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Pearson Edexcel International GCSE

Thursday 22 May 2025

| | | |
|-------------------------------------|-----------------|----------|
| Afternoon (Time: 1 hour 30 minutes) | Paper reference | 4EC1/02R |
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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 example of seasonal unemployment? (1)

- A** A farm worker having no work due to automation
- B** A construction worker not finding work during the monsoon period
- C** A skilled worker unable to find employment due to a recession
- D** A person choosing not to work and being paid welfare benefits

(b) Which **one** of the following is likely to cause cost-push inflation? (1)

- A** An increase in consumer demand for goods and services
- B** A decrease in taxes on business profits
- C** An increase in the prices of raw materials paid by producers
- D** A decrease in interest rates set by the central bank

(c) What is meant by the term current account deficit? (2)

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(d) Describe **one** benefit to a country of using quotas for imported goods.

(2)

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(e) Calculate the **price in euros (€)** of a UK-manufactured smartphone priced at £750 when the exchange rate is £1 = €1.18. You are advised to show your working.

(2)

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In January 2024, China introduced a 6% tariff on coal from Russia, South Africa, Mongolia and the US.

- (f) Using the diagram below, draw the effects of the introduction of the tariff on the equilibrium price and quantity of coal in China. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

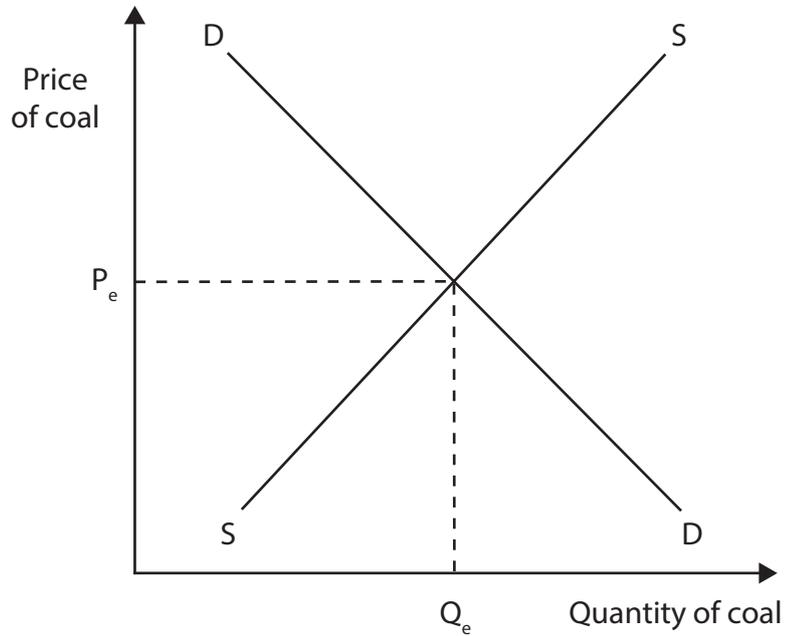


Figure 1

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The UK Government allocates pollution permits to airlines such as easyJet and British Airways as part of its environmental strategy. The government reduces the total number of allocated pollution permits every year.

(g) Explain **one** possible benefit of using pollution permits to protect the environment for a country such as the UK.

(3)

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- 2 (a) The percentage of income tax paid by an individual in a progressive tax system (1)
- A remains the same for all income levels
 - B decreases with higher income levels
 - C increases with higher income levels
 - D is capped once income levels reach a certain threshold

- (b) A depreciation in a country's exchange rate is most likely to lead to (1)
- A an increase in exports and a decrease in imports
 - B a decrease in exports and a decrease in imports
 - C an increase in exports and an increase in imports
 - D a decrease in exports and an increase in imports

(c) State **one** possible trade-off with inflation. (1)

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(d) What is meant by the term direct tax? (2)

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In February 2024, North Tyneside Council in the UK said it will privatise the provision of school meals. Trade unions are concerned that this will affect pay and working conditions for the existing employees who currently provide the meals at schools.

(e) Explain **one** disadvantage of privatising the provision of school meals in North Tyneside.

(3)

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

(3)

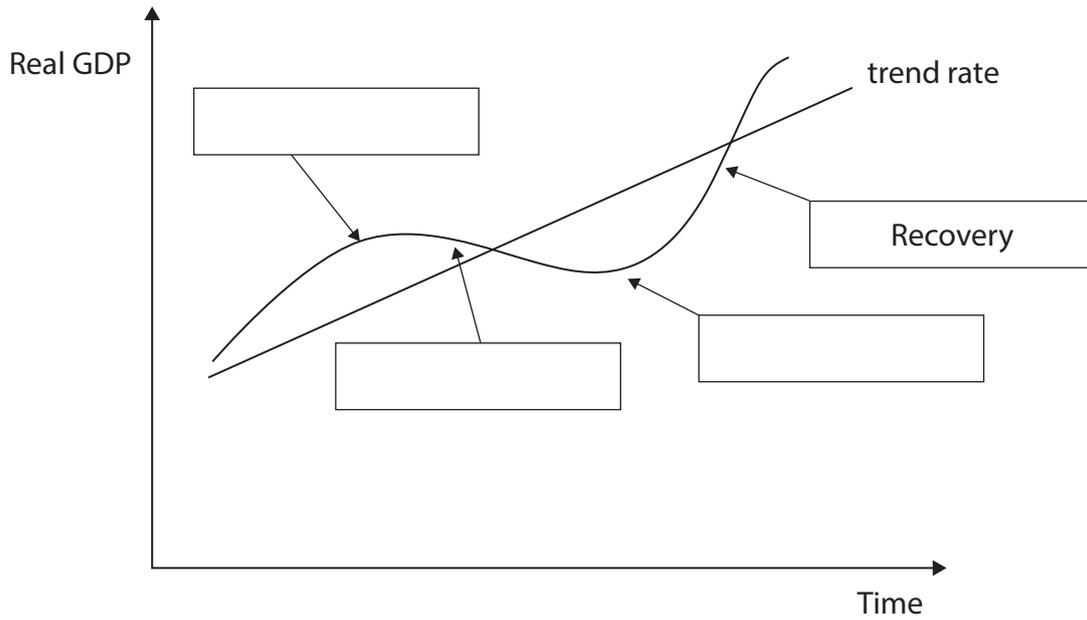


Figure 2

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Bboxx, a firm that makes solar-powered stoves, received a \$17m subsidy to reduce the price of its products. This subsidy will be used to encourage the use of solar-powered stoves in Rwanda where many households currently use firewood or coal to cook their meals.

More than 500,000 households in Rwanda will benefit from this subsidy programme. They will no longer have to burn firewood and coal, which create harmful and dangerous pollutants.

The subsidy programme is designed to reduce the percentage of households that use firewood for cooking from 80% in 2017 to 42% by 2024. This will reduce carbon emissions in Rwanda.

(g) With reference to the data above and your knowledge of economics, assess the possible benefits to the environment of providing subsidies for solar-powered stoves in Rwanda.

(9)

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3 (a) Which **one** of the following is a feature of being a member of a trading bloc?

(1)

- A Higher tariffs on exports to other members within the bloc
- B Slower delivery times for goods within the bloc
- C Can only trade with members within the bloc
- D Access to a larger market within the bloc

Figure 3 shows imports and exports for a country in \$bn.

| | \$bn |
|---------------------|------|
| Exports of goods | 300 |
| Exports of services | 80 |
| Imports of goods | 240 |
| Imports of services | 50 |

Figure 3

(b) What is the **visible trade balance** in \$bn for the country?

(1)

- A \$30bn
- B \$60bn
- C \$90bn
- D \$250bn

The fiscal deficit of the US is expected to increase from \$1.6tn to \$2.6tn over the next 10 years.

(c) Explain **one** possible disadvantage of having a fiscal deficit for a country such as the US.

(3)

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Consumers in the UK are very unhappy with another rise in inflation. The consumer price index (CPI) was 3.9% in November and increased to 4% in December 2023.

(d) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on shoe leather costs for consumers in the UK.

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4 Figure 5 shows the population of Ghana and the number of people employed on small cocoa farms in Ghana in 2024.

| | 2024 |
|-------------------------------|-------------|
| Population | 34,532,935 |
| Employed on small cocoa farms | 867,000 |

Figure 5

(a) Calculate, to two decimal places, the **percentage of the population employed** on small cocoa farms in Ghana in 2024. You are advised to show your working.

(2)

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In June 2023, the Vice-President of Ghana, Dr Mahamudu Bawumia, agreed to the building of a 31.2 km highway costing \$50m. The construction is part of a 67 km highway that would link central areas of Ghana to the northern regions and neighbouring countries.

(b) With reference to the data above and your knowledge of economics, analyse how spending on road infrastructure could benefit a country such as Ghana.

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Cocoa is a major ingredient in the manufacture of chocolate products. Ghana is the world's second-largest producer of cocoa, which accounts for 3.5% of gross domestic product (GDP).

Almost all the cocoa is exported, generating more than \$2bn annually through foreign exchange. Many people are employed directly in the production of cocoa, with most cocoa grown on small farms.

Oxfam said that 90% of cocoa farmers in Ghana do not earn enough income and cannot afford enough food or other basics such as clothing, housing and medical care. Many of the 867,000 farmers in the country survive on just \$2 a day.

Meanwhile, the world's four biggest chocolate producers are enjoying large profits. Hershey, Lindt, Mondelez and Nestlé have seen their profits increase by 16% in recent years as demand for chocolate products has risen.

(c) With reference to the data above and your knowledge of economics, evaluate the possible benefits of globalisation for cocoa farmers in Ghana.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



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Acknowledgements

Question 2(g) adapted from: <https://taarifa.rw/bboxx-secures-us17m-from-brd-to-expand-its-energy-operations/>

Question 3(e) adapted from: <https://publications.banque-france.fr/en/macroeconomic-projections-september-2023-0>

Question 4(a) adapted from: <https://www.worldometers.info/world-population/ghana-population/>

Question 4(c) adapted from: <https://www.oxfam.org/en/press-releases/chocolate-giants-reap-huge-profits-promises-improve-farmers-incomes-ring-hollow>

