2.3 Economic Growth: Causes, Types and the Economic Cycle: Test Pack

AQA 7136 · Calculators not allowed · about 20 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 term 'actual economic growth' as used for a national economy such as the UK, stating how it is measured and what it indicates about output.

(Total for Question 1 is 2 marks)

2 State and briefly explain the four main phases of the economic (trade) cycle: boom, downturn, recession and recovery, giving one characteristic for each phase in a UK-style economy.

(Total for Question 2 is 4 marks)

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3 Analyse briefly why a recession phase in the UK economy might be caused primarily by a fall in aggregate demand, rather than by shortfalls in productive capacity. Give two pieces of evidence or indicators that would support a demand-led explanation in practice.

(Total for Question 3 is 4 marks)

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4 Explain how technological progress can shift long-run aggregate supply (LRAS) to the right for an economy such as the UK, and state one reason why the effect may take time to appear in measured output.

(Total for Question 4 is 3 marks)

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Mark scheme · 2.3 Economic Growth: Causes, Types and the Economic Cycle: Test Pack

Question 1

an increase in real GDP or real national income over a period **B1**

it measures a rise in the volume of goods and services produced, not just nominal values **B1**

Answer: An increase in real GDP or real national income over time, showing the economy is producing more goods and services.

Question 2

boom: high output above trend, low unemployment and rising inflationary pressure **B1**

downturn: growth slows, investment and confidence fall, employment growth weakens **B1**

recession: significant fall in real GDP, rising unemployment and negative growth for at least two quarters **B1**

recovery: GDP growth returns, employment rises and confidence begins to improve **B1**

Answer: Boom: output above trend with low unemployment and inflationary pressure. Downturn: slowing growth, falling investment and weakening jobs growth. Recession: falling real GDP and rising unemployment (often two quarters of negative growth). Recovery: GDP growth resumes, employment and confidence start to rise.

Question 3

states mechanism: a fall in AD (C, I, G or net exports) reduces planned spending, causing firms to cut output and employment **M1**

explains why this is distinct from supply-side shortfalls: capacity exists but is unused, so output falls without damage to LRAS **A1**

gives evidence indicator 1: a rising unemployment rate and falling capacity utilisation indicating spare capacity **M1**

gives evidence indicator 2: weak consumer confidence/retail spending and falling business investment pointing to lower AD **A1**

Answer: A demand-led recession occurs when AD falls so firms cut output and jobs despite spare capacity. Evidence would include rising unemployment and falling capacity utilisation, plus weak retail spending and falling investment showing weak AD.

Question 4

technological progress raises productivity of labour and capital, allowing more output from the same inputs **M1**

this increases the economy's productive capacity, shifting LRAS to the right **A1**

the effect may take time because adoption requires investment, training and replacement of capital goods, causing long time lags before measured output rises **A1**

Answer: Technological progress makes labour and capital more productive, increasing productive capacity and shifting LRAS right. The effect may be delayed because firms need time to invest, adopt new technology and train workers, so measured output rises only after these lags.

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