference **4EC1/02R**

# 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 t an answer, put a line through the box ☒ and then mark your new answer with a cross ◺**

**1** (a) Menu costs could be described as the costs of

**(1)**

- ☒ **A** searching for cheaper suppliers when inflation is high
- ☒ **B** paying workers for their labour
- ☒ **C** renting a factory
- ☒ **D** reprinting brochures when prices change

(b) Which **one** of the following is likely to cause demand pull inflation?

**(1)**

- ☒ **A** A decrease in productivity
- ☒ **B** A decrease in government spending
- ☒ **C** An increase in the consumption of goods
- ☒ **D** An increase in interest rates

(c) What is meant by the term imports?

**(2)**

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(d) Describe the impact on the demand for a currency after an increase in interest rates.

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Figure 1 shows Canada's imports and exports for the year ending 2020.

| | **CAD$bn** |
|---|---|
| Imports | 561 |
| Exports | 524 |
| Total Trade | 1 085 |

**Figure 1**

(Source: https://www150.statcan.gc.ca/n1/daily-quotidien/210414/dq210414a-eng.htm)

(e) Using the data in Figure 1, calculate in CAD$bn the **current account** for Canada for the year ending 2020. You are advised to show your working.

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(f) Label the boxes in the diagram below with the three remaining stages of the economic cycle.

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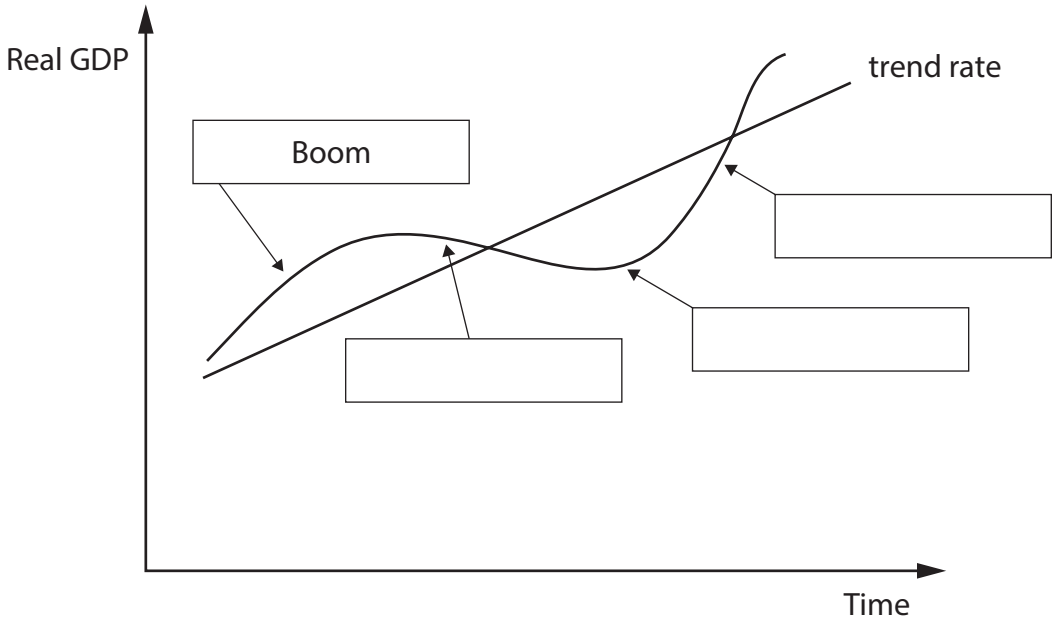



**Figure 2**

The Scottish Government is introducing a new benefit payment that will give 400,000 low income households £50 every winter towards their energy bills.

(g) Explain **one** reason why the Scottish Government gives benefit payments.

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Singapore's gross domestic product (GDP) increased to 7.2% in 2021. This was mai due to increased exports and an increase in consumer spending.

(h) With reference to the data above and your knowledge of economics, analyse the limitations of using GDP as a measure of economic growth for a country such as Singapore.

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

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**2** (a) When a central bank buys government bonds from commercial banks it is known as

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- ☒ **A** asset purchasing
- ☒ **B** privatisation
- ☒ **C** payment of interest
- ☒ **D** deregulation

The euro (€) is the currency used in Italy and the pound sterling (£) is the currency used in the UK.

(b) If the exchange rate changes from £1 = €1.20 to £1 = €1.10 then

**(1)**

- ☒ **A** UK pound sterling (£) has appreciated against the euro (€)
- ☒ **B** holidays in Italy will be cheaper for UK tourists
- ☒ **C** imports from Italy to the UK will be cheaper
- ☒ **D** UK exports to Italy will be cheaper

(c) State **one** possible trade-off with economic growth.

**(1)**

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(d) What is meant by the term devaluation?

**(2)**

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US President Joe Biden recently signed a deal to fund 32,000 kilometres of new ro
and 10,000 new bridges to improve the US infrastructure.

(e) Explain **one** way government spending on infrastructure can benefit an economy such as the US.

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In 2021, the UK and Norway agreed to increase fishing quotas by 20% for 2022.

(f) Using the diagram below, draw the effects of the new quota on the equilibrium price and quantity of fish. Label the new curve, the new equilibrium price and new equilibrium quantity.

**(3)**

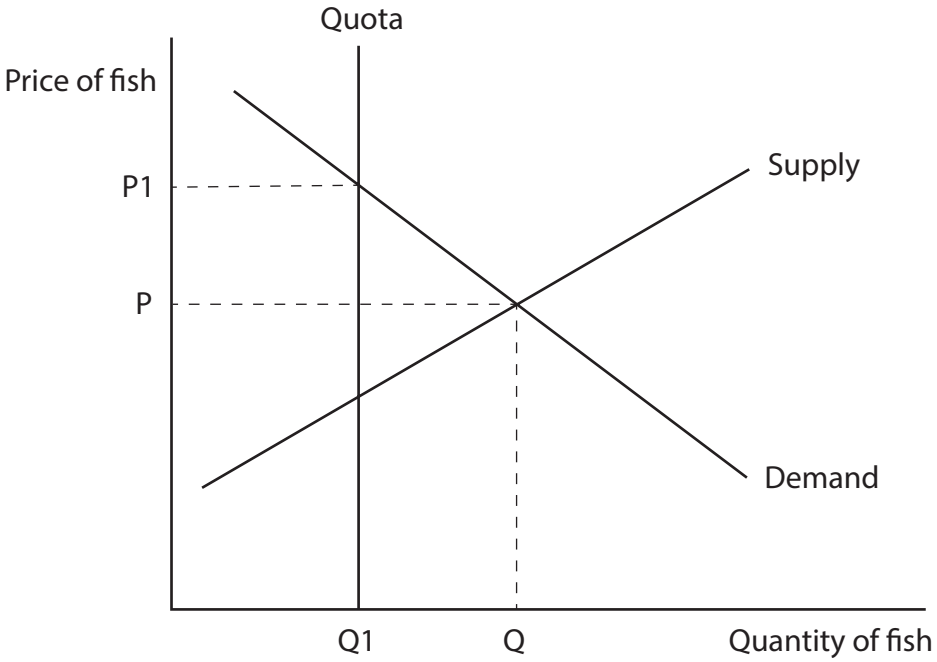



**Figure 3**

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San Francisco, a city in the US, raises its own taxes and plans its own spending. It expects its budget to have a fiscal surplus for the first time since 1998. The city is expecting this surplus to be $108m.

"Over the last two years, while we have invested heavily in key priorities like homelessness and mental health, we have also made smart budgeting decisions, and this surplus is a result of that work," said the Mayor of San Francisco.

The Mayor has not decided where to spend the surplus, but this week called for more funding for police and to improve public safety.

(Source: https://www.sfchronicle.com/sf/article/S-F-expects-first-budget-surplus-in-over-20-16705136.php)

(g) With reference to the data above and your knowledge of economics, assess the benefits of having a fiscal surplus for a city such as San Francisco.

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**3** (a) What is the rate of inflation if the Consumer Price Index (CPI) in an economy increased from 1000 to 1050 in one year?

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- ☒ **A** 0.95%
- ☒ **B** 1.05%
- ☒ **C** 4.76%
- ☒ **D** 5%

(b) Which **one** of the following terms means someone not having enough resources to meet all of their basic needs?

**(1)**

- ☒ **A** Income distribution
- ☒ **B** Relative poverty
- ☒ **C** Absolute poverty
- ☒ **D** Income inequality

In 2021, the US Government introduced a subsidy of $500 for each car manufactured in the US with a US-made battery.

(c) Explain **one** possible reason why the US Government introduced this subsidy.

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The Regional Comprehensive Economic Partnership (RCEP) is the world's largest fr trade agreement. It accounts for nearly 30% of global gross domestic product (GDP) and has 15 member countries.

(d) With reference to the data above and your knowledge of economics, analyse the benefits of free trade for domestic firms located within the RCEP.

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Figures from the Office for National Statistics (ONS) showed that the unemployme rate in the North East of England increased to 5.3% in the three months to the end of October 2021.

Output fell significantly in this area of England and business confidence was severely harmed. There was some positive news with the number of people claiming unemployment benefits in the North East of England falling by around 3,500 to 87,780.

(Source: https://www.chroniclelive.co.uk/news/news-opinion/unemployment-rises-north-east-concerns-22452309)

(e) With reference to the data above and your knowledge of economics, assess the impact of rising unemployment rates in the North East of England.

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**4** Figure 4 shows data on the number of people in the labour force in the Netherlan in December 2021.

| | |
|---|---|
| **Labour force** | 9,210,000 |
| **Unemployed** | 251,000 |

**Figure 4**

(Source: https://tradingeconomics.com/netherlands/unemployment-rate)

(a) Calculate, to two decimal places, the **rate of unemployment** in the Netherlands in December 2021. You are advised to show your working.

**(2)**

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Figure 5 shows the rate of inflation (%) for the Netherlands from January 2021 unti November 2021.

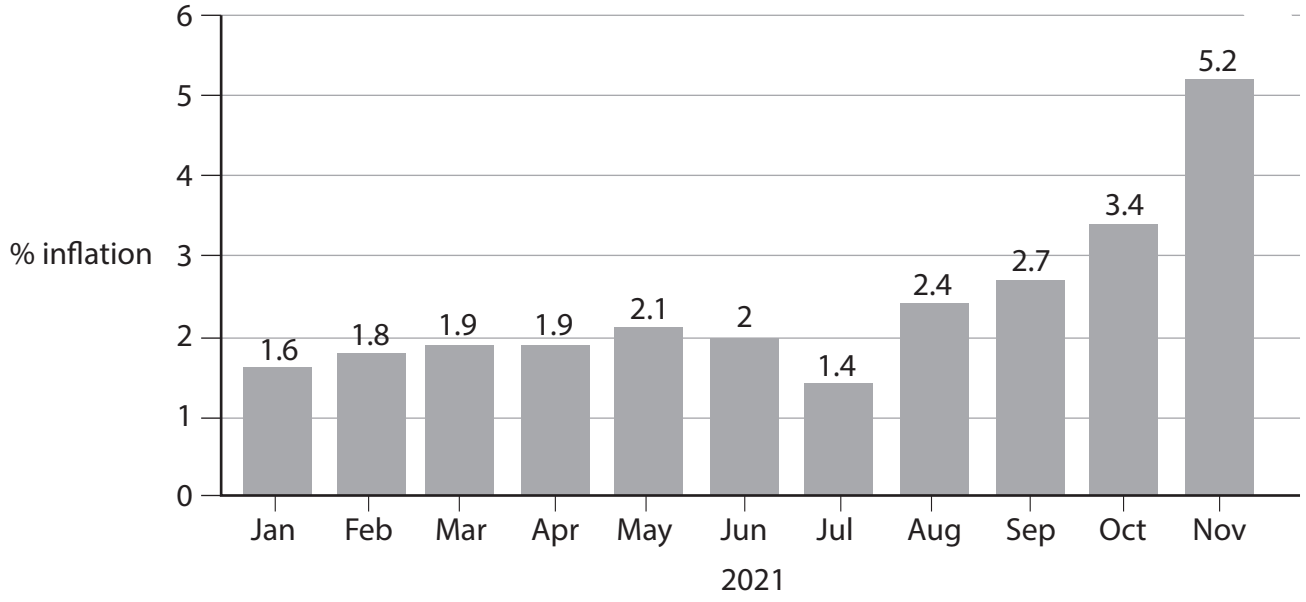



**Figure 5**

(Source: https://tradingeconomics.com/netherlands/inflation-cpi)

(b) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on exports for a country such as the Netherlands.

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The Tata Steel steelworks in IJmuiden, Netherlands, will have to meet tougher rule on pollution and will have extra checks to make sure it improves the air quality around the plant. These include reducing Tata Steel's current pollution permits and will require it to change some production processes.

The government made the decision following the publication of a report which concluded that dust in the IJmuiden region contained high levels of dangerous metals such as lead. An earlier report stated that air quality in the area was poor to inadequate.

Tata Steel in the Netherlands has a total workforce of 11,000 and indirectly provides work for thousands in the local economy.

(Source: https://www.dutchnews.nl/news/2021/12/tata-steel-faces-tougher-permit-rules-and-more-pollution-checks/)

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of using pollution permits to protect the environment of a country such as the Netherlands.

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**(Total for Question 4 = 20 marks)**

**TOTAL FOR PAPER = 80 MARKS**

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