

4.4 Economic growth

Name: _____ Class: _____ Date: _____

Total: 25 marks

KEY WORDS economic growth 经济增长 • potential growth 潜在增长 • actual growth 实际增长
• business cycle 经济周期 • actual versus potential 实际与潜在

Objective

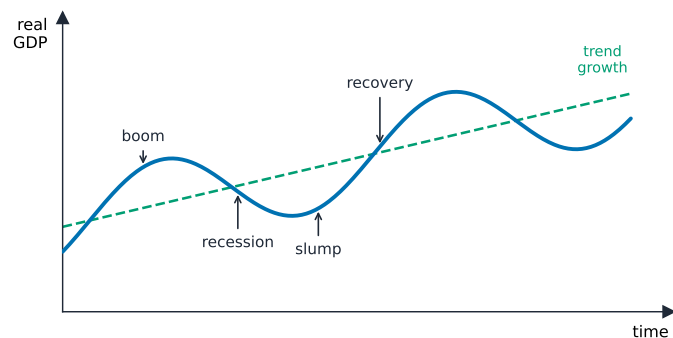
Build the skills to answer exam questions on **economic growth** 经济增长 — **actual versus potential** 实际与潜在 growth, the causes of growth, the **business cycle** 经济周期, and the costs and benefits of growth.

You must be able to:

- distinguish actual from potential growth
- explain the causes of economic growth
- analyse the costs and benefits of growth

1 Worked examples

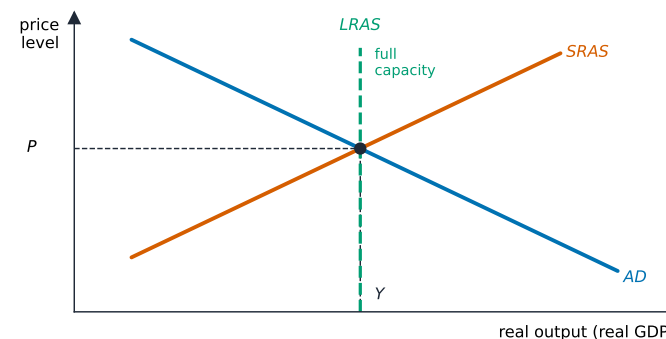
■ Growth and the business cycle



boom → recession → slump → recovery (around the growth trend)

Output does not grow smoothly — it cycles around a rising trend

- **Actual growth** 实际增长: the rise in output that really happens. **Potential growth** 潜在增长: a rise in capacity (LRAS shifts out).



short-run equilibrium: $AD = SRAS$ • long-run capacity: vertical $LRAS$

On AD-AS: actual growth = AD shifting right; potential growth = LRAS shifting right

- **Causes:** more/better factors — a bigger or more skilled workforce, investment, new technology, higher **productivity** 生产率.
- **Cycle:** boom 繁荣 → recession 衰退 → slump 萧条 → recovery 复苏.

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

2 Practice

2.1 Define the term *economic growth*. [2]

2.2 State the difference between *actual* and *potential* growth. [2]

2.3 State the four phases of the business cycle. [2]

3 Exam-style questions

3.1 Potential economic growth is shown by: [1]

- A

B

C

D
- A a movement from inside the PPC towards it

B an outward shift of the LRAS curve

C a rise in the price level

D a leftward shift of AD

3.2 Explain two causes of potential economic growth. [6]

3.3 Discuss whether economic growth always improves living standards. [12]