

**ADVANCED SUBSIDIARY GCE UNIT
ECONOMICS**

The National and International Economy
THURSDAY 18 JANUARY 2007

2883/AB

Morning

Time: 1 hour

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



Candidate
Name

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Centre
Number

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Candidate
Number

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INSTRUCTIONS TO CANDIDATES

- Write your name, Centre number and candidate number in the boxes above.
- Answer **all** the questions.
- Write 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 pages 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(*)

For Examiner's Use

Total Mark

This document consists of **6** printed pages and **2** lined pages.

(a) Define:

(i) economic growth (line 3)

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.....[2]

(ii) balance of trade in goods (line 5).

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.....[2]

(b) (i) What is meant by cost-push inflation?

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.....[2]

(ii) What is meant by demand-pull inflation?

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.....[2]

(ii) Explain **two** fiscal policy measures a government could use to reduce unemployment.

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2.

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..... [6]

(d) If a country's aggregate demand curve was moving in the direction shown in Fig. 1, explain why its central bank might lower its rate of interest.

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..... [5]

(e) Italian producers are facing increased competition from firms in China. Explain **two** possible ways in which Italian consumers may benefit from that increased competition.

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2.
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..... [6]

