

Please check the examination details below before entering your candidate information

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 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 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?

(2)

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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)

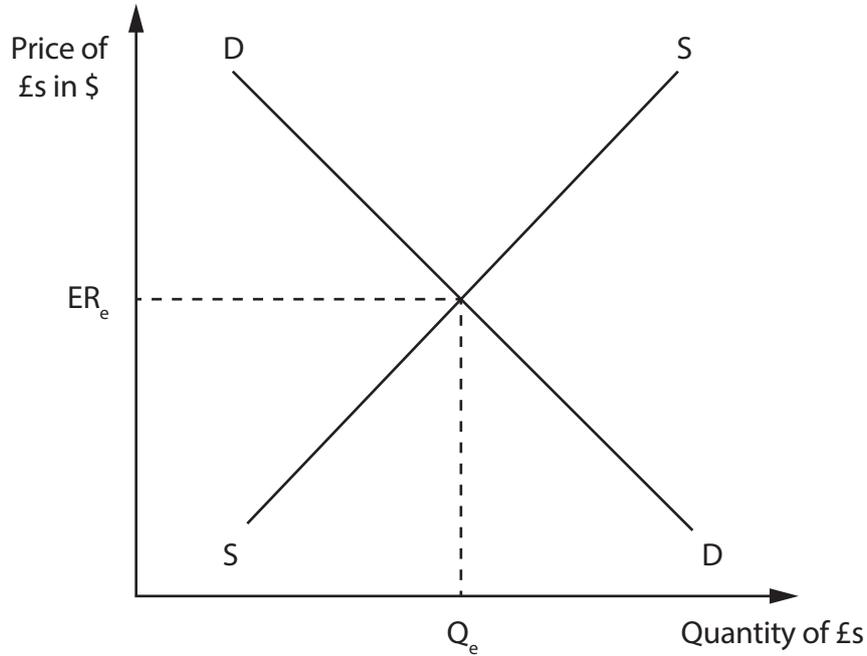


Figure 1

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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 food 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)



2 (a) Fiscal policy would involve a change in which **one** of the following? (1)

- 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 in Europe. In 2020, it funded over 640,000 educational experiences.

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

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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)

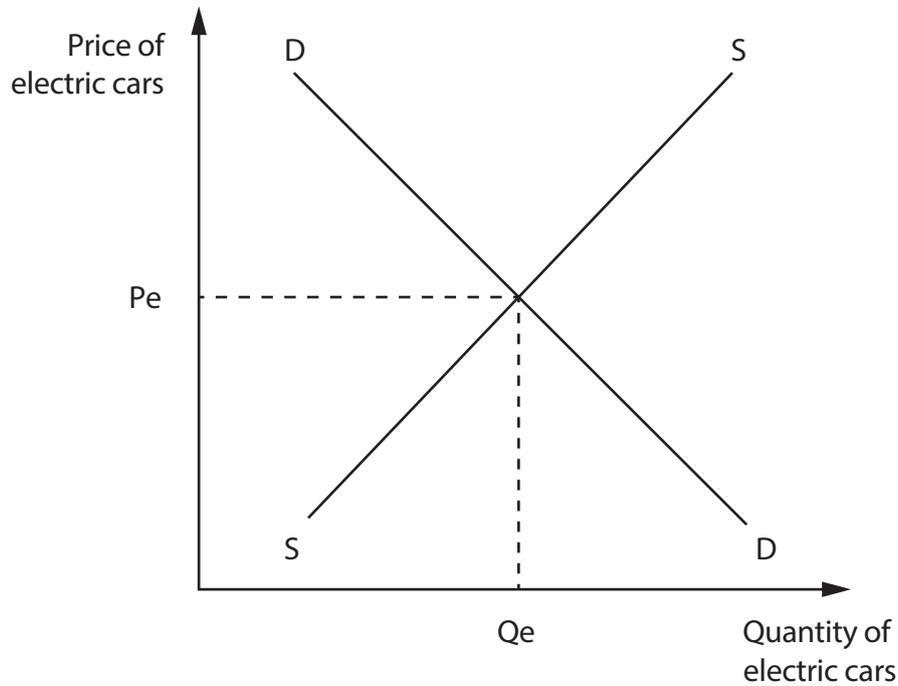


Figure 2

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(Total for Question 2 = 20 marks)



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- 3 (a) A decrease in unemployment is likely to result in (1)
- 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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(Total for Question 3 = 20 marks)



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.

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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 sources 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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