Solutions

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

Each answer shows the steps, then the **result**.

2.1

- **economic growth** is an increase in a country's **real output** (real GDP) over time (K)

2.2

- **GDP** is the total value of all goods and services a country produces in a year (K)

2.3

- the four stages of the business cycle
- **boom**, **recession**, **slump**, **recovery** (K)

3.1 B

- **real GDP** removes the effect of rising prices, so it shows the **true** change (K)
- A includes inflation; C and D are not output

3.2

- for **each** of two causes: K + An
- e.g. **investment in capital**: more machines per worker raises output
- e.g. a **more skilled workforce**: training raises productivity, so the economy makes more

3.3

- **good**: higher incomes, more jobs, better living standards, more tax for public services (K + An)
- **bad**: demand-led growth may cause inflation; the rich-poor gap may widen; more pollution (An)
- **judgement (Ev)**: growth usually raises living standards, but it depends on whether it is **sustainable** and **shared fairly**