Solutions

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

Each answer shows the steps, then the **result**.

2.1

- the total value of all goods and services produced inside a country in a year (2 for a clear definition; 1 for a partial idea)

2.2

- nominal GDP is measured at current prices; real GDP is adjusted to remove the effect of inflation, showing the true change in output (2 for a clear difference; 1 for a partial idea)

2.3

- any one of: ignores income distribution; omits unpaid/informal work; ignores pollution, leisure and health (1)

3.1 B

- Real GDP per capita removes inflation and population effects

3.2

- *[6]* AO1 1 + AO3 up to 5 — nominal GDP can rise just because prices rose, not output, so it overstates growth; dividing real GDP by population shows the true output available per person
- a fairer comparison of living standards over time

3.3

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** higher real GDP per capita usually means more goods, services and tax revenue per person. **Against:** it ignores distribution, the informal economy, pollution, leisure and health, so a high average can hide poverty or harm. Judgement: GDP per capita is a useful starting measure but should be combined with others (e.g. HDI) — its reliability depends on the country