**Causes of Economic Growth**

Define ‘economic growth’ (3 marks): ………………………………………………………………………

………………………………...……………………………………………………………………………….

**ACTIVITY 1**: Complete the diagrams below to show short-run and long-run economic growth

a) Short-run economic growth is shown by an increase in AD and/or SRAS

1. Increase in AD and extension in SRAS ii) Increase in SRAS and extension in AD

b) Long-run economic growth is shown by an increase in LRAS and PPF

1. Increase in the PPF ii) increase in the LRAS and extension in AD

Extension: How do the 4 different examples above impact the government’s 4 macroeconomic objectives?

**ACTIVITY 2:**

Complete the mind map to show causes of economic growth i.e. factors causing a rise in AD, SRAS and LRAS:

**a) Demand-Side**

e.g. increased consumer confidence

e.g. lower corporation tax

AD = C + I + G + (X – M)

e.g. spending on healthcare

e.g. rising incomes abroad

**b) Supply-side**

Shifts in LRAS and SRAS

 **Increased quantity Reduced costs for firms
 or quality of factors
 of production**

|  |  |
| --- | --- |
| **Land** | e.g. fall in oil prices  |
| **Labour** | e.g. net inward migration |
| **Capital** |  |
| **Enterprise** |  |

Extension: What type of growth is more desirable? Demand-side growth or supply-side growth? Relate your answer to the government’s 4 macroeconomic objectives.

Case Study: Economic Growth in China

Demand-side reasons

Supply-side reasons

What are the problems facing China in the future?



