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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

Wednesday 15 November 2023

Morning (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.*
- 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.*
- Calculators may be used.

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 characteristic of progressive taxation?

(1)

- ☒ **A** The tax rate is the same for all income levels
- ☒ **B** The tax rate decreases as income increases
- ☒ **C** The tax rate increases as income increases
- ☒ **D** The tax rate fluctuates based on the overall level of GDP of the economy

(b) Which **one** of the following describes a fiscal surplus?

(1)

- ☒ **A** The value of imports is less than the value of exports
- ☒ **B** The value of imports is greater than the value of exports
- ☒ **C** Government revenue is less than government expenditure
- ☒ **D** Government revenue is greater than government expenditure

(c) What is meant by the term income inequality?

(2)

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(d) Describe **one** role of the World Trade Organization (WTO).

(2)

A country has a labour force of 34 million people of which 32 million people are employed.

(e) Calculate, to two decimal places, the **rate of unemployment**. You are advised to show your working.

(2)

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In January 2023, China introduced a tariff on imports of large tyres.

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

(3)

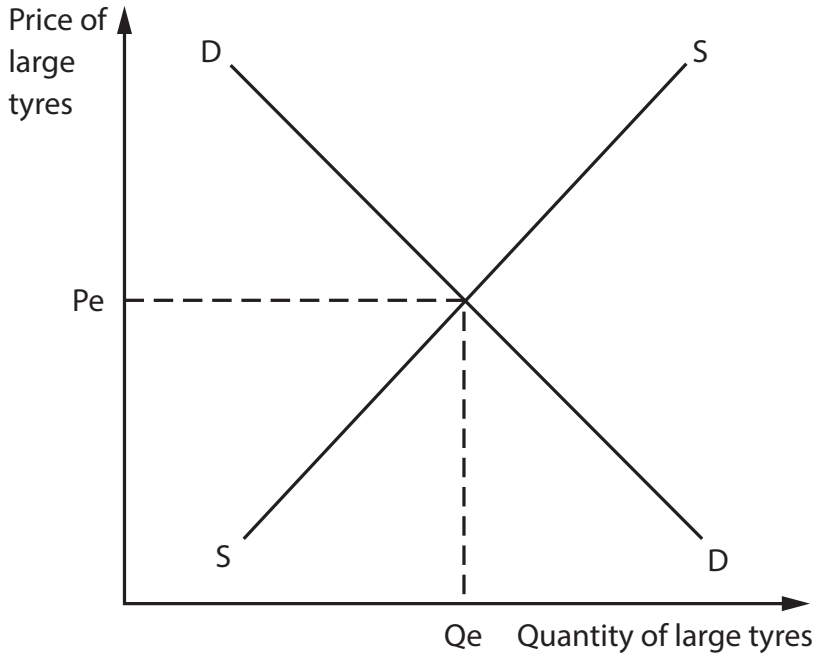


Figure 1

In January 2023, China and Ecuador announced they would be signing a free trade agreement after a year of negotiations. The deal is expected to boost Ecuador's exports of shrimp, bananas, flowers, cocoa and coffee to China.

(g) Explain **one** advantage of free trade for businesses in Ecuador.

(3)

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Inflation in Germany reached a record annual rate of 10.4% in October 2022. It is predicted to remain high for another two years.

(h) With reference to the data above and your knowledge of economics, analyse the impact of high rates of inflation on consumer confidence in a country such as Germany.

(6)

(Total for Question 1 = 20 marks)

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2 (a) What is the main reason for a government to devalue its currency?

(1)

- ☒ **A** To increase the demand for its exports
- ☒ **B** To decrease the demand for its exports
- ☒ **C** To increase the demand for imports
- ☒ **D** To decrease foreign investment

(b) Which **one** of the following is the most likely reason for increased globalisation?

(1)

- ☒ **A** An increase in tariffs and quotas
- ☒ **B** An increase in the cost of transport
- ☒ **C** An increase in the significance of MNCs
- ☒ **D** An increase in the cost of communication

(c) State **one** possible macroeconomic objective for a government.

(1)

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(d) What is meant by the term seasonal unemployment?

(2)

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In 2022, Vietnam's economy grew by 8.02%, exceeding its annual target of 6.5%.

(e) Explain **one** reason why rapid economic growth may be harmful for an economy such as Vietnam.

(3)

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Figure 2 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 effect of an increase in UK exports to the US on the equilibrium exchange rate of the UK pound (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

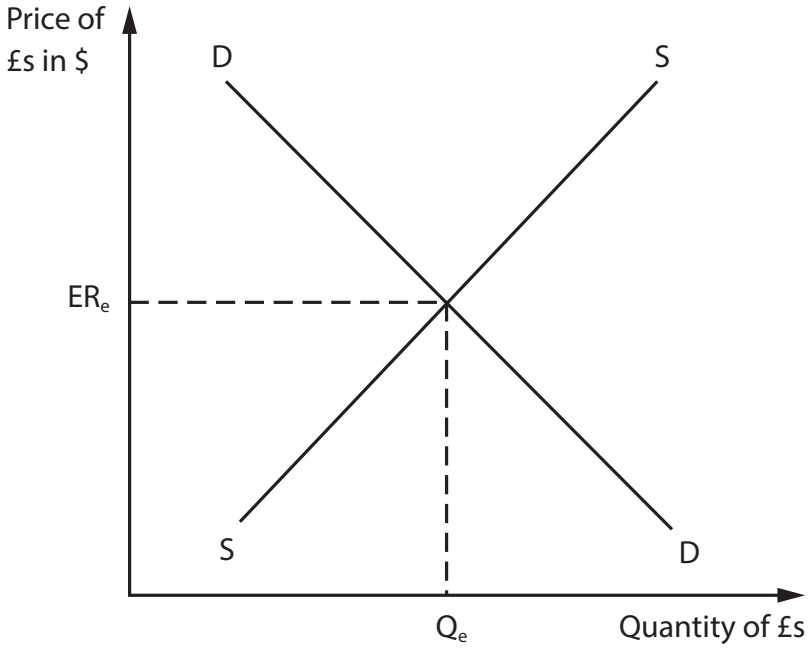


Figure 2

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In April 2023, the UK Government increased the business tax rate from 19% to 25%. The higher rate is expected to raise around £18bn in additional tax revenue per year. The change brings the UK's business tax rate to the same rate as other large economies.

Due to this tax change, Associated British Foods, the owner of Primark and other firms, is expected to pay an additional £20m in tax per year.

Business tax rates of major economies

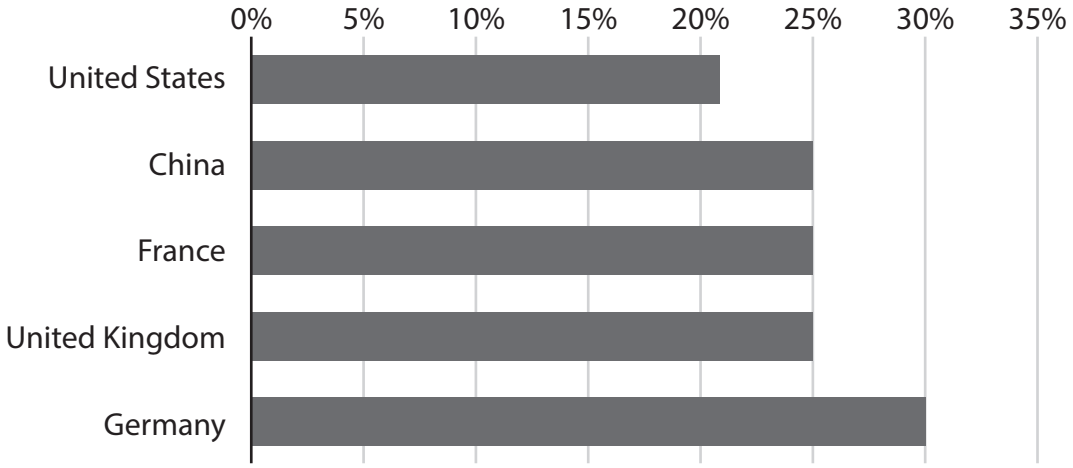


Figure 3

(g) With reference to the data above and your knowledge of economics, assess the disadvantages of higher business tax rates on investment in a country such as the UK.

(9)

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(Total for Question 2 = 20 marks)

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3 (a) How many UK pounds (£) can be bought with $50 if the exchange rate is $1 = £0.75?

(1)

- ☒ **A** £25
- ☒ **B** £37.50
- ☒ **C** £66.66
- ☒ **D** £75

Many governments provide parks.

(b) Which **one** of the following is a reason for this provision?

(1)

- ☒ **A** To reduce the number of tourists
- ☒ **B** To reduce property values in the area
- ☒ **C** To reduce damage to the environment
- ☒ **D** To reduce space for leisure and recreation

South Korea had a current account surplus of $880m in October 2022.

(c) Explain **one** reason why an increase in the price of imports may have had a positive impact on South Korea's current account.

(3)

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In December 2022, the US Federal Reserve raised interest rates for the seventh time that year to 4.5%, its highest level in 15 years. Interest rates are predicted to increase to 5.25% by the end of 2023.

(d) With reference to the data above and your knowledge of economics, analyse how monetary policy can help to reduce inflation in a country such as the US.

(6)

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In November 2022, the unemployment rate in Australia was 3.4%. The number of unemployed fell by 7,400 to 491,700. Employment increased by 64,000 to a new record of 13.77 million.

Unemployment remains at a near 50-year low as the recovering Australian economy faces a labour shortage. This is caused by a lack of migration and fewer short-term visa holders.

Australian Unemployment Rate (%) in 2022

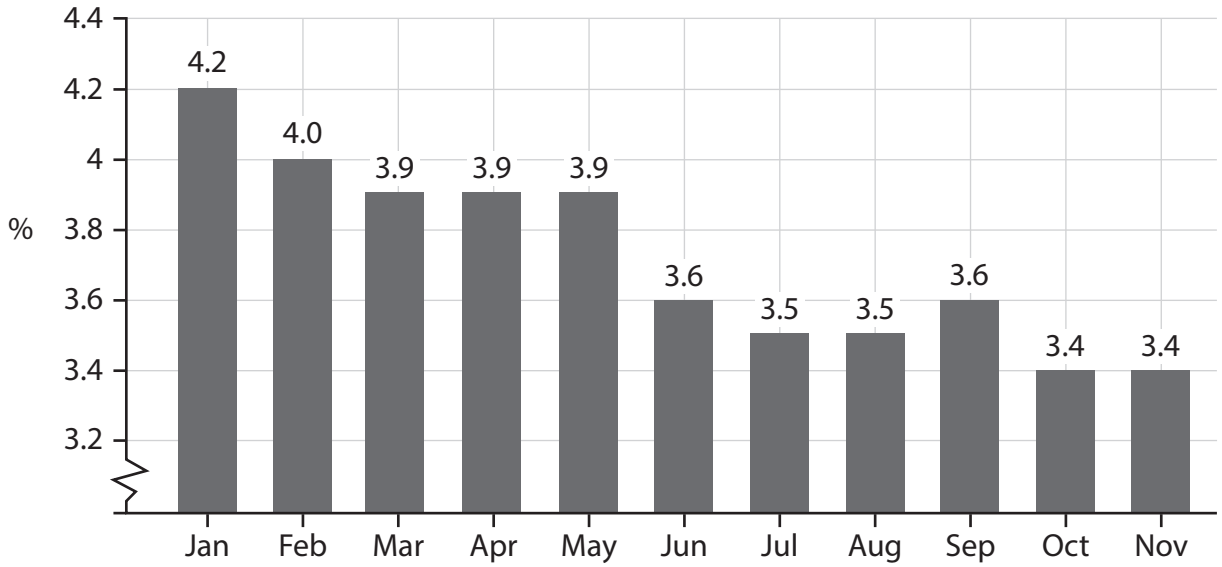


Figure 4

(e) With reference to the data above and your knowledge of economics, assess the possible benefits of low unemployment rates on tax revenues for a country such as Australia.

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4 Figure 5 shows population data for Kazakhstan in 2022.

	2022
Population	19,700,000
Number of people living in relative poverty	3,063,500

Figure 5

(a) Calculate, to two decimal places, the **percentage** of people living in relative poverty in Kazakhstan in 2022. You are advised to show your working.

(2)

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In 2023, the Kazakhstan Government privatised KTZ, its national railway company. KTZ is the largest employer in Kazakhstan and makes a profit from its operations.

(b) With reference to the data above and your knowledge of economics, analyse the possible disadvantages of the Kazakhstan Government privatising the national railway company.

(6)

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In 2022, Kazakhstan's foreign direct investment (FDI) increased by 17.8% to reach $22.1bn. With its huge amount of natural resources such as oil and gas and agricultural lands, Kazakhstan is the richest country in central Asia.

Sector	Growth in FDI
Manufacturing	36.9%
Retail	32.6%
Transport	20.1%
Mining	11.7%

The top four countries investing in Kazakhstan in 2022 were the Netherlands, the US, Switzerland and Belgium.

According to the Deputy Minister of Foreign Affairs, the growth in FDI reflects foreign investors' confidence in Kazakhstan due to its ongoing government reforms and low costs of production.

(c) With reference to the data above and your knowledge of economics, evaluate the advantages of an increase in foreign direct investment (FDI) for a country such as Kazakhstan.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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Acknowledgements

Figure 3 based on data taken from https://www.wsj.com/articles/u-k-tax-change-to-yield-higher-costsbut-much-needed-certainty-for-companies-11670021045

Figure 4 based on data taken from https://tradingeconomics.com/australia/unemployment-rate

Figure 5 based on data taken from https://documents1.worldbank.org/curated/en/099538510122241666/pdf/IDU0636d5f030438504814080fb0eb65b7e43da5.pdf

Question 4c adapted from https://astanatimes.com/2022/12/kazakhstans-fdi-inflowreaches-22-1-billion-in-nine-months-this-year/