

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**  
**Advanced Subsidiary GCE**

**ECONOMICS**

**2883**

**THE NATIONAL AND INTERNATIONAL ECONOMY**

Tuesday                      **18 JANUARY 2005**                      Morning                      1 hour

Additional materials:  
Designated Answer Booklet [2883/AB].

**TIME**    1 hour

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.

Answer **all** the questions.

Write all your answers on the separate answer booklet provided.

**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 (\*).

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**This question paper consists of 4 printed pages.**

Answer all parts of this question in the accompanying answer booklet.

Boosting Economic Growth

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Details: An extract of text about boosting economic growth

10

Table 1: The estimated impact of policy changes on economic growth in three countries in 2002

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Details: A table showing the estimated impact of policy changes on economic growth in the USA, Japan and the UK in 2002

Adapted from 'There are a few good cards left to win economy gain' by Stephen King, 16/12/02.

- (a) Define the following terms:
- (i) aggregate demand (lines 2–3); [2]
  - (ii) unemployment (line 6). [2]
- (b) (i) Identify **one** of the three ways of measuring Gross Domestic Product (GDP). [1]
- (ii) Identify, from the passage, **two** ways of increasing GDP. [2]
- (iii) With reference to Table 1, discuss the extent to which the bold policy changes (line 10) have been effective in raising the rate of economic growth. [6]
- (c) One reason why interest rates were cut in the USA was to reduce unemployment.
- (i) Explain **two** economic costs of unemployment. [4]
  - (ii) With the aid of a diagram, analyse the effects of a cut in interest rates on an economy. [10]
- (d) Explain **two** policy measures a government could use to reduce a current account deficit on the balance of payments. [6]
- \*(e) Discuss the effectiveness of supply-side policies in reducing unemployment. [12]

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