OCR
RECOGNISING ACHIEVEMENT

ADVANCED SUBSIDIARY GCE

ECONOMICS

The National and International Economy

F582

Candidates answer on the question paper

OCR Supplied Materials:
None

Other Materials Required:
None

Wednesday 3 June 2009
Afternoon

Duration: 1 hour 30 minutes

F582

Candidate Forename		Candidate Surname	

Centre Number						Candidate Number				

INSTRUCTIONS TO CANDIDATES

*   Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
*   Use black ink. Pencil may be used for graphs and diagrams only.
*   Read each question carefully and make sure that you know what you have to do before starting your answer.
*   Answer **all** the questions.
*   Do **not** write in the bar codes.
*   Write your answer to each question in the space provided, however, additional paper may be used if necessary.

INFORMATION FOR CANDIDATES

*   The number of marks is given in brackets **[ ]** at the end of each question or part question.
*   The total number of marks for this paper is **60**.
*   This document consists of **12** pages. Any blank pages are indicated.

OCR is an exempt Charity

Turn over

Will Russia move into the premier league?

A few years ago the Russian economy was in trouble. Real Gross Domestic Product (GDP) was falling and unemployment was rising. More recently, however, Russian macro-economic performance has improved. The economy, consisting of approximately 150m people in 2007, grew at an average annual rate of 7% between 2003 and 2007. In 2007, Russian GDP reached US $1200bn. The country's inflation rate has fallen since 2003, although it did pick up in 2007. The *5* country's stronger macro-economic performance has been reflected more in its unemployment data (see Fig. 1 which compares Russian and UK unemployment).

Fig. 1 Russian and UK unemployment figures (2006)

Unemployment rate	Russia (%)	UK (%)
Lower measure (claimant count or equivalent)	2.0	3.0
Higher measure (ILO measure)	5.8	5.5
Highest regional rate	8.2	4.4
Lowest regional rate	1.5	1.8
Percentage of unemployed who have been out of work for more than a year	18.6	21.2

Another indicator of macro-economic performance is a country's current account position on its balance of payments. This indicator, though, is harder to interpret. Fig. 2 compares Russia's current account position in 2007 with four other countries. *10*

Fig. 2 Current account balance of selected countries, 2007

Country	% of GDP
China	10.9
Russia	5.6
Japan	4.7
UK	−3.3
USA	−5.5

Russia's greater economic strength has raised its government's ambitions. At the end of 2007 the Russian government set itself the target of becoming one of the world's top five economies by 2020.

To help achieve this objective, the Russian government is seeking to reverse the trend of under-investment by spending more on improving the country's infrastructure. The government is also trying to ensure that aggregate demand can grow steadily, whilst avoiding a high inflation rate. In 2007 Russia's inflation rate was 9.5% and its interest rate was 10%. Raising its interest rate should reduce inflationary pressure but it will do so, in part, by lowering consumer expenditure which may, in turn, reduce aggregate demand.

15

Turn over

4

Answer **all** questions.

1   Using information from the case study (lines 3–5), calculate Russia's GDP per head in 2007.

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.... **[2]**

2   **(a)** Define the term 'unemployment'.

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   (b) Using Fig. 1, describe how Russia's unemployment differed from the UK's unemployment in 2006.

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3 **(a)** Define the term 'inflation rate' (line 5).

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(b) State and explain **two** costs of inflation.

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4 **(a)** Using Fig. 2, describe how Russia's current account position differed from that of the other countries shown.

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.... **[3]**

Turn over

(b) Comment on the effectiveness of **one** supply side policy in improving a country's current account position.

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5 (a) Consumer expenditure is one of the components of aggregate demand. Identify **three** of the other components.

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(b) Comment on the effectiveness of cutting income tax to increase consumer expenditure.

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(c) State and explain **two** other causes of an increase in consumer expenditure.

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6 Discuss the extent to which an increase in aggregate demand may affect output, unemployment and inflation.

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