29.1 Meaning of Economic Growth and Development

1. Economic growth refers to an increase in the *(real / nominal)* value of goods and services produced in an economy.

2. Economic growth can be represented by a *(rightward / leftward)* shift of the long run aggregate supply curve or an *(inward / outward)* shift of the production possibility frontier.

3. When a country achieves a higher level of national income but the problem of income inequality worsens, the country is said to achieve *(economic growth / economic development)*.

29.2 Measurements of Economic Growth and Development

4. The table below shows information about an economy.

Year	Year-on-year change in real GDP	Year-on-year change in population
1	3%	5%
2	4%	2%

During the above period, the per capita real GDP of the economy *(increased / decreased / remained unchanged)*. The economy experienced *(economic growth / economic development)* in the above years.

5. In measuring economic development, the *(real GDP / per capita real GDP / Human Development Index)* is a better indicator.

6. The Human Development Index (HDI) measures the level of economic and social development of an economy based on the following three dimensions:

(a) Health: measured by life expectancy at birth

(b) Education: measured by mean years of schooling and expected years of schooling

(c) Standard of living: measured by gross national income (GNI) per capita in purchasing power parity terms

7. Country X's HDI decreases despite an increase in per capita real GDP. We can conclude that the life expectancy at birth *(increased / decreased)* and/or the mean years of schooling *(increased / decreased)*.

8. State **ONE** possible reason to explain the following:

(a) The HDI of an economy increases after opening up to trade.

Productivity may have increased due to the import of superior technology from trading partners, leading to higher per capita GNI. (Any reasonable answer)

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(b) The per capita real GDP of an economy increases while its HDI decreases after opening up to trade.

Pollution may have become more serious, shortening the life expectancy at birth. (Any reasonable answer)

(c) The HDI of an economy increases while its citizens generally agree that the living standard has declined after opening up to trade.

People enjoy less leisure time. / The income distribution has become more uneven. / Pollution problems have become more serious. / Capital goods and national defence make up a larger proportion of total output. / There are fewer non-market/unreported goods and services. (Any reasonable answer)

29.3 Factors Affecting the Growth of an Economy

9. An economy experiences economic growth when there is an increase in the quantity and/or quality of productive resources.

10. There are four main types of inputs that affect economic growth:

- Physical capital: the stock of capital goods
- Human capital: the accumulation of knowledge and skills
- Natural resources: inputs provided by nature
- Technological change: the discovery and application of new technologies and new products

11. Which of the following policies can enhance economic growth? Put a tick (✓) in the appropriate box(es).

☑ providing a tax allowance or education subsidy for further education
☑ increasing the number of subsidised university places
☐ reducing the tax rebates for foreign direct investment
☑ increasing the immigration quota for experts and professionals
☐ raising the interest tax rate
☑ cancelling tariffs on all imports

29.4 The Benefits and Costs of Economic Growth

12. Which of the following is/are benefit(s) brought by economic growth? Put a tick (✓) in the appropriate box(es).

☑ reduction in poverty
☑ improvement in living standard
☐ reduction in income inequality
☑ acceleration of capital accumulation and technological advancement

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13. Suggest **TWO** possible costs of economic growth.

Reduction in current consumption / Uneven distribution of income / Resource exhaustion, pollution and unsustainable development (Any reasonable answers) (Any two)

14. According to the World Commission on Environment and Development of the United Nations, sustainable development is 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.

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