

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced Subsidiary GCE

ECONOMICS

2883

THE NATIONAL AND INTERNATIONAL ECONOMY

Friday

10 JUNE 2005

Afternoon

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 (*).

This question paper consists of 4 printed pages.

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

UK's trade gap at widest since records began

In 2002, the UK's trade deficit in goods widened to a record £34bn – the greatest gap in more than 300 years of record-keeping. Falling exports, which sank to their lowest level in three years, were the main cause of this deficit. Exports of goods fell to a value of £186bn in 2002.

At the same time as the worsening trade position, the UK experienced economic growth and falling unemployment, as measured by both the Claimant Count and the Labour Force Survey. The economy also experienced a steady and low rate of inflation. Despite the relatively high exchange rate and increased tax burden, injections exceeded leakages causing aggregate demand to rise. 5

Fig. 1 shows how changes in both aggregate demand (AD) and aggregate supply (AS) might affect the economy. 10

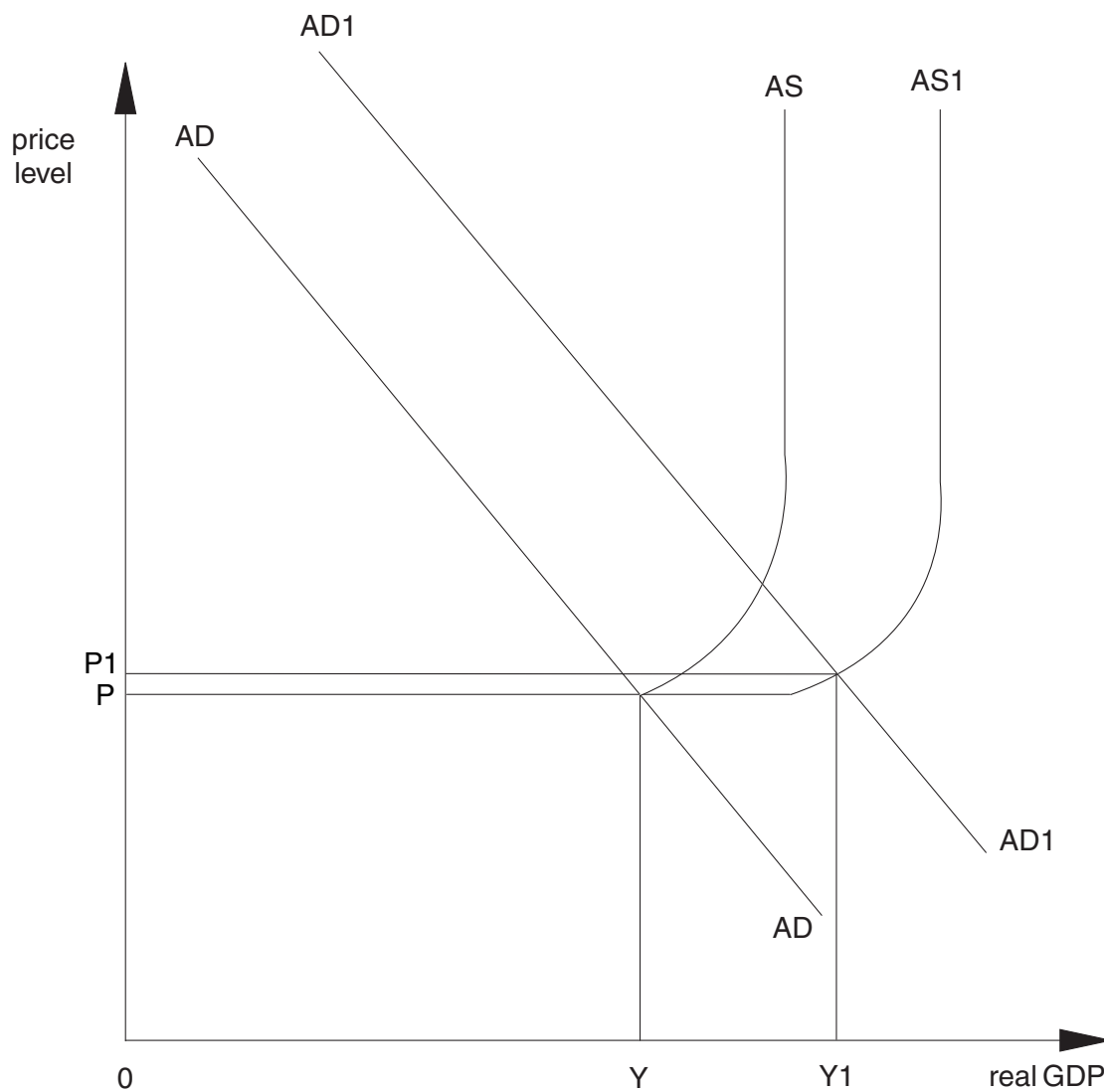


Fig. 1

- (a) Define the following terms:
- (i) exchange rate (line 8); [2]
 - (ii) injections (line 9). [2]
- (b) (i) Using the information in the passage, calculate the value of imported goods in 2002. Show your working. [2]
- (ii) Using examples, explain **two** ways in which UK consumers may benefit from international trade. [6]
- (c) Using Fig. 1:
- (i) state what is meant by macroeconomic equilibrium; [1]
 - (ii) explain **two** factors that might have caused the shift in the aggregate supply curve from AS to AS1; [6]
 - (iii) analyse **two** policy measures that the UK government could use to move aggregate demand from AD to AD1. [8]
- (d) (i) What is meant by the Claimant Count measure of unemployment? [2]
- (ii) Comment on **two** difficulties of measuring unemployment. [4]
- *(e)** Discuss the economic consequences of inflation. [12]

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