A-LEVEL ECONOMICS • EXERCISE SHEET

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
• actual versus potential 实际与潜在

Objective

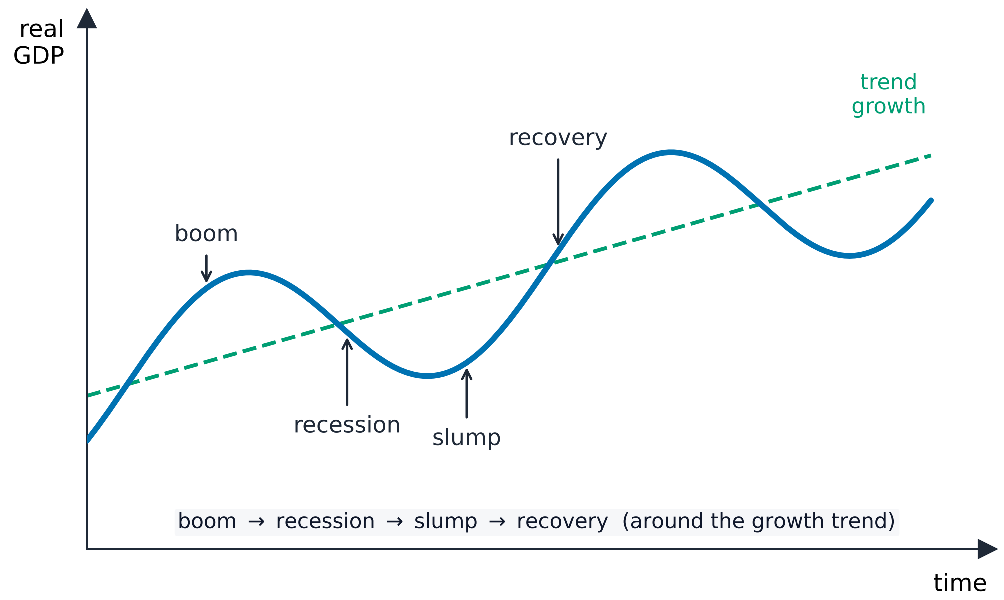
Build the skills to answer exam questions on **economic growth 经济增长** — **actual versus potential 实际与潜在** growth, the causes of growth, the **business cycle 经济周期**, and the costs and benefits of growth.

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

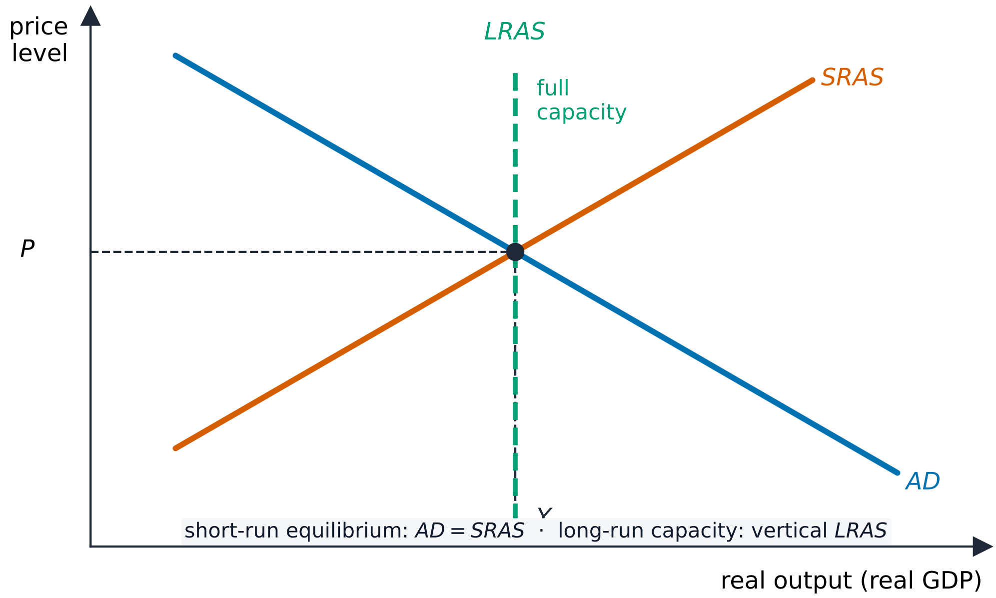
■ Growth and the business cycle



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).



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** 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]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

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 actual growth is the real rise in output that occurs; potential growth is a rise in the economy's productive capacity (the LRAS shifting out) (2 for a clear difference; 1 for a partial idea).

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

3.1 B. Potential growth is an outward shift of LRAS.

3.2 *[6]* For **each** of two causes: AO1 1 + AO3 up to 2 — e.g. *investment*: more capital per worker → higher productivity → greater capacity. *Education/training*: a more skilled workforce → higher output per worker → LRAS shifts out. Maximum 3 each.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** growth raises incomes, jobs, tax revenue and can cut poverty. **Against:** it may cause inflation, pollution and resource depletion, and can widen inequality if the gains are unevenly shared. Judgement: growth usually improves living standards, but whether it *always* does depends on its type (sustainable vs polluting) and how the gains are distributed.