

Grade 8

Economics

CH # ECONOMIC GROWTH

1) What is GDP?

GDP refers to gross domestic product. Where

Gross means total

Domestic refers to the home country

Product means output

Hence GDP is the total market value of all final goods and services produced within a country during a year.

The formula for is: $GDP = C + I + G + (X - M)$

where

C = (Consumption)

I = (Investment)

G = (Government spending)

and $X - M =$ (Net Exports)

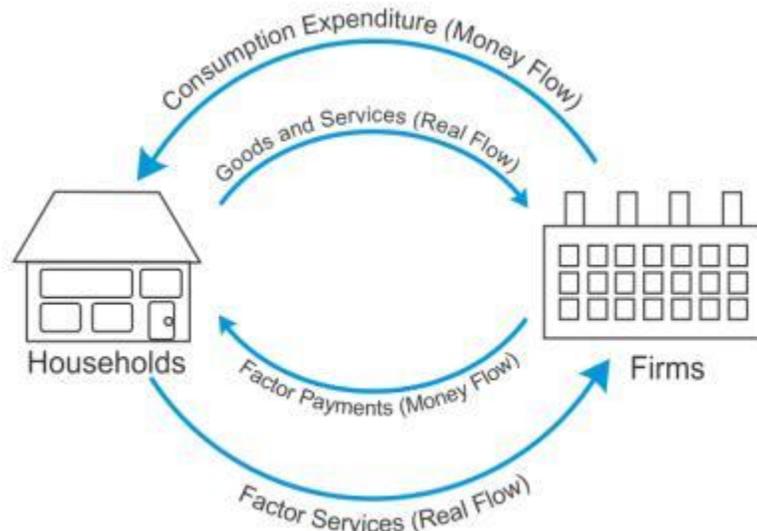
2) How is GDP calculated?

There are three methods of calculating GDP:

- Output method: this measures GDP by adding up the output produced by all the industries in the country.
- Income Method: it measures or calculates all the incomes which have been earned in producing the country's output.
- Expenditure method: this calculates GDP by adding up all the expenditure on the country's finished output.

3) What is circular flow of income?

It is the movement of expenditure income and output round the economy.



4) What is economic growth?

Economic growth is an increase in the value of goods and services produced by an economy over time.

5) How can economic growth be measured?

It can be measured by looking at the gross domestic product (GDP) of a country.

6) Why economic growth is important?

It is important because it provides greater potential or opportunity for:

- Increased profits
- A rise in average living standards
- The creation of new jobs
- Lower unemployment
- Increased tax revenues for government used to fund more spending on government services
- Improved business confidence
- Increased capital investment

- Technological innovation
- Increases influence of economy.

7) What are the causes of economic growth?

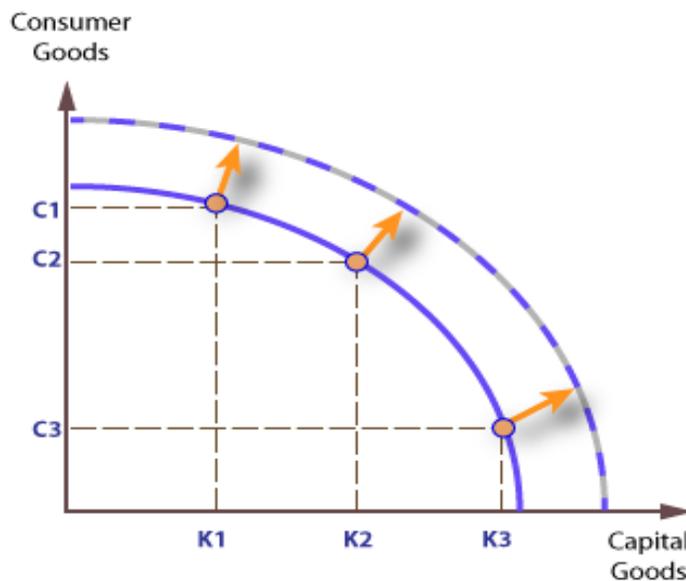
In the short run, increases in aggregate demand can lead to an increase in output but in the long run, aggregate supply must also increase for output to continue to rise.

8) What are the draw backs of economic growth?

Economic growth may involve short term opportunity cost, can cause pollution and damage to the environment and may put stress on people.

9) How economic growth can be shown using PPF?

For an economy to grow in the future, it needs to increase its capacity to grow. An increase in an economy's productive potential can be shown by an outward shift in the economy's PPF.



10) What is sustainable economic growth?

Sustainable economic growth means a rate of growth which can be maintained without creating other significant economic problems (such as environmental degradation), especially for future generations.