

Write your name here

Surname

Other names

**Pearson Edexcel
International GCSE**

Centre Number

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Candidate Number

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Economics

Level 1/2

Paper 2: Macroeconomics and the Global Economy

Sample assessment material for first teaching
September 2017

Time: 1 hour 30 minutes

Paper Reference

4EC1/02

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.*

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) What type of unemployment is caused by a recession? (1)

- A Cyclical
- B Structural
- C Voluntary
- D Seasonal

(b) What is progressive taxation? (1)

- A Everyone pays the same proportion of their income in tax
- B Richer people pay a higher proportion of their income in tax
- C Poorer people pay a higher proportion of their income in tax
- D Pensioners pay a higher proportion of their income in tax

(c) What is meant by inflation? (2)

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(d) Describe **one** impact of inflation on a firm.

(2)

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(e) Calculate the price in euros of goods priced at £12 when the exchange rate is £1 = €1.30. 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)

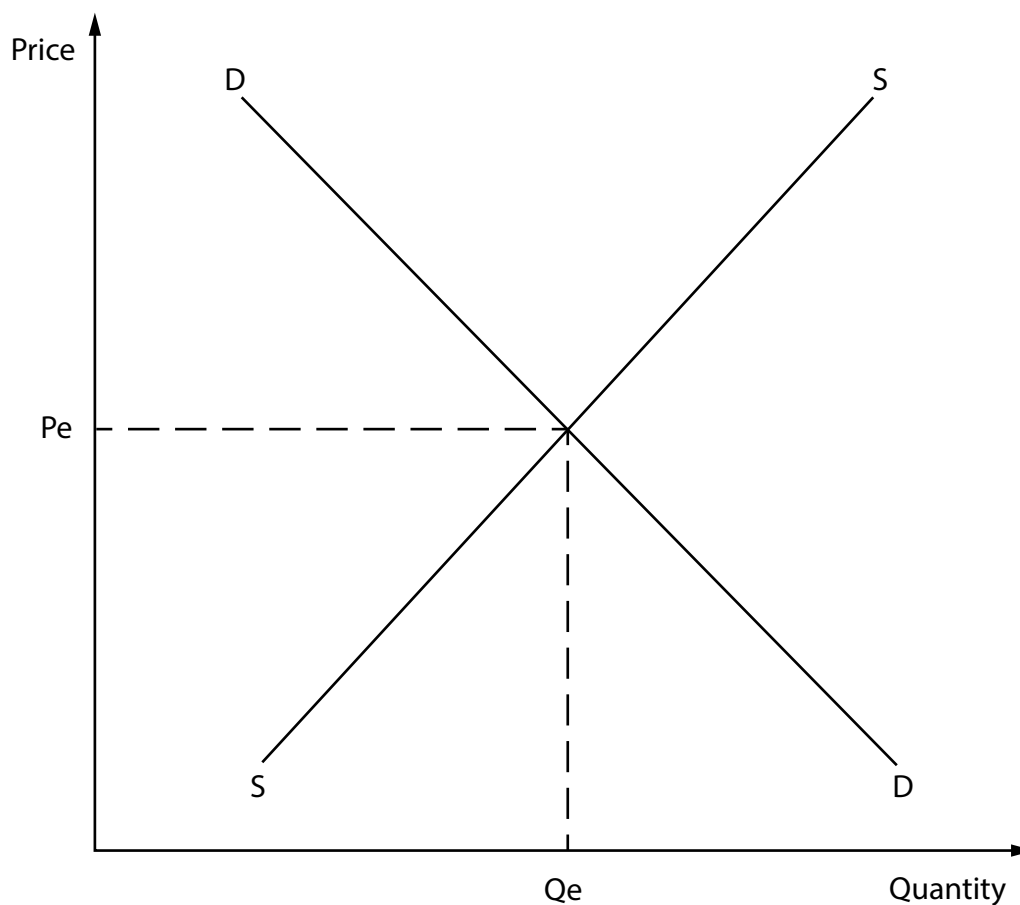


Figure 1

In 2015 Vietnam's economic growth was 6.68%.

- (g) Explain **one** disadvantage of economic growth. (3)

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(h) Analyse how a government might use fiscal policy to stimulate economic growth.

(6)

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(Total for Question 1 = 20 marks)

2 (a) What does CPI stand for?

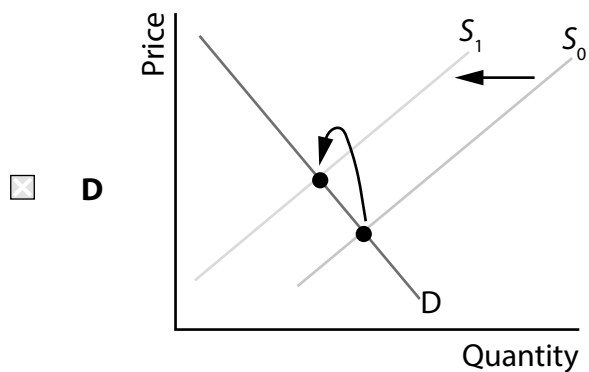
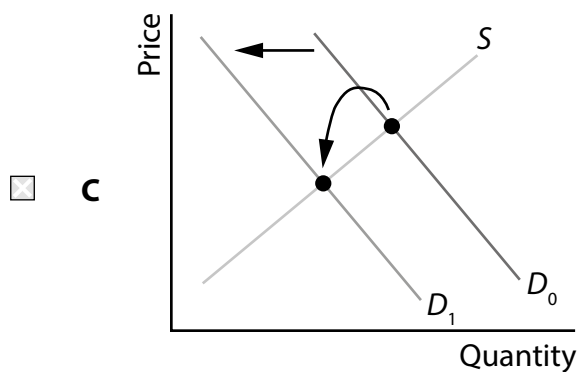
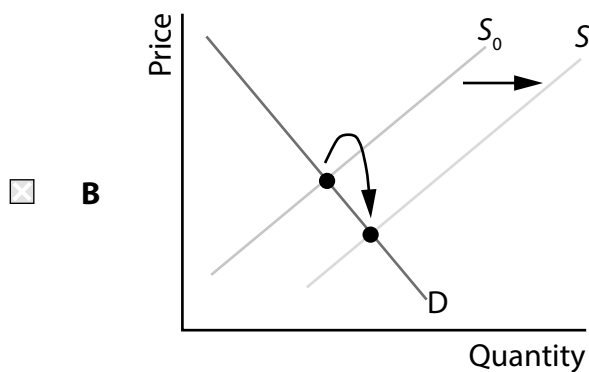
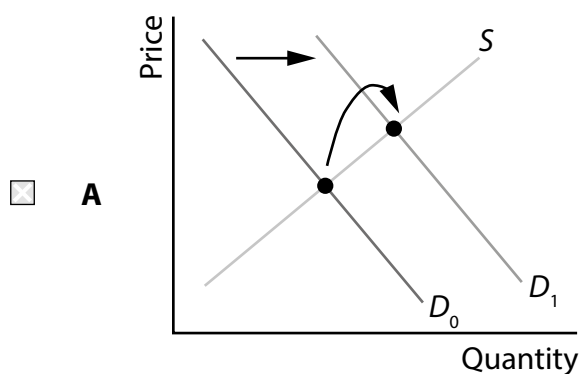
(1)

- A** Changing prices index
- B** Consumer price indicator
- C** Consumer price index
- D** Changing prices indicator.

The United States provides a subsidy to American cotton producers.

(b) Which one of the following diagrams shows the market for American cotton following the introduction of the subsidy?

(1)



(c) State **one** cause of globalisation.

(1)

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(d) What is meant by monetary policy?

(2)

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In 2016, Brazil complained to the World Trade Organization (WTO) about Thailand's use of sugar subsidies.

(e) Explain one role of the WTO.

(3)

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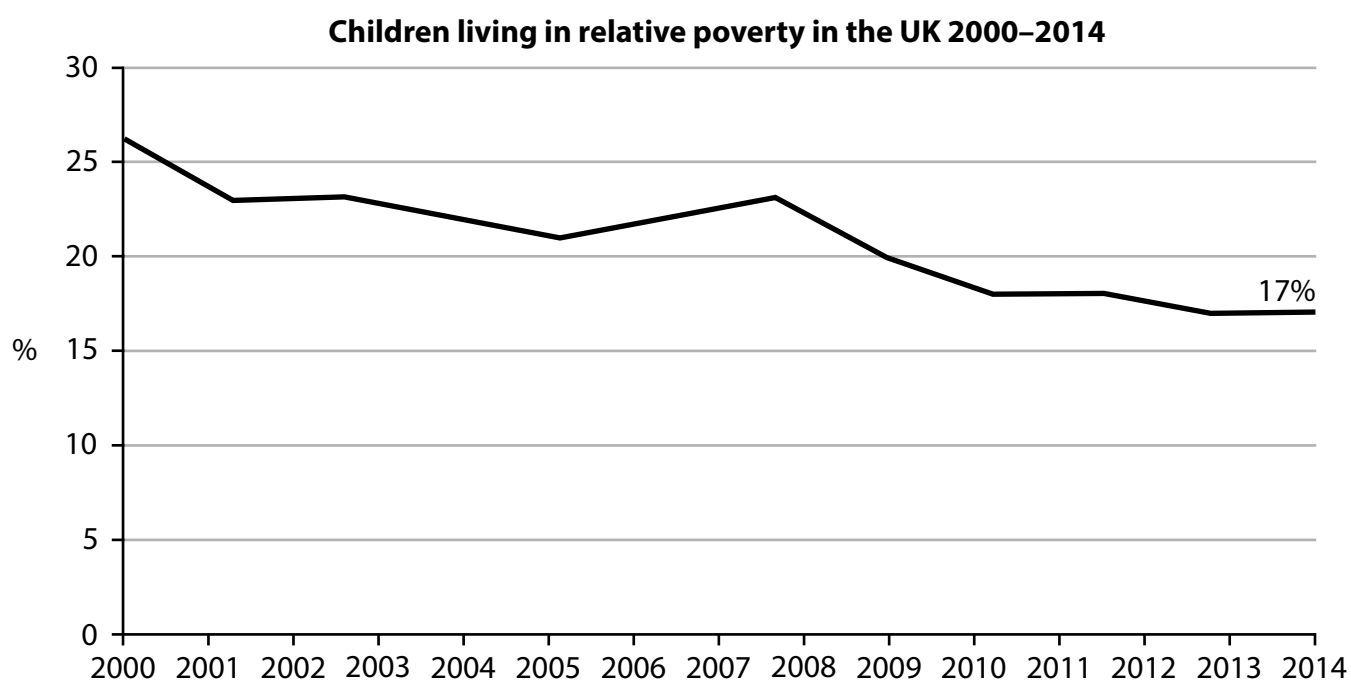
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Malawi is a developing country that relies heavily on the export of agricultural commodities, the most important of which is tobacco.

- (f) Explain one way in which the pattern of trade might be different for a developed country than for a developing country.

(3)



(Source: Office for National Statistics)

Figure 2

In the UK, relative poverty is defined as living in households where the income is below 60% of the UK average. In July 2015, the UK government announced that the number of UK children classed as living in relative poverty remained at 2.3 million or 17%. Almost one in six children in the UK remained in relative poverty from 2011–2014. In 2016, the United Nations criticised the UK for lagging behind the developed world in dealing with child poverty.

(g) Assess one policy that the UK government could use to reduce the level of relative poverty.

(9)

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3 (a) What is a fiscal deficit?

(1)

- A** Imports are greater than exports
- B** Government revenue is greater than government expenditure
- C** Government expenditure is greater than government revenue
- D** Exports are greater than imports

(b) What is a period of strong economic growth called?

(1)

- A** Recession
- B** Downturn
- C** Recovery
- D** Boom

(c) Explain the different impact on exports of a revaluation and devaluation of a currency.

(3)

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In 2015, the UK pound (£) appreciated against the euro (€), reaching a high of £1 = €1.44.

(d) Analyse the impact this appreciation may have had on the UK's current account of the balance of payments.

(6)

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% Unemployment rate by region in Spain



Figure 3

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Spain, in common with most other economies has different levels of regional unemployment. In 2015, the highest rate was found in Melilla with 34.0% and the lowest was in Navarra with 13.8%. Unemployment among 15–24 year olds was significantly higher than other age groups in all areas of Spain.

(e) Assess the likely effectiveness of supply-side policies in reducing unemployment in Spain.

(9)

Dotted lines for student response

(Total for Question 3 = 20 marks)

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

	2014	2015
GDP per capita US\$	2004	2135

Figure 4

(a) Calculate to one decimal place the percentage increase in GDP per capita between 2014 and 2015. You are advised to show your working.

(2)

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Sri Lanka's average tariff is 6.3%. However, agricultural imports have higher tariffs. Dairy products, meat products, fruit and vegetables have a 30% tariff.

(b) Analyse why Sri Lanka might impose higher tariffs on agricultural imports.

(6)

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Sri Lanka signed agreements for foreign direct investment (FDI) worth \$1.6bn in 2015, up from 2014's total of \$1.5bn. New projects include a \$26.5m assembly plant from Volkswagen and a \$100m investment in the sugar industry by companies from Singapore. Other multinationals already operating in Sri Lanka include Unilever®, Nestlé®, Holcim®, Coca-Cola® and Reckitt Benckiser®.

- (c) Evaluate the impact that FDI might have on a developing economy such as Sri Lanka.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS