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 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