IGCSE ECONOMICS • EXERCISE SHEET

4.5 Economic growth

Name: ____________ Class: ________ Date: __________ **Total: 17 marks**

Objective

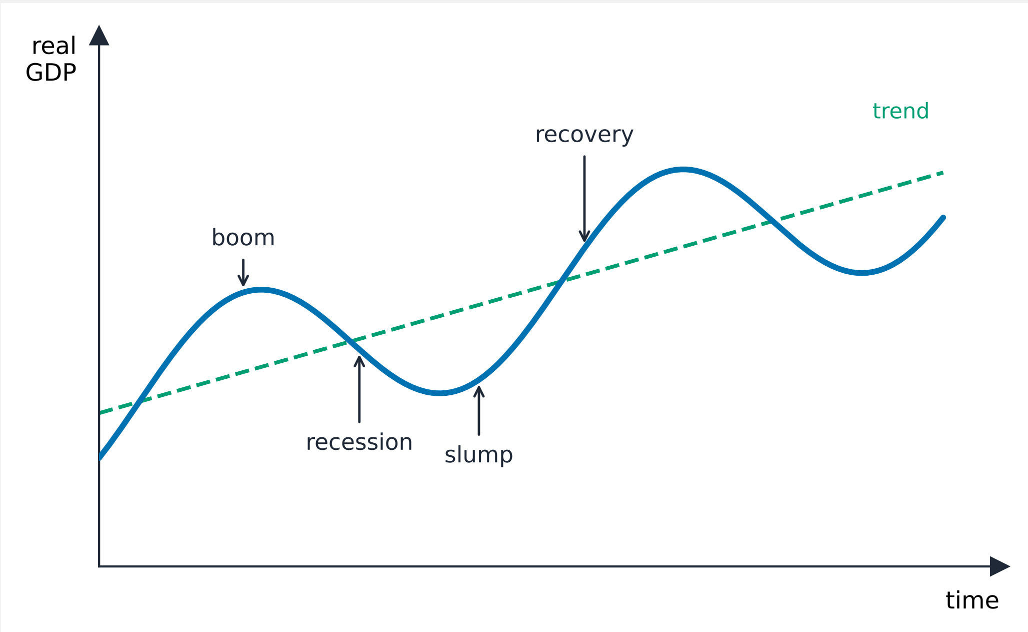
Build the skills to answer exam questions on **economic growth** 经济增长—**real GDP** 实际 GDP, the **business cycle** 经济周期, and the causes and effects of growth.

You must be able to:

- define economic growth and real GDP
- describe the stages of the business cycle
- analyse the causes and the good and bad effects of growth

1 Worked examples

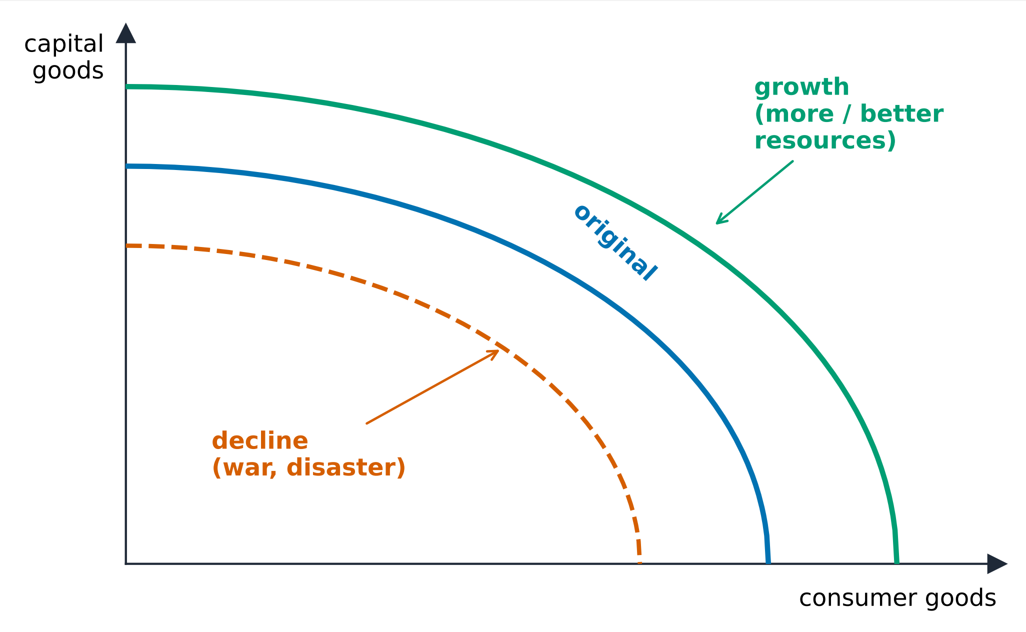
■ Growth and the business cycle



Economic growth is a rise in real GDP

- **GDP** 国内生产总值: total value of all goods/services produced in a year. **Real** 实际: after removing the effect of rising prices.
- **Cycle: boom** 繁荣 → **recession** 衰退 → **slump** 萧条 → **recovery** 复苏.
- **Causes:** investment, a bigger/more skilled workforce, new technology.

- **Good:** higher incomes, more jobs, better **living standards** 生活水平. **Bad:** inflation, a wider rich-poor gap, pollution.



Growth in capacity is the PPC shifting outward —more of both goods becomes possible

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

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

2.2 Define the term *gross domestic product (GDP).* [2]

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

3 Exam-style questions

3.1 Economic growth is best measured by a rise in: [1]

- **A** nominal GDP
- **B** real GDP
- **C** the price level
- **D** the population

3.2 Explain two causes of economic growth. [4]

3.3 Discuss whether economic growth is always good for a country. [8]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **4.5 Economic growth** past-paper sheet in the Library, or try these in **Practice mode**:

- 0455/11 N25 —Q22 (economic growth)
- 0455/11 N25 —Q24 (GDP / business cycle)
- 0455/12 N25 —Q22 (growth)

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

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

3.1 B. Real GDP removes the effect of rising prices, so it shows the true change.

3.2 *[4]* For **each** of two causes: K 1 + An 1 —*investment in capital*: more machines per worker raises output; *a more skilled workforce*: training raises productivity, so the economy makes more.

3.3 *[8]* K/App/An up to 5 + Ev up to 3. **Good:** higher incomes, more jobs, better living standards, and more tax for public services. **Bad:** demand-led growth may cause inflation, the rich-poor gap may widen, and there may be more pollution and use of scarce resources. **Judgement (Ev):** growth usually raises living standards, but whether it is "always good" depends on its type (sustainable vs polluting) and whether the gains are shared fairly.