Candidate surname | Other names

Pearson Edexcel
International GCSE

Centre Number | Candidate Number

Friday 17 January 2020

Morning (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 ▶

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)	What is calculated by using the consumer price index (CPI)?

(1)

⊠	**A**	Redistribution of income

⊠	**B**	Inflation rate

⊠	**C**	Economic growth

⊠	**D**	Exchange rate

(b)	The sale or transfer of public sector assets to the private sector is known as

(1)

⊠	**A**	monetary policy

⊠	**B**	public expenditure

⊠	**C**	privatisation

⊠	**D**	fiscal policy

(c)	What is meant by the term boom?

(2)

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(d) What is meant by the term shoe leather costs?

(2)

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(e) Calculate **the price in Indian Rupees (INR)** of machinery which costs $150 000
     when the exchange rate is $1 = 70.66 INR. You are advised to show your working.

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Figure 1 shows the supply and demand of the pound (£) in terms of the euro (€).

(f) Using the diagram below, draw the effects on the exchange rate of the pound (£) of a decrease in UK exports to Eurozone countries. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)
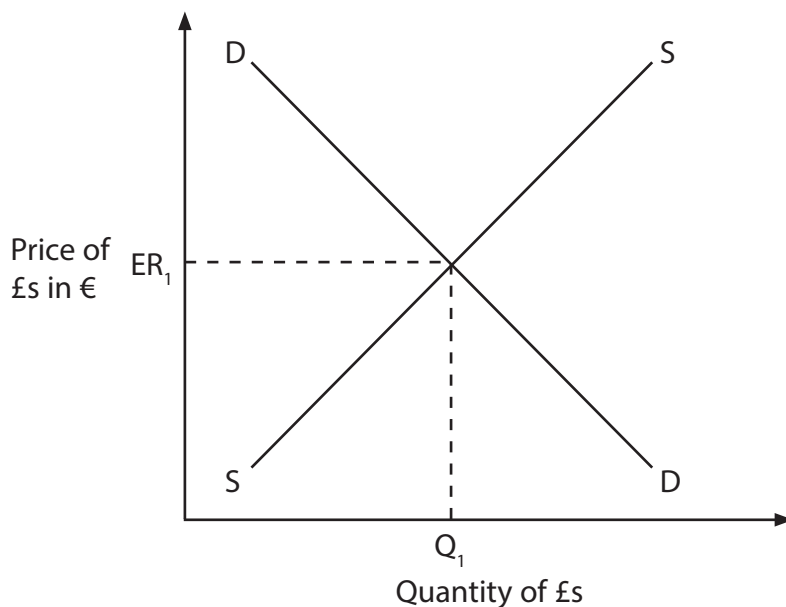
Figure 1

In November 2018, China launched its first ever anti-dumping investigation against Australia over the export of Australian barley.

(g) Explain **one** reason why a country such as Australia might export its products below the cost of production.

(3)

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Vietnam has progressive income tax rates that range from 5% to 35% depending on income.

(h) Analyse how a reduction in direct taxation is likely to affect the standard of living in a country such as Vietnam.

(6)

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(Total for Question 1 = 20 marks)

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QUESTION 2 BEGINS ON PAGE 8.

P 5 8 3 8 5 A 0 7 2 4

2 In 2018, the European Union (EU) trade bloc started to reduce agricultural subsidies to farmers within the EU.

(a) Which **one** of the following diagrams shows the market for agricultural products following the removal of the subsidy?

(1)

☒ **A**

Price

Quantity

S D_1 D

☒ **B**

Price

Quantity

S D_1 D

☒ **C**

Price

Quantity

S_1 S D

☒ **D**

Price

Quantity

S S_1 D
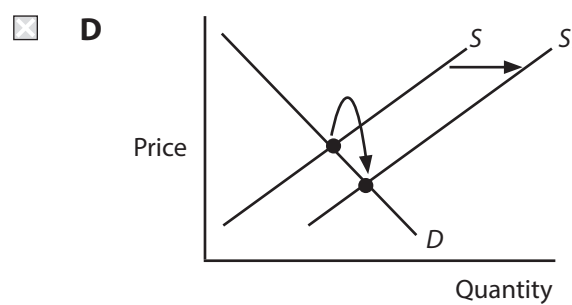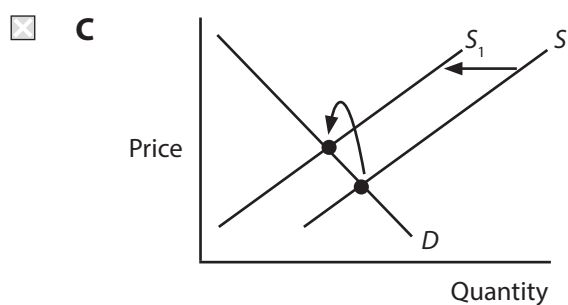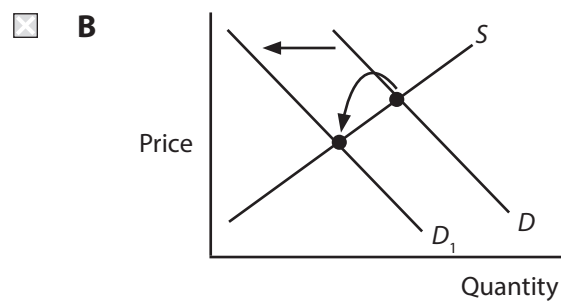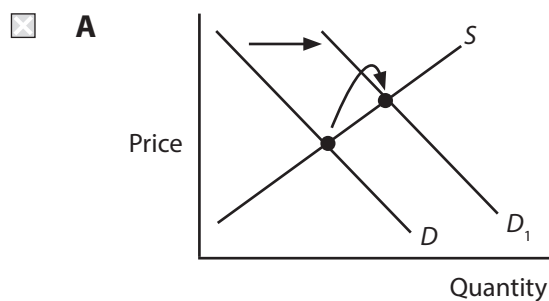
(b) Which **one** of the following is likely to result from an increase in free trade?

(1)

- ☒ **A** Increased prices
- ☒ **B** Increased choice for consumers
- ☒ **C** Decrease in standards of living
- ☒ **D** Decrease in market opportunities for business

(c) State **one** macroeconomic objective.

(1)

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(d) What is meant by the term revaluation?

(2)

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India set a target for its fiscal deficit of 3.3% of its GDP for the year ending March 2019.

(e) Explain **one** reason why the Indian Government's fiscal deficit is likely to stimulate economic growth.

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In 2017, the tertiary sector contributed 69.3% to Germany's GDP and the secondary sector contributed 30.1%. In comparison, the primary sector only accounted for 0.6% of GDP.

(f) Explain a typical trade pattern for a developed country such as Germany.

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Since 2016, 24 Japanese multinational corporations (MNCs) have invested in Bangladesh. This takes the total to 269 Japanese MNCs in Bangladesh. Low wages and the low cost of production are the main reasons for locating in Bangladesh. The cost of production is four times higher in China compared to Bangladesh.

Investments in Bangladesh have been made by Japanese automobile firm Honda and steel manufacturer Nippon Koei. Nippon Koei has invested $59.19m and recruited 2,500 employees to work in its steel factories.

(g) With reference to the data above and your knowledge of economics, assess the benefits that MNCs bring to a country such as Bangladesh.

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(Total for Question 2 = 20 marks)

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QUESTION 3 BEGINS ON PAGE 14.

3 (a) Which **one** of the following policies is most likely to reduce the rate of inflation?

(1)

☒ **A** Lower interest rates

☒ **B** Increased money supply

☒ **C** Higher government spending

☒ **D** Higher taxation

(b) In an exchange rate system with no government intervention, a decrease in the exchange rate is known as

(1)

☒ **A** appreciation

☒ **B** devaluation

☒ **C** depreciation

☒ **D** revaluation

In 2018, the annual rate of inflation in Egypt was 16% in September and 17.7% in October.

(c) Explain **one** likely impact of this change in inflation on the current account of the balance of payments for a country such as Egypt.

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The demand for the US$ changed following the publication in 2019 of the latest US growth rate report.

(d) Analyse the impact of currency speculators on the supply and demand of the currency for a country such as the US.

(6)

In Western Australia, single-use plastic bags were banned in July 2018 but fines were not enforced. However, from 2019, under new regulations, any shops providing customers with the banned plastic bags may face prosecution, with fines of up to AUS$5 000. The government is relying on shoppers to report retailers that break the rules.

The Environment Minister Stephen Dawson said the ban is well supported by the community. He said "Taking plastic bags out of litter is a significant step towards protecting our environment".

(e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of regulation to protect the environment in a country such as Australia.

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(Total for Question 3 = 20 marks)

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4   Figure 2 shows the UK's unemployment rates for 16–64 year olds in different regional areas in December 2018.

UK regions	Unemployment rate (%)
The North of England	4.8
The Midlands	4.6
East England	4.3
London and South East	2.9
South West England	3.0

Figure 2

(Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/
employmentandemployeetypes/bulletins/regionallabourmarket/latest)

(a) Calculate, to **two** decimal places, the **average rate of unemployment** in the UK in December 2018. You are advised to show your working.

(2)

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(b) With reference to the data in **Figure 2** and your knowledge of economics, analyse **one** possible reason why rates of unemployment vary in the different regional areas of the UK.

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A report by accountancy firm PwC said that the UK could boost its GDP by around £40bn a year if it reduces the number of young people who are not in education, employment or training. The UK only ranks 19th out of 35 countries on this latest report, with Germany performing the best in the EU.

John Hawksworth, chief economist at PwC UK, comments, "Employers need to work with universities, schools and other educational providers to ensure young people have the skills they need for the age of automation. They also need to help in retraining older workers to adapt to these new technologies".

(c) With reference to the data above and your knowledge of economics, evaluate whether an increase in education and training is the most effective way to reduce unemployment for a country such as the UK.

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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