A-LEVEL ECONOMICS • EXERCISE SHEET

9.2 Economic growth and sustainability

Name: ____________ Class: ________ Date: __________ **Total: 24 marks**

KEY WORDS output gap 产出缺口 • sustainable growth 可持续增长 • economic growth 经济增长 • potential growth 潜在增长 • sustainability 可持续性

Objective

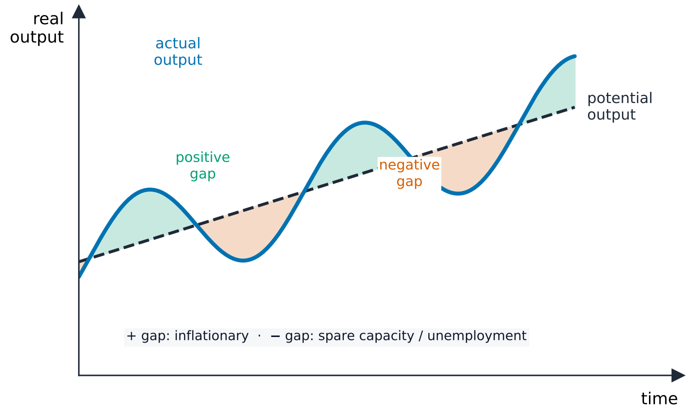
Build the skills to answer exam questions on **economic growth and sustainability** 经济增长与可持续性 — **actual versus potential** 实际与潜在 growth, the **output gap** 产出缺口, and **sustainable growth** 可持续增长.

You must be able to:

- distinguish actual from potential growth and define the output gap
- explain a positive and a negative output gap
- analyse the tension between growth and sustainability

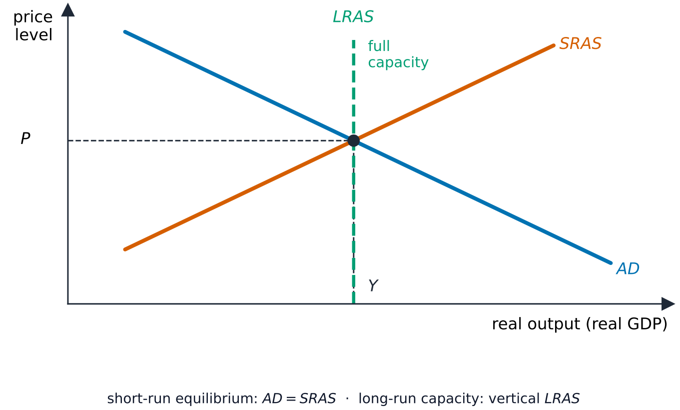
1 Worked examples

■ The output gap and sustainability



A positive gap is inflationary; a negative gap means spare capacity

- **Actual growth** 实际增长: real output that happens. **Potential growth** 潜在增长: a rise in capacity.
- **Output gap** 产出缺口: actual − potential. **Positive** gap (above potential) → inflation; **negative** gap → unemployment.
- **Sustainable growth** 可持续增长: meets today's needs without harming future generations.



Sustainable growth comes from shifting LRAS right (capacity), not just boosting AD

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *output gap*. [2]

2.2 State what a **positive** output gap tends to cause. [1]

2.3 Define the term *sustainable growth*. [2]

3 Exam-style questions

3.1 A **negative** output gap is associated with: [1]

- **A** rising inflation and full capacity
- **B** spare capacity and unemployment
- **C** an outward shift of the PPC
- **D** a current account surplus

3.2 Explain the difference between actual and potential economic growth. [6]

3.3 Discuss whether economic growth can be sustainable. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 the difference between an economy's actual output and its potential (full-capacity) output (2 for a clear definition; 1 for a partial idea).

2.2 inflationary pressure (1).

2.3 growth that meets the needs of the present without reducing the ability of future generations to meet their own needs (2 for a clear definition; 1 for a partial idea).

3.1 B. A negative output gap means spare capacity and unemployment.

3.2 *[6]* AO1 2 + AO3 up to 4 — actual growth is the real rise in output that occurs (a movement towards or along the PPC/LRAS); potential growth is a rise in the economy's productive capacity (the PPC/LRAS shifting outward) → one is what is produced, the other is what *could* be produced.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** growth from better technology, education and renewable resources can raise output without exhausting resources or harming the environment. **Against:** fast growth often uses non-renewable resources and causes pollution, threatening future generations. Judgement: growth *can* be sustainable if it is based on productivity, clean technology and renewable resources, but unchecked resource-heavy growth is not — it depends on how growth is achieved.