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

- an increase in a country's real output (real GDP) over time (2 for a clear definition; 1 for a partial idea)

2.2

- actual growth is the real rise in output that occurs; potential growth is a rise in the economy's productive capacity (the LRAS shifting out) (2 for a clear difference; 1 for a partial idea)

2.3

- boom, recession, slump, recovery (2 for all four; 1 for a partial list)

3.1 B

- Potential growth is an outward shift of LRAS

3.2

- *[6]* For **each** of two causes: AO1 1 + AO3 up to 2 — e.g. *investment*: more capital per worker
- higher productivity
- greater capacity. *Education/training*: a more skilled workforce
- higher output per worker
- LRAS shifts out. Maximum 3 each

3.3

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** growth raises incomes, jobs, tax revenue and can cut poverty. **Against:** it may cause inflation, pollution and resource depletion, and can widen inequality if the gains are unevenly shared. Judgement: growth usually improves living standards, but whether it *always* does depends on its type (sustainable vs polluting) and how the gains are distributed