

Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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**Friday 17 January 2020**

Morning (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) International trade that takes place with no restrictions is known as (1)

- A globalisation
- B protectionism
- C free trade
- D Foreign Direct Investment

(b) What is the name given to a country's exports and imports of services? (1)

- A Visible trade
- B Invisible trade
- C Transfer payments
- D The balance of payments

(c) What is meant by the term unemployment? (2)

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(d) What is meant by the term trade-off?

(2)

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(e) Calculate, to **two** decimal places, the **rate of unemployment** for a country which has a labour force of 72 million of which 8 million are unemployed. You are advised to show your working.

(2)

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

(3)

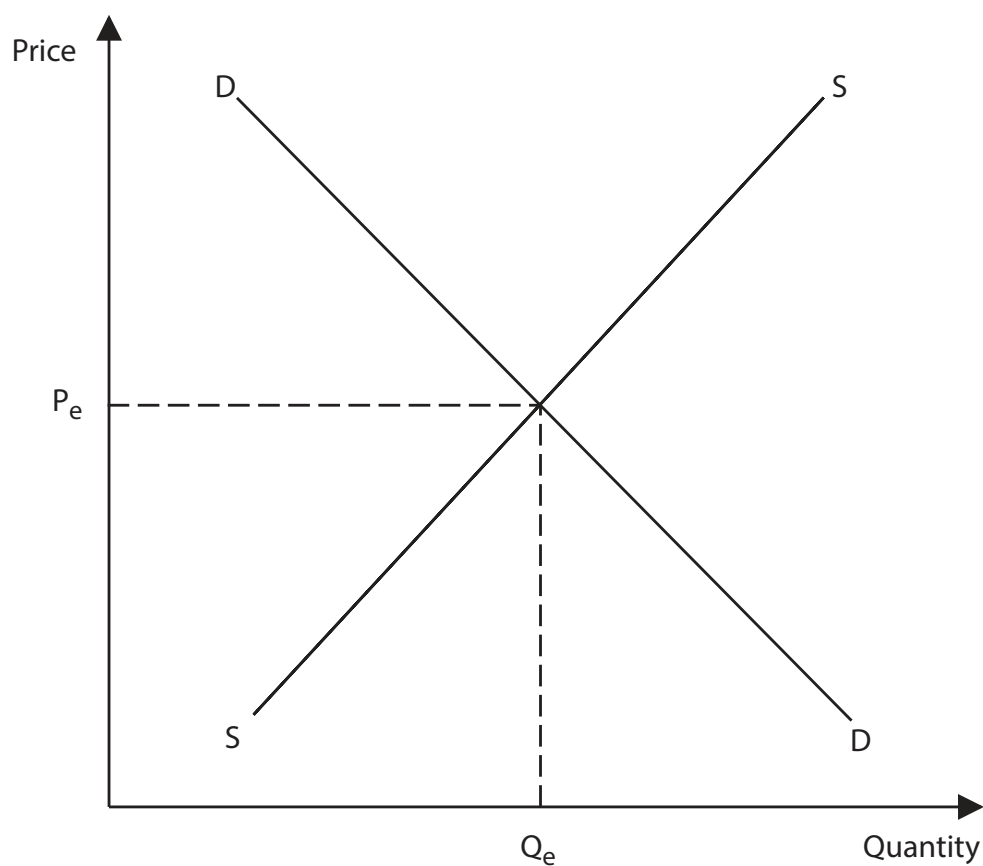


Figure 1



In November 2018, Mexico's current account deficit increased to \$5.082bn.

(g) Explain **one** reason why the quality of domestic goods might have resulted in this increase in the current account deficit for Mexico.

(3)

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**QUESTION 2 BEGINS ON PAGE 8.**



2 Figure 2 shows the rates of taxation in the UK in 2018.

Income per year (£)	Tax rate (%)
0 to 11 850	0
11 851 to 46 350	20
46 351 to 150 000	40
150 000 upwards	45

Figure 2

(a) This is an example of what type of taxation system?

(1)

- A Indirect
- B Progressive
- C Regressive
- D Value added

(b) To improve the standard of living, which **one** of the following is a government likely to reduce?

(1)

- A Welfare payments
- B Subsidies for housing
- C Education
- D Indirect taxes

(c) State **one** method of government intervention that should lead to the protection of the environment.

(1)

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(d) What is meant by the term relative poverty?

(2)

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In Manchester, UK, over 350,000 motorists have been issued with parking fines of £30. This gave the local government of Manchester additional revenue of £10.4m in one year.

(e) Explain **one** advantage for a local government, such as Manchester, of issuing parking fines.

(3)

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A recent report estimates 23% of gross domestic product (GDP) in Greece is from revenue that goes unrecorded by the government.

(f) Explain **one** possible reason why a large percentage of Greece's GDP might be unrecorded.

(3)

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**QUESTION 2(g) BEGINS ON PAGE 12**



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(Total for Question 2 = 20 marks)



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3 (a) A fiscal surplus occurs when

(1)

- A a country exports more than it imports
- B government revenue is greater than government expenditure
- C a country imports more than it exports
- D government expenditure is greater than government revenue

(b) In an exchange rate system without government intervention, a rise in the exchange rate is known as

(1)

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



The rate of inflation in Cyprus decreased from 3.1% in September to 3% in October.

(c) Explain **one** reason why low and stable inflation is a macroeconomic objective for a country such as Cyprus.

(3)

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In November 2018, the South African Monetary Policy Committee decided to increase interest rates by 0.25% to 6.75%. This decision affected the currency of South Africa, the Rand.

(d) Analyse the likely impact of an increase in interest rates on the currency of South Africa.

(6)

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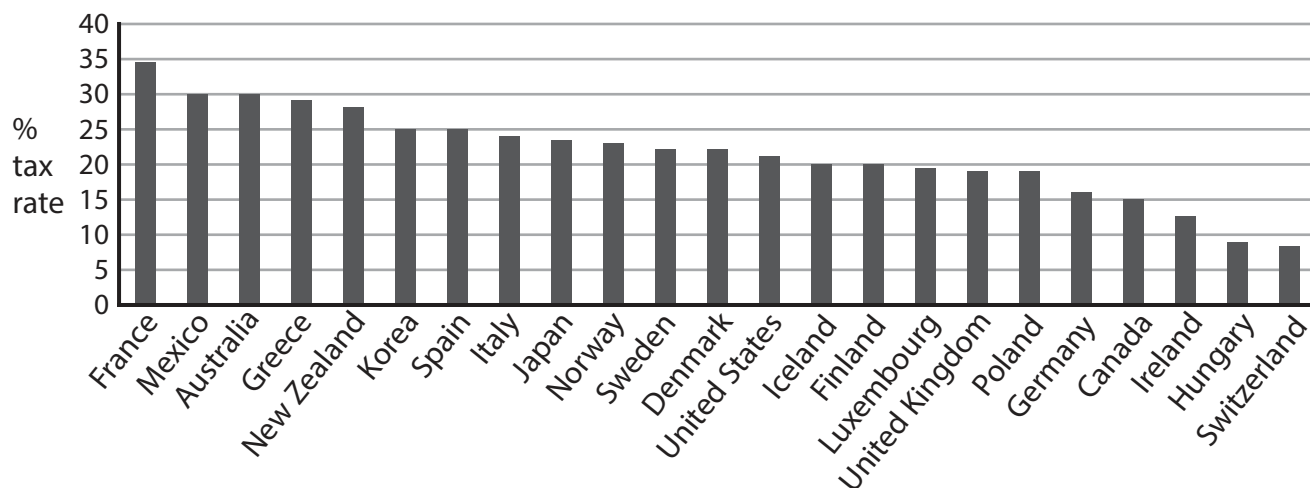
**QUESTION 3(e) BEGINS ON PAGE 18**



P 5 8 3 8 4 A 0 1 7 2 4

US President Donald Trump introduced lower business taxes in the hope of making the US more competitive globally. In 2017, business taxes in the US were 35% and a new lower rate of 21% was introduced in 2018. Donald Trump has plans to lower this to 15% in the future.

**Business tax rates for selected OECD\* countries 2018 (%)**



**Figure 3**

**\*OECD: Organisation for Economic Cooperation and Development.**

(Source: [https://stats.oecd.org/index.aspx?DataSetCode=TABLE\\_I11](https://stats.oecd.org/index.aspx?DataSetCode=TABLE_I11))

- (e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of lower business taxes in stimulating investment in a country such as the US.

(9)



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(Total for Question 3 = 20 marks)



4 Figure 4 shows Kenya's interest rate (%) from January to October 2018.

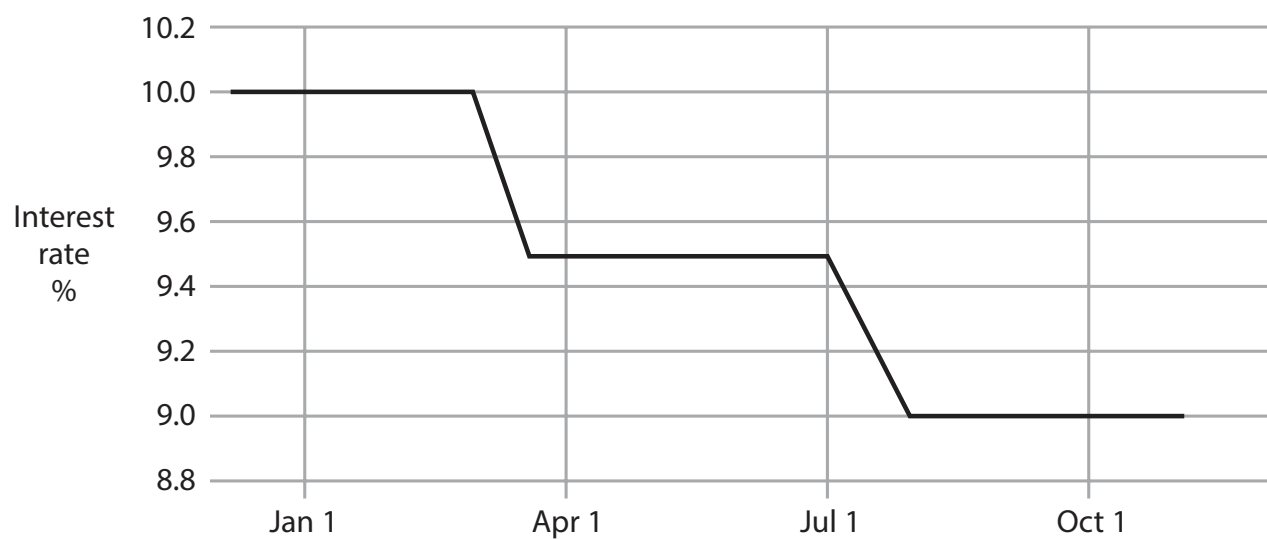


Figure 4

(Source: <https://tradingeconomics.com/kenya/interest-rate>)

(a) Calculate the **percentage change** in Kenya's interest rate between January and October 2018. You are advised to show your working.

(2)

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(Total for Question 4 = 20 marks)

**TOTAL FOR PAPER = 80 MARKS**

