

OXFORD CAMBRIDGE AND RSA EXAMINATIONS Advanced Subsidiary GCE

ECONOMICS 2883/AB

THE NATIONAL AND INTERNATIONAL ECONOMY

Revised Specimen Answer Book

Additional materials: Separate question paper. Candidates answer in this designated Answer Booklet

TIME 1 hour

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided at the top of this page. Answer **all** questions.

Write all your answers in the spaces provided on this separate answer booklet.

The spaces should be sufficient for your answers but if you require more space use the lined page(s) at the end of this booklet and number your answers carefully.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The quality of your written communication will be taken into account in marking your answer to the question labelled with an asterisk(*).

The total mark for this paper is 45.

7812/3812/SP/EN/02

Boom, Boom ... Bust? A Tale of Two Economies

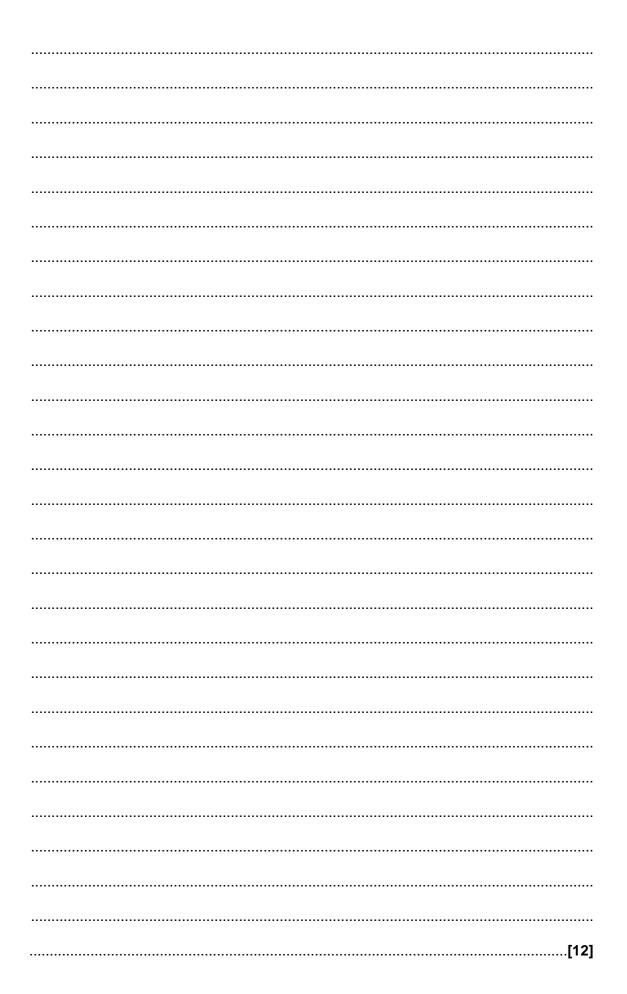
1. (a)	What is meant by the following economic terms as they appear in the text:
(i)	investment (line 10);
	[2]
(ii)	aggregate supply (line 10);
	[2]
(iii)	real GDP (line 12);
	[2]
(iv)	the claimant count (line 14)?
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	[2]

(b)	(i)	Explain how changes in an economy's real GDP would usually be expected to affect its rate of unemployment.
		[4]
((ii)	To what extent does the data relating to the UK economy (see Table 1) support this relationship?
		[6]

(c)	In 2001, the US Federal Reserve cut interest rates on various occasions, reaching a forty year low in October (see lines 3–5).			
	(i)	What evidence is there in the passage to suggest why these interest rate cuts were made?		
		[2]		
	(ii)	Apart from a cut in interest rates, explain two other measures that the US government could have used to stimulate aggregate demand.		
		[6]		

(iii)	Using an aggregate demand and aggregate supply diagram, analyse the effect of a fall in aggregate demand on an economy.
	[7]

İ	Discuss the alternative policies a government may use to improve a deficit in balance of payments.



the question number must be clearly shown.				