Please check the examination details below before entering your candidate information

Candidate surname | Other names

Pearson Edexcel
International GCSE

Centre Number | Candidate Number

Friday 5 June 2020

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 ▶

Pearson

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) The International Labour Organisation (ILO) measures

(1)

⊠ **A** inflation

⊠ **B** unemployment

⊠ **C** economic growth

⊠ **D** government spending

(b) Which method of protection is used to reduce the price of exports?

(1)

⊠ **A** Free trade

⊠ **B** Tariffs

⊠ **C** Subsidies

⊠ **D** Quotas

(c) What is meant by the term gross domestic product (GDP)?

(2)

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(d) Describe **one** positive impact of economic growth.

(2)

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Consumer Price Index (CPI) was 120.4 in 2017 and it increased to 130.3 in 2018.

(e) Calculate, to two decimal places, the **rate of inflation** in 2018. You are advised to show your working.

(2)

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(f) Using the diagram below draw and label the three stages of the economic cycle in the boxes on the diagram.
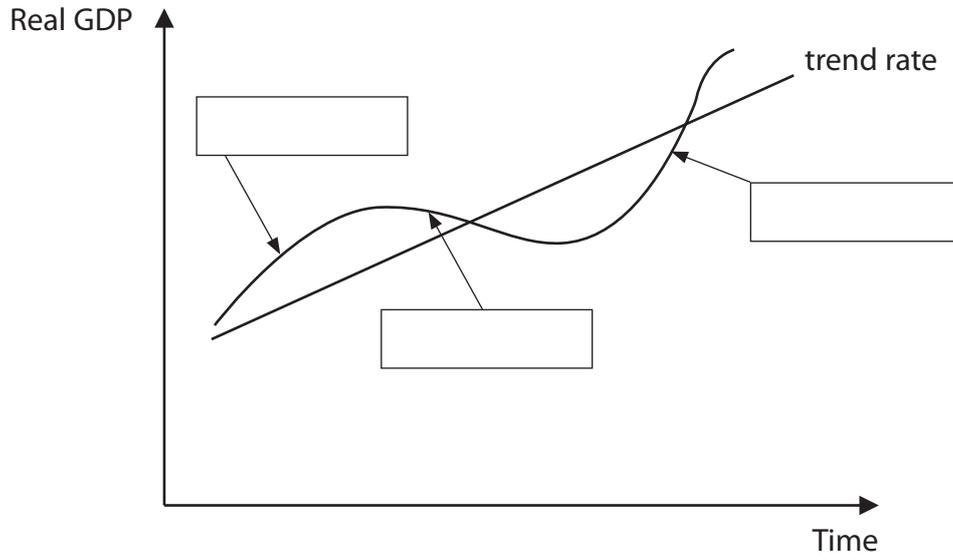
(3)

Figure 1

According to the US Labour Department, employees working in the public education sector are leaving their jobs at faster rates than ever recorded before.

(g) Explain **one** reason why some people in the education sector might choose to become voluntarily unemployed?

(3)

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The World Trade Organisation (WTO) has estimated that improvements in ship containerisation have lowered sea transportation costs by over 70%. Air-freight costs have fallen by a similar amount.

(h) Analyse how the reduced cost of transport has contributed to the increase in globalisation.

(6)

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(Total for Question 1 = 20 marks)

GradeMax

2 In 2019, India introduced tariffs against US agricultural products including apples, almonds and lentils.

(a) Which **one** of the following diagrams shows the Indian market for apples, almonds and lentils following the introduction of the tariffs?

(1)

☒ **A**

☒ **B**

☒ **C**

☒ **D**

Turn over ▶

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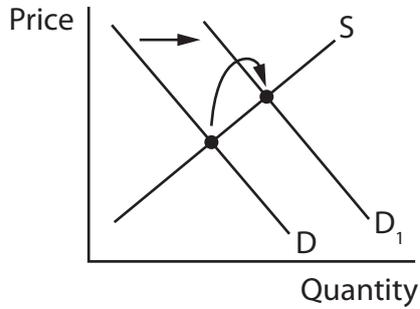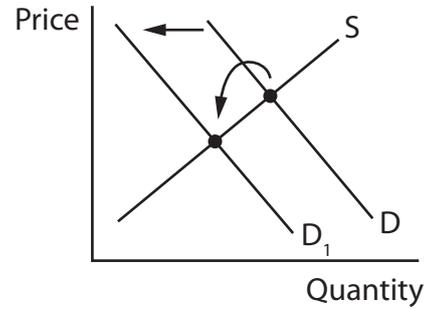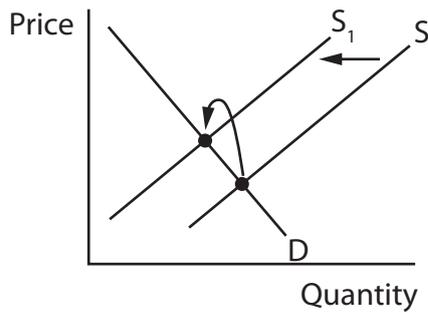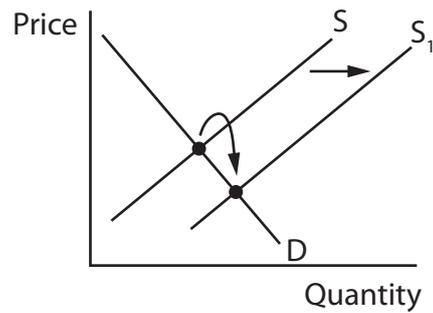
(b) Which supply-side policy involves the removal of government controls?

(1)

☒ **A** Deregulation

☒ **B** Education and training

☒ **C** Lower business taxes

☒ **D** Infrastructure spending

(c) State **one** disadvantage of free trade.

(1)

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(d) What is meant by the term exchange rate?

(2)

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In 2018, Germany had a current account surplus of €268bn. Germany uses the euro (€) which had recently weakened against other major currencies.

(e) Explain **one** reason why a fall in the value of the euro (€) may have resulted in a positive impact on Germany's current account.

(3)

In 2019, the Indian Government privatised six major state-owned airports. It handed over the operations, management and development of the airports to private sector firms for the next 50 years.

(f) Explain **one** way privatisation could improve productivity in these Indian airports.

(3)

Canada Child Benefit (CCB) payments get a boost

In 2018, the monthly tax-free welfare benefit for children was increased to match the cost of living in Canada.

The amount a family receives is calculated based on income. As a family's income rises the amount of benefits decrease. Some higher income households do not receive the benefit at all. The CCB has distributed more than CAD$23.3bn to around 3.7 million Canadian families, and has helped to remove more than 300,000 children out of poverty.

(g) With reference to the data above and your knowledge of economics, assess the advantages of using benefit payments to redistribute income in a country such as Canada.

(9)

GradeMax

(Total for Question 2 = 20 marks)

3 (a) Which **one** of the following is likely to be a trade-off as a result of increased economic growth?

(1)

☒ **A** Increased employment

☒ **B** Increased inflation

☒ **C** Higher standards of living

☒ **D** Higher fiscal surplus

(b) Which type of taxation has a higher proportion of income paid as income rises?

(1)

☒ **A** Indirect

☒ **B** Progressive

☒ **C** Business

☒ **D** Value added tax (VAT)

Palm oil is used in food and cosmetics. Palm plantations are a major agricultural activity in Indonesia. Many of the plantations are owned by foreign multinational corporations (MNCs).

(c) Explain **one** advantage for Indonesia of the palm oil plantations being owned by foreign MNCs.

(3)

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In 2018, Italy entered a recession after the country's manufacturing sector decreased for the third month in a row. Gross domestic product (GDP) fell by 0.1% from July to September.

(d) Analyse the impact on unemployment of a recession in a country such as Italy.

(6)

China's central bank has recently eased monetary policy due to slowing in economic growth. This included bringing down interest rates to 4.35%.

China Interest Rate (%)

(Source adapted from: https://tradingeconomics.com/china/interest-rate)

Figure 2

(e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of monetary policy in increasing economic growth for a country such as China.

(9)

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(Total for Question 3 = 20 marks)

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4 Figure 3 shows the government revenue and expenditure (€m) for Estonia in 2018.

2018	€m
Government revenue	8 119 601
Government expenditure	8 197 243
Fiscal surplus/deficit	

(Source adapted from: https://www.stat.ee/53721)

Figure 3

(a) Calculate in €m the **fiscal surplus/deficit** for Estonia in 2018. You are advised to show your working.

(2)

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Estonia's annual inflation rate increased to 4.4% in October 2018.

(b) Analyse how the Estonian Government might use fiscal policy to control inflation.

(6)

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In 2019, the Estonian Government increased the subsidy for public transport by €9m to €101m. The subsidy for bus services grew from €34.8m to €43.3m in 2019.

Minister of Economic Affairs and Infrastructure Kadri Simson said, "Greater support for public transport services will ensure better mobility as well as reduce cars on the road and reduce pollution of the environment. The subsidies also make movement easier for less well-off residents. Due to subsidised bus services, the number of passengers grew by 33% in one month."

The minister described local air services as one of the priorities for the Estonian Government in regional development. Air services to the major Western Estonian islands of Saaremaa and Hiiumaa have been given €5.53m, more than double the €2.6m subsidy they received last year.

(Source adapted from: https://news.err.ee/863306/
public-transport-subsidy-to-increase-to-101-million-next-year)

(c) With reference to the data above and your knowledge of economics, evaluate the advantages of using subsidies for public transport to protect the environment for a country such as Estonia.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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