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Please check the examination details below before entering your candidate infor on

Candidate surname | Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Wednesday 14 June 2023

Afternoon (Time: 1 hour 30 minutes)

Paper reference **4EC1/02**

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 min ut an answer, put a line through the box ☒ and then mark your new answer with a cros

1 (a) Which **one** of the following describes the recovery phase of the economic cycle?

(1)

- ☒ **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

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

(1)

- ☒ **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

(c) What is meant by the term exports?

(2)

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(d) What is meant by the term globalisation?

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)

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Figure 1 shows the supply of and demand for UK pounds (£) in terms of US dollars and the equilibrium exchange rate.

(f) Using the diagram below, 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)

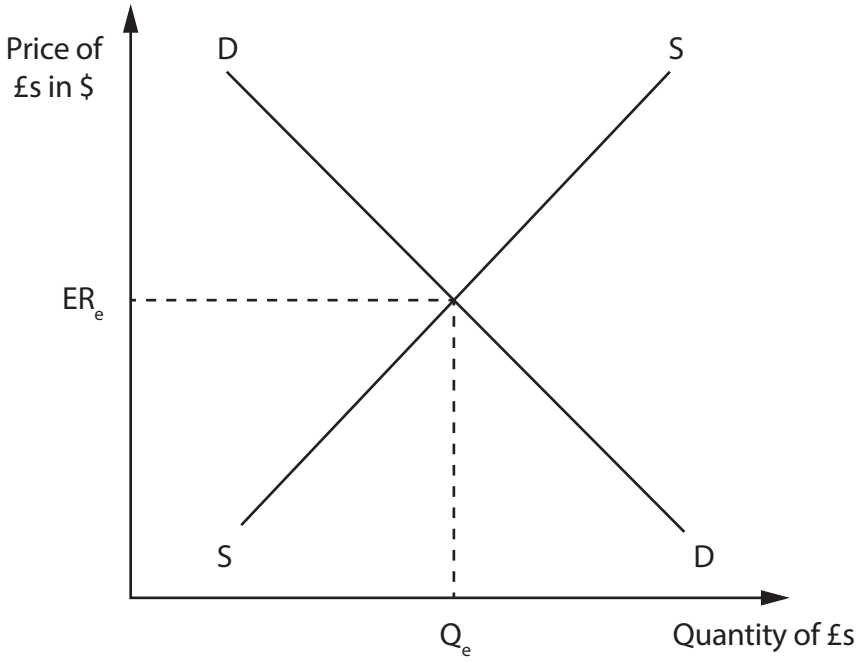


Figure 1

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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)

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

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

(6)

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(Total for Question 1 = 20 marks)

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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

(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?

(1)

- ☒ **A** €100
- ☒ **B** €2 500
- ☒ **C** €4 900
- ☒ **D** €5 100

(c) State **one** role of a central bank.

(1)

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

(2)

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

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

(3)

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In 2021, the Canadian Government introduced subsidies for the purchase of electric vehicles.

(f) Using the diagram below, 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)

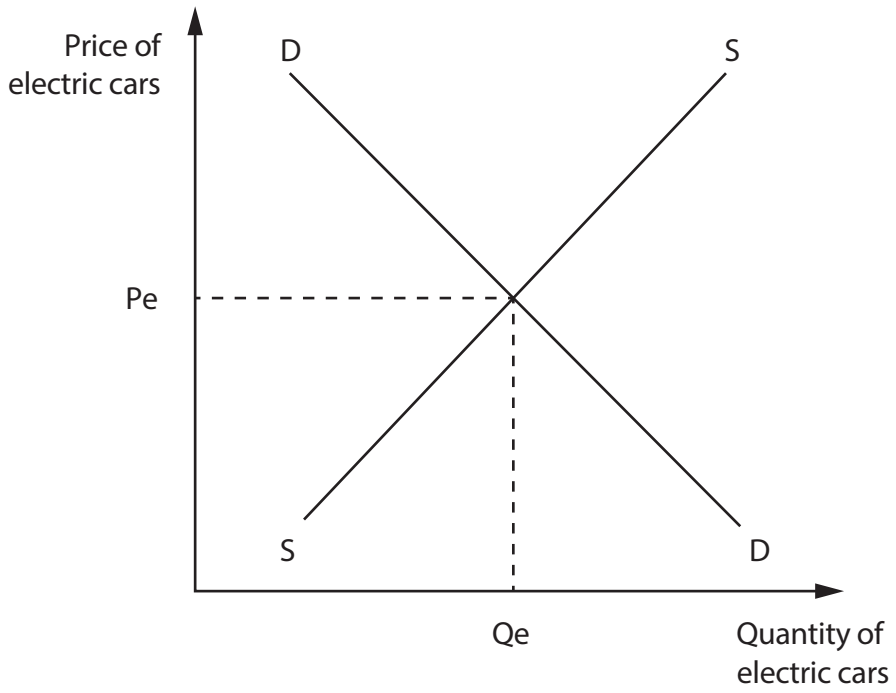


Figure 2

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In 2022, the UK Government announced plans to spend over £130bn to improve t economic infrastructure of the country. This included £5.7bn for eight city regions in order to improve transport links between the cities. In addition, £5bn has been allocated to provide super-fast broadband in hard-to-reach areas of the UK.

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

(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)

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(Total for Question 2 = 20 marks)

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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

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

(1)

- ☒ **A** Increased level of skills
- ☒ **B** Greater environmental damage
- ☒ **C** Higher employment levels
- ☒ **D** Faster economic growth

In December 2021, the US current account deficit increased to $214.8bn. 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)

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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)

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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.

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

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

(9)

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(Total for Question 3 = 20 marks)

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4 Figure 3 shows the fiscal deficit (€bn) for Spain in 2019 and 2020.

	2019	2020
Fiscal deficit	–€35.64bn	–€123.07bn

Figure 3

(Source: https://www.statista.com/statistics/270401/budget-balance-in-spain/)

(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)

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

(b) With reference to the data in Figure 3 and your knowledge of economics, analyse the impact of a fiscal deficit for a country such as Spain.

(6)

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Wind power became Spain's main energy source in 2021. Renewable energy sourc such as wind and solar contributed to almost 47% of the country's energy, compared to 30% in 2011. This has helped to reduce Spain's use of fossil fuels.

"Wind power is going to dominate the Spanish electricity supply for a long time. Spain has it all: we have more wind and more sun than practically any other European country," says Francisco Valverde, an energy consultant.

The Spanish Government is giving €6.9bn in subsidies for renewable energy between 2022 and 2023. These subsidies will help create over 280,000 jobs in the Spanish economy. Over 60% of solar and 90% of wind energy equipment is manufactured in Spain.

(Source: https://english.elpais.com/economy-and-business/2021-12-14/wind-power-becomes-spains-leading-energy-source-for-2021.html)

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

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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