

Pearson Edexcel International Advanced Level

Wednesday 21 January 2026

Afternoon (Time: 2 hours)

Paper
reference

WEC14/01A

Economics

International Advanced Level

UNIT 4: Developments in the global economy

Question Paper

You must have:

Source Booklet and Answer book (sent separately)

Do not return this Question Paper with the Answer Book.

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SECTION A

Answer ALL questions in this section in the Answer Book.

- 1 The Government of Qatar spent \$200 billion to build an airport, new roads, railways and stadiums needed for the 2022 football World Cup.

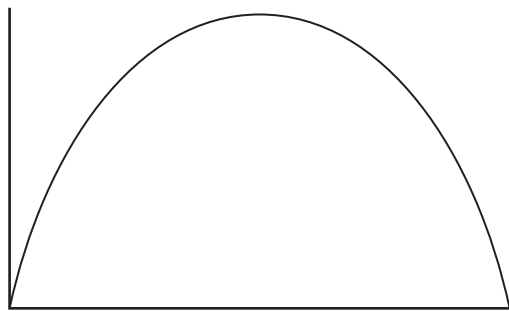
This change in public expenditure is an example of an increase in which **one** of the following?

- A Capital expenditure
- B Current expenditure
- C Progressive taxation
- D Transfer payments

(Total for Question 1 = 1 mark)

- 2 The diagram illustrates the Laffer curve for a developed country.

Which **one** of the following statements is true about the Laffer curve?



- A It shows the relationship between the level of investment and the savings rate
- B It shows the relationship between government tax revenue and the tax rate
- C It shows the relationship between the rate of inflation and the unemployment rate
- D It shows the relationship between quantitative easing and the rate of interest

(Total for Question 2 = 1 mark)



- 3 The table shows Maldives' index of export prices and index of import prices between 2015 and 2018, (2000 = 100).

Year	Index of export prices	Index of import prices
2015	157.2	156.0
2016	154.2	150.5
2017	168.6	156.8
2018	179.2	166.6

Ceteris paribus, which **one** of the following can be deduced from this table?

- A The Maldives' terms of trade improved by 7.6% between 2000 and 2018
- B The Maldives had to export the same amount of goods to purchase a given quantity of imports each year
- C The Maldives' index of import prices exceeded its index of export prices throughout the given period
- D The Maldives' terms of trade worsened by 6.2% between 2015 and 2018

(Total for Question 3 = 1 mark)

- 4 The table shows national debt as a percentage of GDP for selected countries in 2024.

Country	National debt as a % of GDP
Italy	135%
France	113%
UK	101%

Which **one** of the following can be deduced from the chart?

- A In Italy imports must have been greater than exports
- B In the UK crowding out is more likely than in France
- C In the UK tax revenues must have been lower than public expenditure in previous years
- D In France public expenditure as a percentage of GDP must have been higher than in Italy

(Total for Question 4 = 1 mark)

- 5 The table shows the maximum production possibilities for country X and country Y in a given year.

Country	Bags		Shoes
X	80 000	OR	80 000
Y	35 000	OR	35 000

Which **one** of the following can be deduced from this table?

- A There is no opportunity cost for either country in producing bags or shoes
- B Country X has a comparative advantage over country Y in the production of bags and shoes
- C Country Y has an absolute advantage over country X in the production of bags and shoes
- D Neither country will benefit from specialisation and trade in bags or shoes

(Total for Question 5 = 1 mark)

- 6 In 2024 Portugal experienced an increase in its ranking in the World Competitiveness Table.

Which **one** of the following is the most likely reason for this increase in Portugal's international competitiveness?

- A An increase in its unit labour costs relative to other countries
- B An increase in its transportation costs relative to other countries
- C An increase in its labour productivity relative to other countries
- D An increase in its rate of inflation relative to other countries

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION B

Study Figure 1 and Extract A in the Source Booklet before answering Question 7.

Write your answers in the spaces provided in the Answer Book.

- 7 (a) With reference to the second paragraph of Extract A, calculate the share of global wealth of high-income advanced countries and middle-income developing countries in 2000. You are advised to show your working. (2)
- (b) Explain what is meant by 'relative poverty' (Extract A, line 15). (4)
- (c) With reference to Figure 1, analyse the likely effect on global income inequality of the change in the global Gini coefficient from 2000 to 2020.
Illustrate your answer with a Lorenz curve diagram. (6)
- (d) With reference to Extract A, examine **two** reasons why income inequality has increased within advanced economies. (8)
- (e) With reference to Extract A and your own knowledge, discuss policies that a government could implement to reduce income inequality within its economy. (14)

(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



SECTION C

Answer TWO questions from this section.

Write your answers in the spaces provided in the Answer Book.

- 8** Between 2000 and 2020 developing countries experienced a significant increase in the cost of servicing and repaying their external debts.

Evaluate the advantages of debt relief as a means of promoting economic development.

Refer to a developing country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2023 the current account deficit on the balance of payments in South Africa was \$6.14bn and in Argentina it was \$21.5bn.

Evaluate the disadvantages of a current account deficit.

Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between 2022 and 2024 Egypt's currency, the pound, fell by 106% against the US dollar. However, over the same period, Australia's currency, the Australian dollar, rose by 10% against the US dollar.

Evaluate factors that influence the exchange rate of a currency.

Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)

TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS



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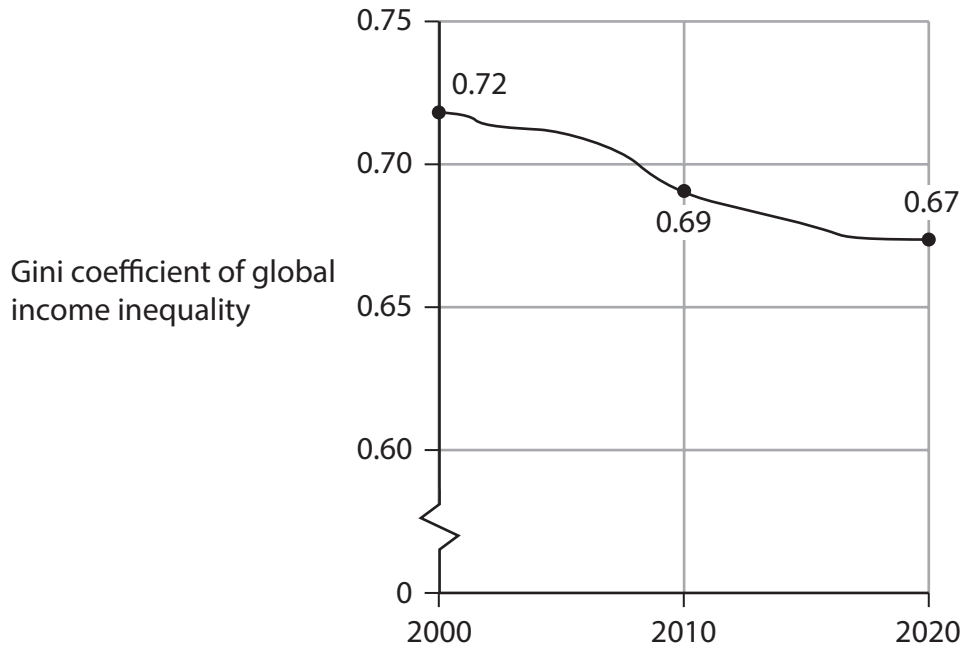


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Sources for use with Section B

Inequality

Figure 1 Gini coefficient of global income inequality 2000–2020



Extract A Inequality – causes and policies

Income and wealth inequality is an economic, social and political issue in many advanced economies. This has led to a debate about its causes and solutions.

Wealth inequality has decreased between high-income advanced countries and middle-income developing countries. Between 2000 and 2020 the share of global wealth of high-income countries fell by 12 percentage points to 71%. Over the same period the share of wealth of middle-income developing countries rose by nine percentage points to 24%. 5

However, income inequality within advanced economies has increased. The top 1% of income earners increased their share of total pre-tax income from 9% in 2000 to 16% in 2020. Relative poverty rates have also increased in many advanced economies between 2000 and 2020. France had a small increase of almost two percentage points, whereas Japan, Canada, Germany and USA had an increase of three percentage points. On average, almost one in seven people living in advanced economies remains in relative poverty after taxes and transfer payments. 10 15

Personal factors such as gender, age and place of residence continue to affect inequality in advanced economies. Even though women are now more likely to have a degree, their income and wealth are still lower than those of men. In 2023, women in advanced economies earned only \$0.89 for every \$1 that men earned. Similarly, a higher proportion of young people have a degree but their earnings and wealth are lower than those of older people. Residents living in urban areas are more likely to have a higher level of education than rural residents. However, unemployment in urban areas is higher and rising. 20

Since 2005 real disposable incomes have fallen in advanced economies. The effects of this have been most significant for middle-income earners and those in medium-skilled jobs. Over the same time period, the costs of housing, healthcare and education have risen faster than the average price level. Household debt has also increased from approximately 50% of disposable income in 2000 to 120% in 2020. 25

Long-term global trends are affecting incomes and may increase income inequality in the future. For example, there has been a decrease in wages as a share of global GDP. This reflects the underlying trends of the slow growth of real wages and the increased use of automation in the global economy. 30

Government policy is needed to reduce inequality. Interventionist policies could include providing wider access to high-quality education and training, providing better quality healthcare, implementing measures to reduce discrimination and increasing minimum wages. Challenges related to inequality require a reconsideration of how economic gains from globalisation are shared. This is likely to involve reform of taxes on income and welfare support. 35

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Acknowledgements

Figure 1 adapted from: <https://wir2022.wid.world/chapter-2/>

Extract A adapted from:

<https://www.mckinsey.com/industries/public-sector/our-insights/inequality-a-persisting-challenge-and-its-implications?cid=eml-web>

https://ourworldindata.org/grapher/relative-poverty-share-of-people-below-60-of-the-median?utm_source=chatgpt.com

https://www.oecd.org/en/publications/reporting-gender-pay-gaps-in-oecd-countries_ea13aa68-en.html

<https://www.imf.org/external/datamapper/datasets/GDD>



Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

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Answer Book

You must have:

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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 in Sections A and B.
- Answer **TWO** question in Section C.
- 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.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

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SECTION A

Answer ALL questions in this section.

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 ☒.

Question 1

- A
- B
- C
- D

(Total for Question 1 = 1 mark)

Question 2

- A
- B
- C
- D

(Total for Question 2 = 1 mark)

Question 3

- A
- B
- C
- D

(Total for Question 3 = 1 mark)

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Question 4

- A
- B
- C
- D

(Total for Question 4 = 1 mark)

Question 5

- A
- B
- C
- D

(Total for Question 5 = 1 mark)

Question 6

- A
- B
- C
- D

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION B

Study Figure 1 and Extract A in the Source Booklet before answering Question 7.

Write your answers in the spaces provided.

Question 7

Write the answer to Question 7(a) in the space provided.

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Write the answer to Question 7(b) in the space provided.

(4)

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Write the answer to Question 7(c) on the two pages provided.

(6)

Area with horizontal dotted lines for writing the answer.

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Write the answer to Question 7(d) on the two pages provided.

(8)

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Question 7(d) continued

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Write the answer to Question 7(e) on the three pages provided.

(14)

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Question 7(e) continued

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Question 7(e) continued

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

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Section C continued

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Section C continued

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Section C continued

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Section C continued

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Section C continued

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P 8 7 5 9 8 A 0 1 9 2 4

Section C continued

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Section C continued

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Section C continued

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TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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