

## Economic Growth

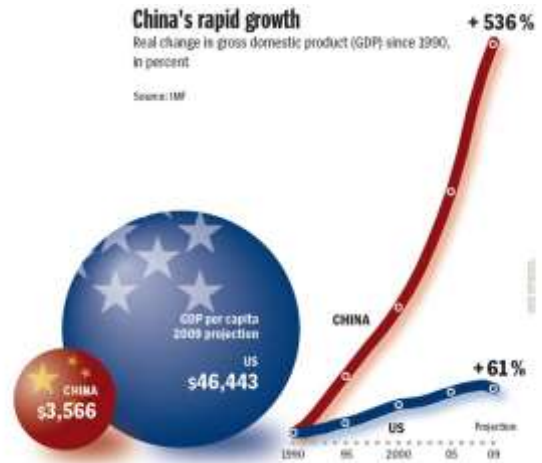
1. What is the economist's pure definition of economic growth'?

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2. What is the proxy measure that is often used to indicate economic growth?

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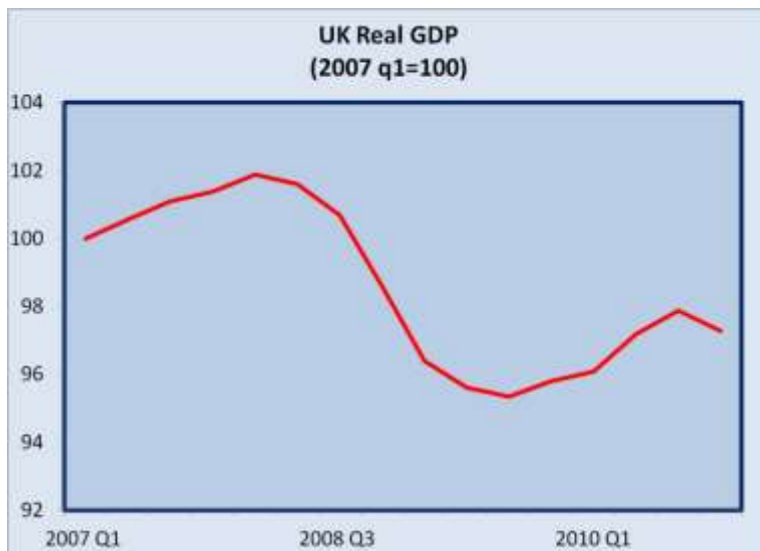
**REAL** \_\_\_\_\_

3. Why might the pure definition and the proxy definition of economic growth conflict?

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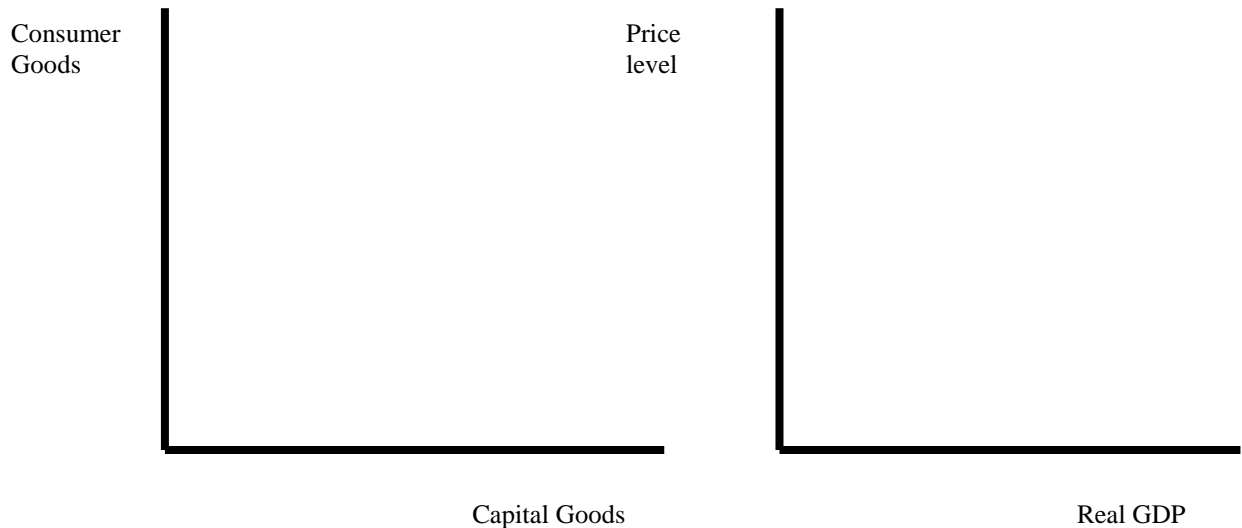


4. What do you understand by the term 'Real G.D.P. per capita'?

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5. On the two following diagrams illustrate classic economic growth.



6. Explain what **causes** economic growth by making reference to the four factors of production.

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7. Give some **examples** of this below :-

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✚ \_\_\_\_\_

✚ \_\_\_\_\_

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8. Using our proxy definition, an increase in real GDP, illustrate and explain how an increase in AD can also bring about economic growth.

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Consumer  
Goods

Price  
level

Capital Goods

Real GDP

Calculating the rate of economic growth using data

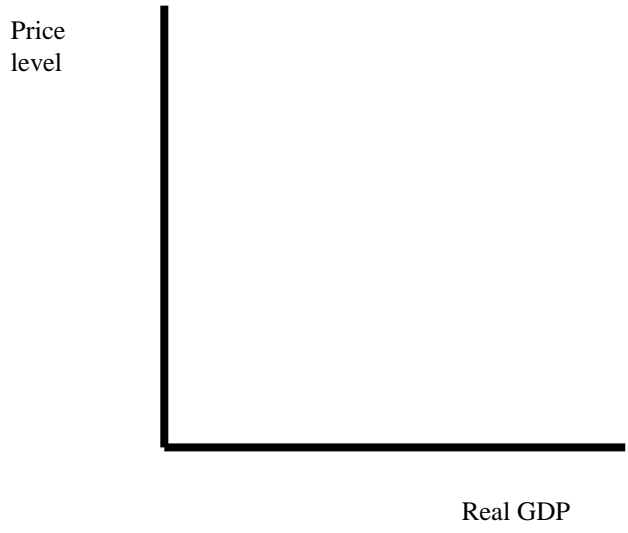
$$\text{Growth rate} = \frac{\text{Real GDP in Year 2} - \text{Real GDP in Year 1}}{\text{Real GDP in Year 1}} \times 100$$

9 – Calculate the growth rate for the economy below using the above equation.

<i>Year</i>	<i>Real GDP</i>	<i>Growth rate</i>
<b>2003</b>	<b>1,139,746</b>	
<b>2004</b>	<b>1,171,178</b>	
<b>2005</b>	<b>1,195,276</b>	
<b>2006</b>	<b>1,229,196</b>	
<b>2007</b>	<b>1,266,680</b>	
<b>2008</b>	<b>1,275,674</b>	

Positive and negative consequences of economic growth

9. Illustrate and explain the benefits of increases in productive capacity that matches increases in AD over time, in terms of inflation.



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10. How might growth lead to an improvement in living standards?

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11. How might the government benefit from economic growth?

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12. How might economic growth have a positive impact on a nation's current account on the balance of payments?

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13. Why might economic growth lead to economic development?

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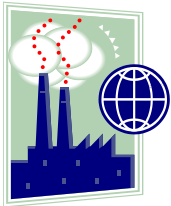
**Negative consequences**

14. How might economic growth lead to negative externalities?

+ Factory Emissions

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+ Fossil Fuels

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+ Road traffic Pollution

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15. Economic growth can also lead to the gap between the rich and the poor getting wider. Why might this be the case?

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16. Some economists would also argue that economic growth can lead to the loss of a nation's traditional way of life.

✚ Why might this be the case and what kind of unemployment can occur as a result of globalization?

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