2.3 Economic Growth: Causes, Types and the Economic Cycle: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Full sentences are required for extended responses and for any explanation-style questions. Do not use a calculator unless specified.

1 Define the 'output gap' in the context of the economic cycle for an economy like the UK and state briefly how policymakers might respond to a large negative output gap.

(Total for Question 1 is 2 marks)

2 Explain two supply-side causes that could help move an economy from a period of slow growth into a sustained period of trend growth, with brief UK-style examples for each cause.

(Total for Question 2 is 4 marks)

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Mark scheme · 2.3 Economic Growth: Causes, Types and the Economic Cycle: 10-minute Pack

Question 1

output gap = the difference between actual output (real GDP) and potential output (potential GDP), positive if actual > potential and negative if actual < potential	**B1**
policymakers might respond to a large negative gap with expansionary fiscal or monetary policy to stimulate AD and reduce unemployment	**B1**

Answer: The output gap is the difference between actual and potential GDP; if actual is below potential it is negative. Policymakers may use expansionary fiscal or monetary policy to boost demand and reduce unemployment.

Question 2

identifies supply-side cause 1, e.g. increased investment in R&D and capital equipment	**M1**
explains that this raises productivity and potential output, example: firms adopting automation and new machinery in manufacturing	**A1**
identifies supply-side cause 2, e.g. improvements in education and training to raise human capital	**M1**
explains that a more skilled workforce increases labour productivity, example: vocational training programmes raising productivity in services	**A1**

Answer: Investment in R&D and capital raises productivity and potential output (e.g. automation in factories). Better education and training increase human capital and labour productivity (e.g. vocational training improving service sector efficiency).

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