2.20 The Costs and Benefits of Economic Growth: Test Pack

Total Marks

AQA 7136 · Calculators not allowed · about 25 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for the levels-marked essay question only. Time guidance: 25 minutes in total.

1 Define the term 'economic growth' as used when measuring an economy's performance over time.

(Total for Question 1 is 2 marks)

2 Explain one benefit of economic growth for government finances in a UK-style context.

(Total for Question 2 is 2 marks)

3 Define 'structural unemployment' and state why rapid growth in one sector may raise structural unemployment elsewhere.

(Total for Question 3 is 2 marks)

4 State three policy responses to make growth more inclusive and reduce inequality.

(Total for Question 4 is 3 marks)

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5 Explain one way in which economic growth can improve average living standards.

(Total for Question 5 is 3 marks)

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6 Define 'economic development' and give one non-GDP measure besides HDI that assesses development.

(Total for Question 6 is 3 marks)

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Mark scheme · 2.20 The Costs and Benefits of Economic Growth: Test Pack

Question 1

a real increase in the value of goods and services produced by an economy over a period **B1**

usually measured by real GDP or real GDP per capita, removing the effect of price changes **B1**

Answer: A real increase in the value of goods and services produced, usually measured by real GDP or real GDP per capita over time.

Question 2

growth raises incomes and profits, increasing tax revenues such as income tax, corporation tax and VAT **M1**

this gives the government more revenue to spend on public services or to reduce borrowing, improving fiscal space **A1**

Answer: Higher growth raises incomes and profits, so tax receipts increase (income tax, corporation tax, VAT) and the government gains more revenue to fund public services or reduce borrowing.

Question 3

structural unemployment arises when there is a mismatch between workers skills or locations and the jobs available **B1**

rapid growth concentrated in one sector can change demand for skills and locations, leaving workers in declining sectors unemployed because they lack the required skills or cannot move **B1**

Answer: Structural unemployment is unemployment caused by a mismatch between workers skills or locations and the jobs available. Rapid growth concentrated in one sector can change the pattern of demand for labour so workers in other sectors lose jobs but lack the skills or mobility to move into the growing sector, raising structural unemployment.

Question 4

progressive taxation, which redistributes income from higher earners to fund public services or transfers **B1**

targeted education and training programmes, which improve skills of lower income workers and increase their employability and wages **B1**

minimum wage increases or in-work support, which raise incomes at the bottom and reduce wage inequality **B1**

Answer: Examples: progressive taxation to fund services and transfers; targeted education and training to raise low earners skills; minimum wage increases or in-work support to lift the incomes of the poorest.

Question 5

growth raises national income and, if shared, raises GDP per capita and average incomes **M1**

higher incomes can increase real wages and household consumption, improving material living standards **A1**

governments may also have more tax revenue to spend on health, education and infrastructure, further improving wellbeing **A1**

Answer: Growth raises national income and, if shared, GDP per capita and average incomes. Higher incomes can increase real wages and household consumption, and governments can fund better health, education and infrastructure, improving living standards.

Question 6

economic development refers to improvements in standards of living, health, education and economic welfare, not just increases in output **B1**

one non-GDP measure e.g. Gini coefficient, poverty headcount ratio, life expectancy or access to clean water **M1**

brief explanation of the chosen measure, e.g. Gini measures income inequality between 0 and 1, poverty headcount shows proportion below a poverty line **A1**

Answer: Economic development means broader improvements in living standards, health and education, not just higher output. Example: the Gini coefficient measures income inequality across the population, with higher values meaning more inequality; or the poverty headcount ratio shows the percentage of people below a defined poverty line.

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