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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 5 June 2024

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 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 an advantage of multinational corporations (MNCs) operating in a country?

(1)

☒ A Avoiding paying taxes

☐ **B** Environmental damage

☐ **C** Developing skills

☐ **D** Moving profits abroad

(b) Which **one** of the following is a measurement of gross domestic product (GDP)?

(1)

☐ A Total value of goods and services traded within an economy

☐ **B** Total value of goods and services produced within an economy

☐ **C** Total value of goods and services exported by an economy

☐ **D** Total value of goods and services imported by an economy

(c) What is meant by the term the current account on the balance of payments?

(2)

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(d) Describe **one** way business activity can damage the environment.

(2)

Figure 1 shows selected UK Government receipts from taxation in February 2023.

	£bn
Income tax	20.0
Sales tax (VAT/GST)	14.3
Business tax	7.6
Excise duties	3.7
Customs duties	0.4

Figure 1

(e) Calculate the **total amount of revenue** in £bn raised by direct taxes in February 2023. You are advised to show your working.

(2)

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In January 2023, China introduced a quota on imports of crude oil into the country.

(f) Using the diagram below, draw the effects of the introduction of the quota on the equilibrium price and quantity of crude oil in China. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

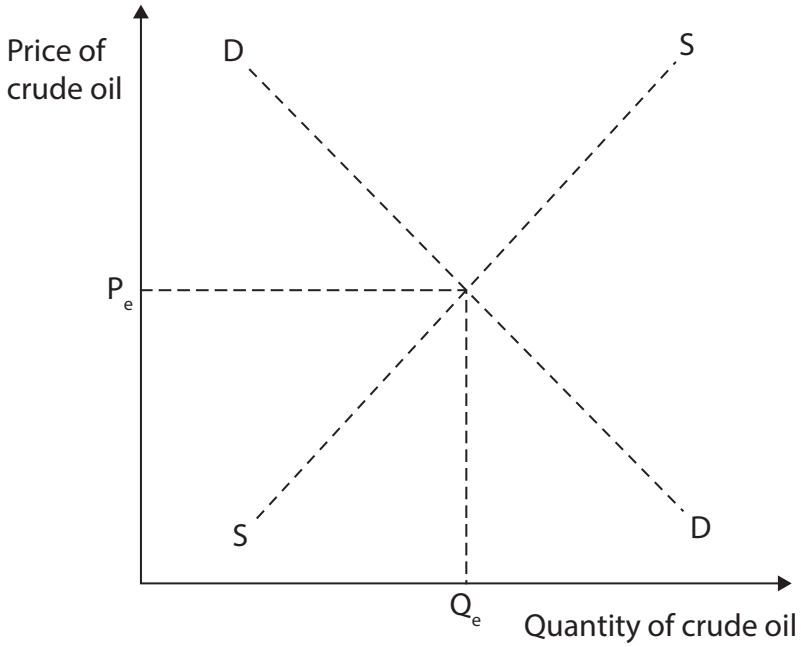


Figure 2

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In 2021, the global economy experienced a period of rapid growth. This growth was accompanied by rising inflation in many parts of the world due to problems with the supply of goods.

(g) Explain **one** reason why there may be a link between economic growth and inflation for an economy.

(3)

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The African Continental Free Trade Area (AfCFTA) is a free trade area that includes most of Africa. It connects 1.3bn people across 55 countries with a combined gross domestic product (GDP) of $3.4 trillion. South Africa is an important member of the AfCFTA.

(h) With reference to the data above and your knowledge of economics, analyse the disadvantages to firms in South Africa of being a member of the AfCFTA.

(6)

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(Total for Question 1 = 20 marks)

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2 (a) What is the likely impact of lower transport and communication costs on an economy?

(1)

- ☒ A Increased unemployment
- ☐ **B** Decreased international trade
- ☐ **C** Increased economic growth
- ☐ **D** Decreased consumer spending

(b) Which **one** of the following types of unemployment is caused by changes in the business cycle?

(1)

- ☐ A Structural
- ☐ **B** Seasonal
- ☐ **C** Frictional
- ☐ **D** Cyclical

(c) State **one** possible impact of a current account deficit.

(1)

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(d) What is meant by the term fines?

(2)

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The US has a progressive taxation system for income tax rates. In 2023, the income tax rates ranged from 10% for individuals on low incomes, up to 37% for those on the highest incomes.

(e) Explain **one** way progressive taxation can help to reduce poverty for a country such as the US.

(3)

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

(3)

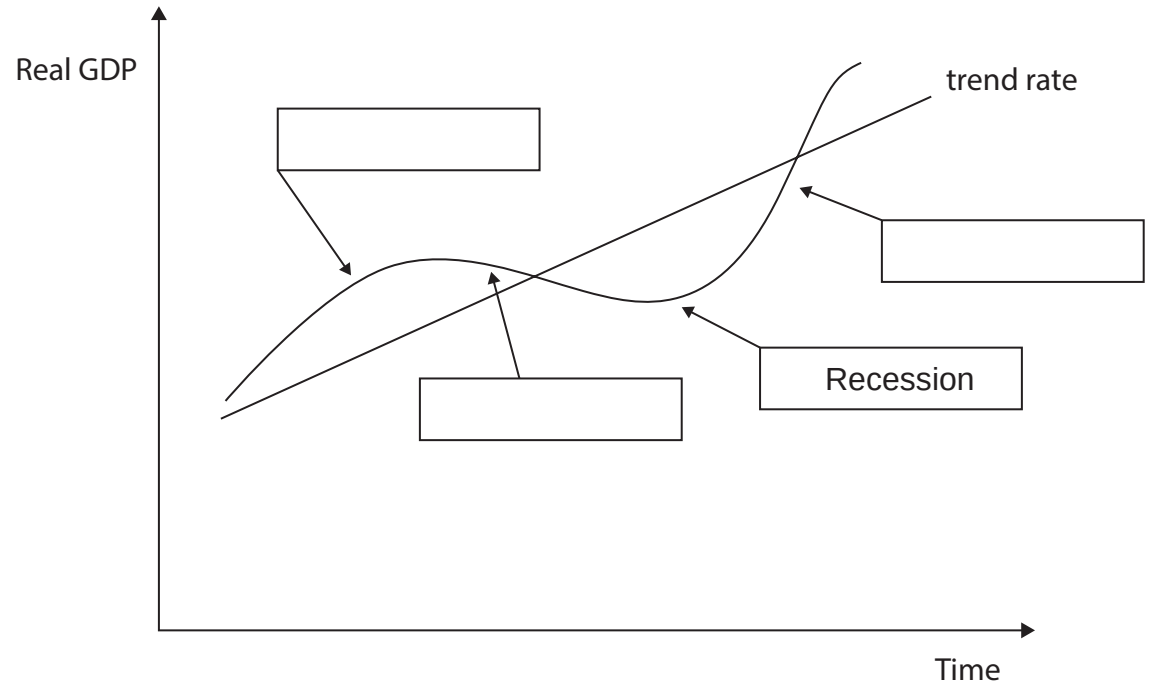


Figure 3

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In 2022, President Biden introduced legislation to increase investment in green technology in the US. Subsidies of $369bn are given through grants, loans and tax credits to public and private firms.

These subsidies are to be used to increase battery, solar panel and wind turbine production in the US creating new factories and millions of new green jobs in the country.

There is widespread opinion amongst EU and UK politicians and business leaders that US subsidies will have a negative impact on their economies.

(g) With reference to the data above and your knowledge of economics, assess the possible benefits for the US of giving subsidies for green technology.

(9)

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(Total for Question 2 = 20 marks)

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3 (a) Which **one** of the following is an example of foreign direct investment (FDI)?

(1)

- ☒ A A Japanese car company buying an Indonesian car company
- ☐ **B** An Indonesian supermarket buying produce from a farm in India
- ☐ **C** A Malaysian gift shop selling souvenirs to a Malaysian tourist
- ☐ **D** An Australian mining company selling coal to an Indonesian power station

The exchange rate between the US dollar ($) and the British pound (£) is $1 = £0.80

(b) How many US dollars ($) would it take to purchase £150?

(1)

- ☐ A $120.00
- ☐ **B** $150.80
- ☐ **C** $187.50
- ☐ **D** $230.00

The UK Government has removed the 12% import tariff on palm oil from Malaysia.

(c) Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of palm oil imported into the UK from Malaysia. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

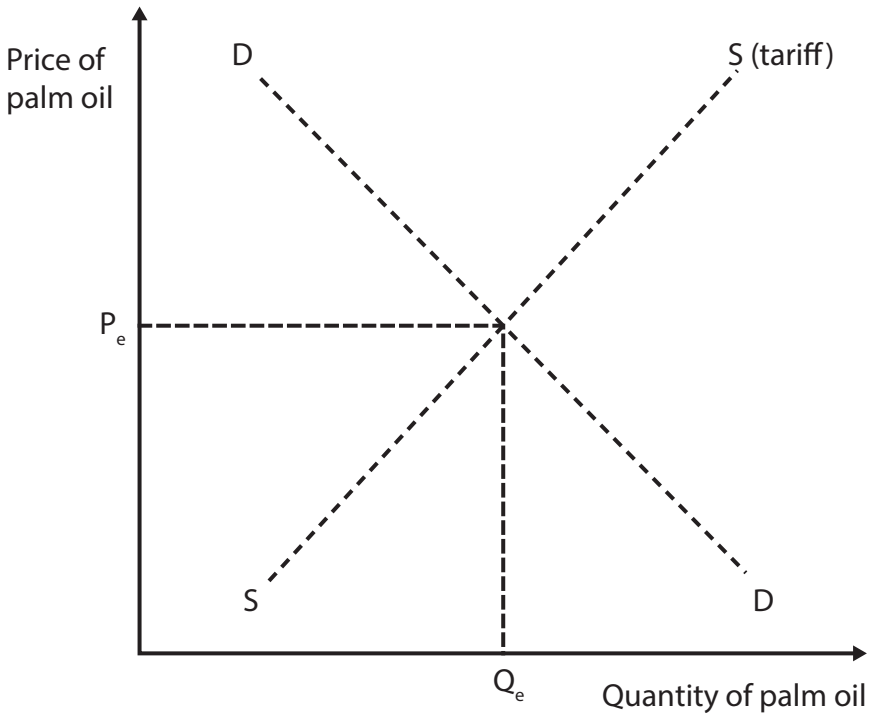


Figure 4

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Global trade reached a record high of $29 trillion in 2022. It has continued to grow, although at a slower rate since the global health crisis.

(d) With reference to the data above and your knowledge of economics, analyse the possible benefits for consumers of globalisation.

(6)

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Germany's economy shrank more than expected in the fourth quarter of 2022. This raised doubts over the ability of Europe's biggest economy to avoid a recession and recover quickly from its energy crisis due to high gas and oil prices.

Record inflation rates of 10.4% caused reductions in German consumer spending and business investment in buildings and machinery. This led to a 0.4% decrease in gross domestic product (GDP) from the previous quarter.

The effects will be felt by consumers, workers, firms and the German Government.

(e) With reference to the data above and your knowledge of economics, assess how a recession may affect inflation in a country such as Germany.

(9)

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(Total for Question 3 = 20 marks)

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4 Figure 5 shows the government revenue and expenditure for Canada in 2021–2022.

	Canadian dollars CAD$bn
Total revenue	38.815
Total expenditure	35.897

Figure 5

(a) Calculate the **fiscal deficit or surplus** in CAD$bn for Canada in 2021–2022.
You are advised to show your working.

(2)

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In April 2023, the inflation rate in Canada fell to 5.2%. The Governor of the Bank of Canada, Tiff Macklem, said, "Interest rates may have to stay at 4.5% to ensure inflation declines to the Bank of Canada's 2% target".

(b) With reference to the data above and your knowledge of economics, analyse the relationship between inflation and interest rates for a country such as Canada.

(6)

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In March 2023, the unemployment rate in Canada stayed at 5% for the fourth consecutive month. There are one million job vacancies and the country is suffering from structural unemployment. A quarter of these job vacancies are for low skilled jobs.

To address these skills shortages, the Canadian Government is launching several new education and training programmes.

- **Skills for success**: Helping Canadians at all ability levels improve their foundation and transferable skills, such as digital skills.
- **Financial support for adult learners**: $815m over five years which covers up to 50% of training fees.
- **Labour mobility improvements**: $595m over six years to make it more affordable to travel to where the jobs are.

(c) With reference to the data above and your knowledge of economics, evaluate the possible advantages of using education and training to reduce structural unemployment for a country such as Canada.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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Acknowledgements

Figure 1 adapted from: Public sector finances, UK – Office for National Statistics (ons.gov.uk)

Figure 5 adapted from: https://tradingeconomics.com/canada/government-budget

Question 2g adapted from: https://www.schroders.com/en-us/us/individual/insights/the-green-subsidy-race-and-how-its-changing-the-global-economy/

Question 3e adapted from: https://www.ft.com/content/84d324ac-83b2-4f65-a367-b4b391bff2bb/)

Question 4c adapted from: https://https://www.budget.canada.ca/2023/report-rapport/chap3-en.html#a1l

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