



**ADVANCED SUBSIDIARY GCE  
ECONOMICS**

The National and International Economy

**2883**

Candidates answer on the Answer Booklet

**OCR Supplied Materials:**

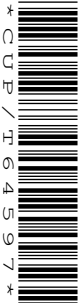
- Designated Answer Booklet [2883/AB]

**Other Materials Required:**

None

**Friday 16 January 2009  
Morning**

**Duration: 1 hour**



**INSTRUCTIONS TO CANDIDATES**

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- 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.
- Write all your answers in the separate Answer Booklet provided.
- Do **not** write in the bar codes.

**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 **45**.
- The quality of your written communication will be taken into account in marking your answer to the question labelled with an asterisk (\*).
- This document consists of **4** pages. Any blank pages are indicated.

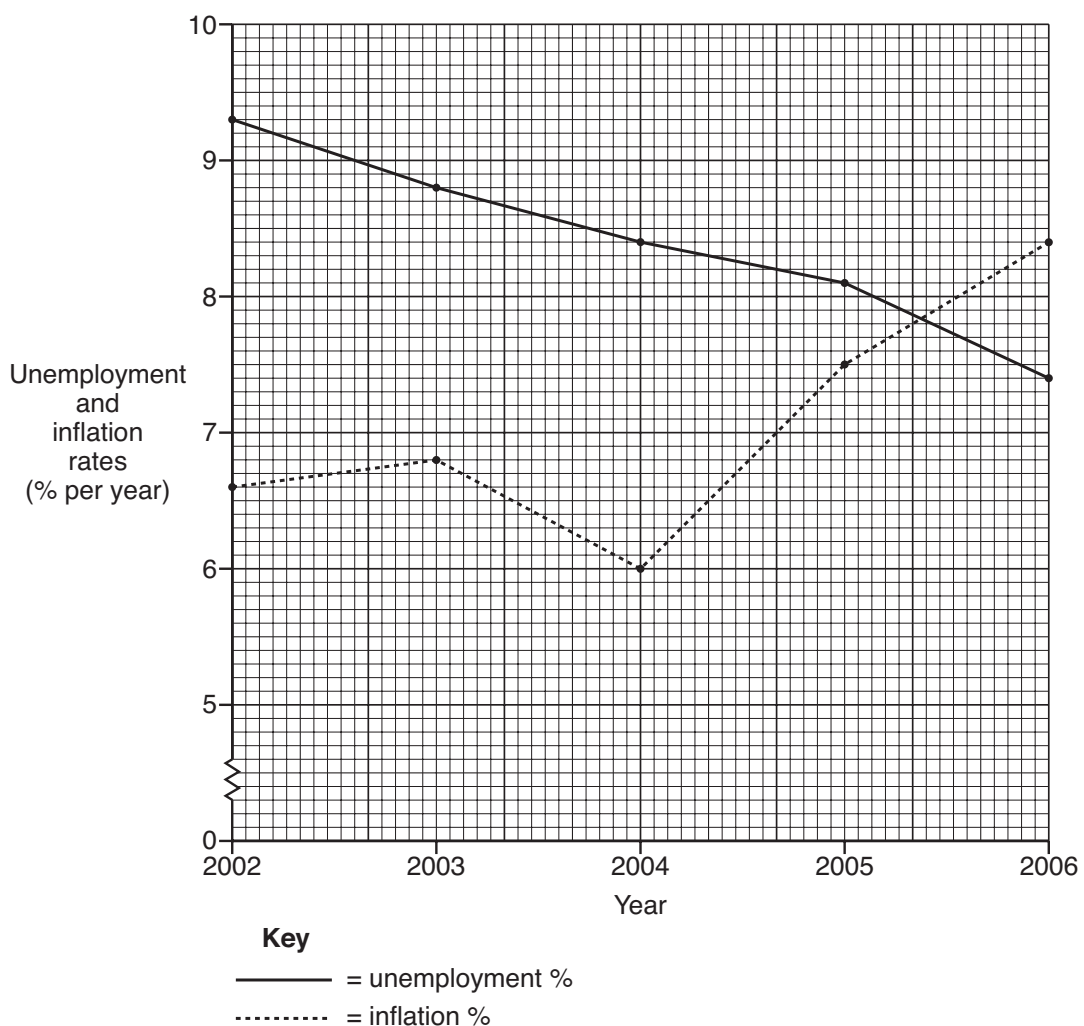
Answer **all** parts of this question in the accompanying answer booklet.

### Kazakhstan – will its economic boom last?

Kazakhstan is an oil-rich central Asian economy. In the mid 1990s it had a disastrous economic record. By 1995, its real GDP had dropped to 61.4% of its 1990 level and in 1995 its inflation rate reached a staggering 3000%. It is now, however, enjoying rapid economic growth. Between 2000 and 2006 its economic growth rate averaged 9% per year. Kazakhstan's economic growth is being fuelled by rising oil production, increasing government spending and a relatively stable monetary policy. The country is also experiencing a healthy trade surplus. In 2006, Kazakhstan had a trade surplus of \$15bn and imports of \$24bn. Fig. 1 provides information on the country's recent record in terms of unemployment and inflation.

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**Fig. 1 Unemployment and inflation rates in Kazakhstan, 2002–2006**



The economic boom that Kazakhstan is enjoying is stimulating domestic investment and attracting foreign direct investment.

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Concerns have been expressed, however, that this rapid economic growth cannot be sustained. To curb the rapid growth in bank lending, the National Bank of Kazakhstan, the central bank of the country, raised its rate of interest in 2006. To improve the country's macroeconomic performance in an increasingly global market, the government is moving away from protectionism towards free trade.

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Despite its recent high economic growth, there are a number of problems which Kazakhstan still has to tackle. Cyclical unemployment is falling but other types of unemployment remain a problem, largely due to the lack of labour mobility. A number of industries, including construction, are expanding whilst others, including agriculture, are declining.

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The benefits of economic growth are not being widely distributed. Real GDP per head is rising relatively slowly. Kazakhstan has a number of billionaires but also a high number of people living in poverty, particularly in villages and small towns. The country's health system is also in a very poor state. The government has recently announced its commitment to increasing its spending on health care and introducing other measures to achieve both a more even distribution of income and to promote further economic growth.

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- (a) Define the term 'monetary policy' (line 6). [2]
- (b) Using the information in Fig. 1:
- (i) identify the year in which the price level was at its lowest; [1]
  - (ii) describe the relationship between unemployment and inflation in Kazakhstan between 2002 and 2006. [4]
- (c) State and explain **one** supply-side policy measure a government could use to reduce inflation. [4]
- (d) (i) What is meant by 'cyclical unemployment'? (line 18) [2]
- (ii) With reference to lines 19–21, identify and explain **one** other cause of unemployment in Kazakhstan. [2]
  - (iii) Describe **one** way of measuring unemployment. [2]
- (e) Using an aggregate demand and aggregate supply diagram, analyse the effects of an increase in investment on an economy. [7]
- (f) (i) Calculate the value of Kazakhstan's exports in 2006. [1]
- (ii) What is the difference between free trade and protectionism? [2]
  - (iii) A country decides to remove all the import tariffs it imposes. Comment on whether this is likely to worsen its trade balance. [6]
- \*(g) Discuss the effectiveness of a rise in government spending in promoting economic growth. [12]

[Total: 45 marks]

