

Please check the examination details below before entering your candidate information

Candidates surname					Other names				
Centre Number					Candidate Number				

Pearson Edexcel International GCSE

Time 1 hour 30 minutes

Paper reference **4EC1/02R**

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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Q:1/1/1/1/



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 example of cyclical unemployment?

(1)

- ☐ **A** Factory workers lose their jobs as more machines are used
- ☐ **B** Hotels employ fewer workers in the winter months
- ☐ **C** Workers are waiting to start a new job
- ☐ **D** An airline cuts jobs during a global recession

(b) A decrease in the exchange rate caused by government intervention is known as

(1)

- ☐ **A** depreciation
- ☐ **B** devaluation
- ☐ **C** revaluation
- ☐ **D** appreciation

(c) What is meant by the term exports?

(2)

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(d) Describe **one** impact that education may have on inequality and poverty.

(2)

The consumer price index (CPI) was 110.2 in 2019 and the base year was 100 in 2015.

(e) Calculate how much **inflation** there has been between 2015 and 2019. You are advised to show your working.

(2)



In 2020, the UK Government introduced subsidies for firms that provide renewable energy.

- (f) Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of renewable energy. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

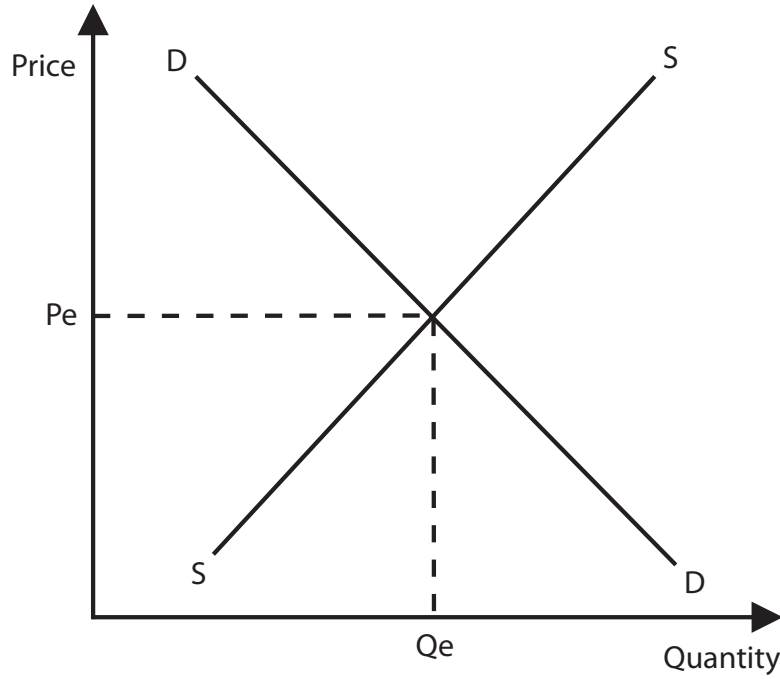


Figure 1

In March 2020, the Bank of England reduced interest rates from 0.75% to 0.10%. This decision affected the UK pound (£).

- (g) Explain the likely impact of a decrease in UK interest rates on the UK pound (£).

(3)

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In March 2020, the European Union (EU) and Vietnam reached a free trade agreement.

- (h) With reference to the data above and your knowledge of economics, analyse the disadvantages of free trade for domestic businesses located within this free trade area.

(6)

(Total for Question 1 = 20 marks)



2 (a) Which **one** of the following means having more of one thing but less of another thing?

(1)

- ☐ **A** Menu costs
- ☐ **B** Trade-off
- ☐ **C** Opportunity cost
- ☐ **D** Trading bloc

(b) Which **one** of the following is a role of a central bank?

(1)

- ☐ **A** Investing in firms
- ☐ **B** Raising taxes
- ☐ **C** Asset purchasing
- ☐ **D** Lending money to individuals

(c) State **one** type of inflation.

(1)

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(d) What is meant by the term fiscal surplus?

(2)

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Indonesia is one of the largest exporters of coal in the world. In 2020, the Indonesian Government started to deregulate the mining industry by removing some environmental controls.

(e) Explain **one** disadvantage of deregulation for a country such as Indonesia.

(3)

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

(3)

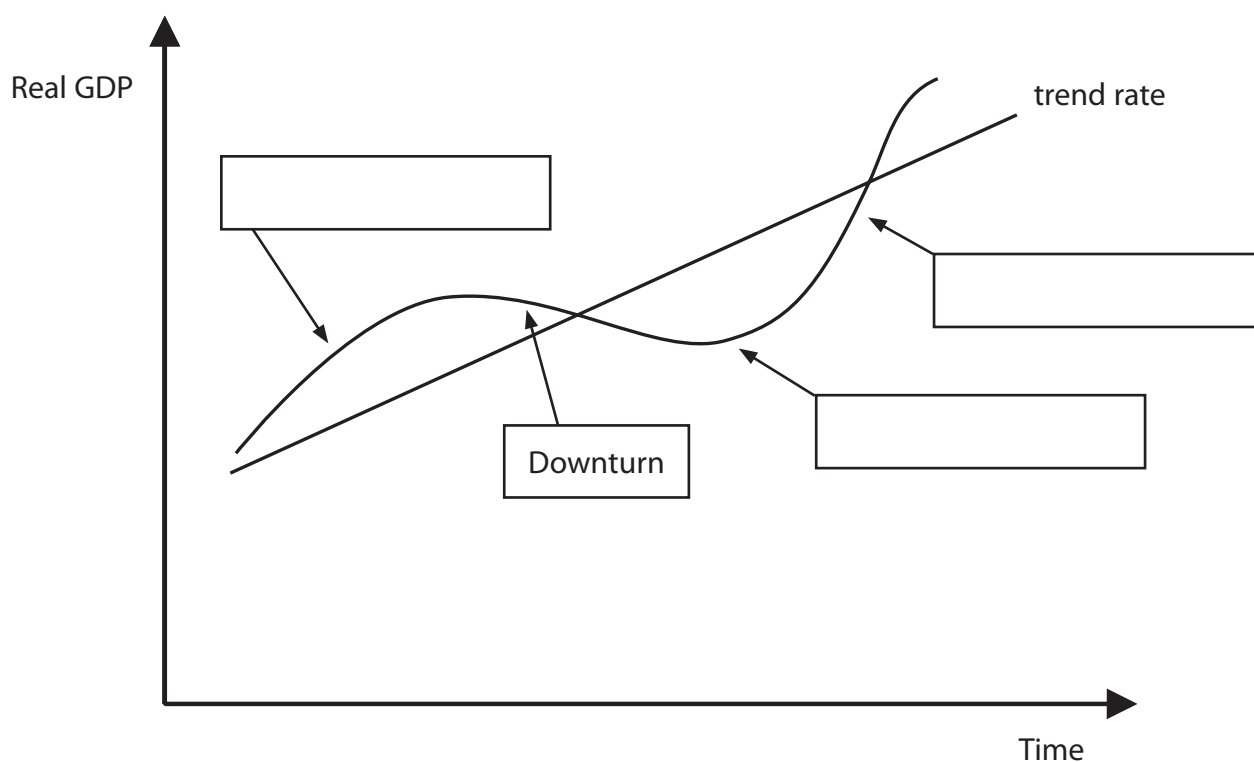


Figure 2



The local government in Alberta, Canada, is doubling its infrastructure budget for 2020–2021 to Canadian \$1.9 bn to try to prevent job losses. Alberta had lost 117,000 jobs in March 2020, bringing the unemployment rate to 8.7%.

The additional funding will go towards repairing roads, bridges and upgrading technology in schools and universities.

(Source: <https://edmontonjournal.com/news/politics/covid-19-jason-kenney-announces-infrastructure-spending-to-counter-job-losses/>)

- (g) With reference to the data above and your knowledge of economics, assess the effectiveness of infrastructure spending to reduce unemployment in a country such as Canada.

(9)



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(Total for Question 2 = 20 marks)



3 (a) Which **one** of the following describes shoe leather costs?

(1)

- ☐ **A** The costs of raw materials used to make a good or service
- ☐ **B** The costs of communication used by a firm
- ☐ **C** The costs of searching for cheaper suppliers when inflation is high
- ☐ **D** The costs to firms of having to make repeated price changes

(b) Which **one** of the following may cause a current account surplus?

(1)

- ☐ **A** Lower priced foreign goods
- ☐ **B** Higher priced domestic goods
- ☐ **C** Lower import tariffs on foreign goods
- ☐ **D** Higher quality of domestic goods

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In 2020, the Kazakhstan Government introduced quotas of 200,000 tonnes on imported wheat and 70,000 tonnes on imported flour.

- (c) Explain **one** possible reason why the Kazakhstan Government introduced quotas on imports of wheat and flour.

(3)

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In February 2020, Singapore experienced deflation for the first time since January 2010. This was mainly caused by a decline in the price of airfares and holidays due to the government lockdown.

- (d) With reference to the data above and your knowledge of economics, analyse the impact of deflation on consumer confidence in a country such as Singapore.

(6)

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The UK has a benefits payment called Universal Credit. It is a payment to help with living costs if a person is on low income or out of work.

	Monthly standard allowance (£)
Single adult aged under 25 years	342.72
Single adult aged over 25 years	409.89
A couple/two adults both aged under 25 years	488.59
A couple/two adults both aged over 25 years	594.04

Figure 3

(Source adapted from: <https://www.gov.uk/universal-credit/what-youll-get>)

- (e) 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 the UK.

(9)

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(Total for Question 3 = 20 marks)



- 4 Figure 4 shows the change in gross domestic product (GDP) per capita for Vietnam.

	2018	2019
GDP per capita US\$	2 590	2 715

Figure 4

(Source adapted from: <https://www.ceicdata.com/en/indicator/vietnam/gdp-per-capita>)

- (a) Calculate, to two decimal places, the **percentage increase in GDP per capita** between 2018 and 2019. You are advised to show your working.

(2)

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Figure 5 shows Vietnam's quarterly unemployment rate (%) 2017–2019.

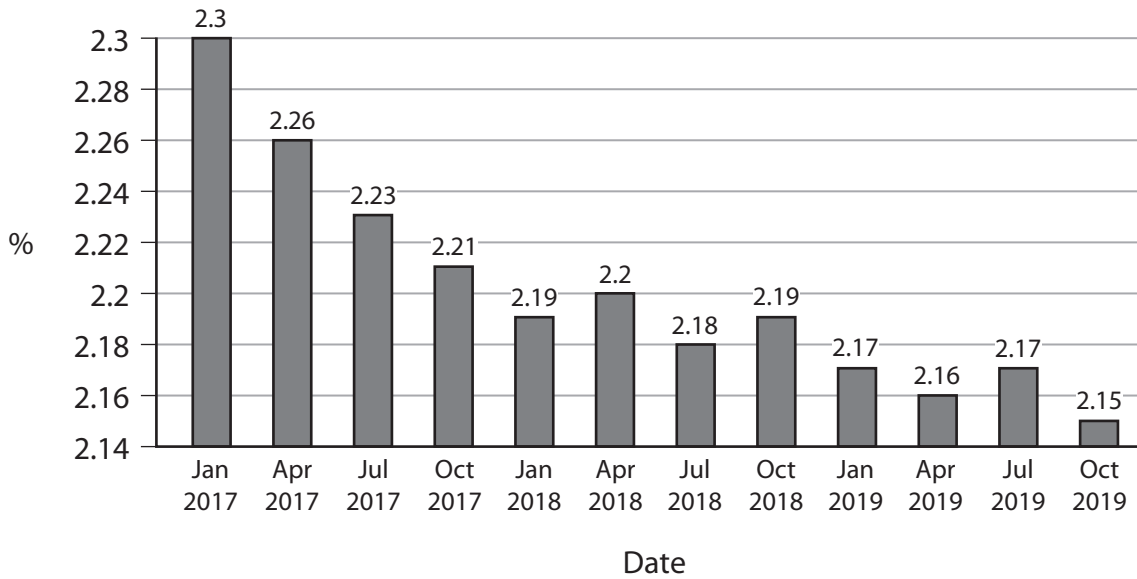


Figure 5

(Source: <https://tradingeconomics.com/vietnam/unemployment-rate>)

- (b) With reference to the data above and your knowledge of economics, analyse the impact of falling unemployment rates on tax revenues for a country such as Vietnam.

(6)

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Vietnam is struggling with high levels of air pollution. Its two biggest cities, Hanoi and Ho Chi Minh City, are now among the 15 most polluted cities in Southeast Asia. Air pollution is particularly harmful to human health causing diseases including strokes, heart disease and respiratory infections. Up to 60,000 deaths in Vietnam in 2018 were related to air pollution. On average, poor air quality reduces life expectancy by one year and costs the country about 5% of GDP per year.

Among the main causes of this pollution is transportation. Vietnam now has 3.6 million automobiles and 58 million motorbikes, mostly found in big cities. Many of these vehicles are old, with limited emission control technology. They cause daily traffic jams and are responsible for a large amount of air pollution.

The Vietnamese Government is considering whether to increase the environmental tax on petrol and diesel by 33%. The proposed tax will generate \$2.4 bn each year, an annual increase of \$650.2 m from current tax revenues on fuels.

(Source adapted from: <https://thediplomat.com/2020/03/vietnams-big-air-pollution-challenge/>)

- (c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of increasing taxation on petrol and diesel to protect the environment in a country such as Vietnam.

(12)



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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

