Exercise walk-through

Economic Growth ▪ 5.6

eXercise

You must be able to

- define **economic growth 经济增长** as an increase in real GDP or real GDP per capita over time
- relate growth to the quantity and quality of resources and to **productivity 生产率**
- represent growth as an outward shift of the PPC or the LRAS curve

Method — Economic growth

A sustained increase in **real GDP** (or real GDP per capita) over time.

Method — Sources

More or better **resources** (labour, capital), and higher **productivity** through technology and skills.

Method — On the diagrams

Growth is shown as an **outward** shift of the PPC, or a **rightward** shift of the LRAS curve.

Practice 2.1 ▪ 1 mark

Define economic growth.

Solution 2.1

Method: Economic growth

Worked steps

a sustained increase in real GDP (or real GDP per capita) over time **B1**.

Practice 2.2 ▪ 2 marks

State two sources of economic growth.

Solution 2.2

Method: Economic growth

Worked steps

any two of: more/better resources, more capital, higher productivity/technology **B1** **B1**.

Practice 2.3 ▪ 1 mark

State how growth is shown on a PPC.

Solution 2.3

Method: On the diagrams

Worked steps

an outward shift of the curve **B1**.

Exam-style 3.1 ▪ 1 mark

Economic growth is an increase in

- **A** the price level
- **B** real GDP
- **C** unemployment
- **D** the money supply

Solution 3.1

Method: Economic growth

A the price level

B real GDP ✓

C unemployment

D the money supply

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

On a PPC, economic growth is shown as

A an inward shift

B an outward shift

C a movement along the curve

D no change

Solution 3.2

A an inward shift

B an outward shift ✓

C a movement along the curve

D no change

Worked steps

B.

Exam-style 3.3 ▪ 1 mark

A country improves its education system and builds more factories.

(a) State the effect on productivity.

(b) State the effect on the LRAS curve.

(c) Name the process.

Solution 3.3

Worked steps

(a) it rises **B1**. (b) it shifts to the right **B1**. (c) economic growth **B1**.