

IB Economics

Section 2 Macroeconomics

Note sheet 2.3.3

Macroeconomic Objectives

Economic Growth

The meaning of economic growth

- Define economic growth as an increase in real GDP
- Calculate the rate of economic growth from a set of data (HL)
- Describe, using a production possibilities curve (PPC) diagram, economic growth as an increase in actual output caused by factors including a reduction in unemployment and increases in productive efficiency, leading to a movement of a point inside the PPC to a point closer to the PPC.
- http://textbook.stpauls.br/a_z_economics/page_14.htm

- Describe, using a PPC diagram, economic growth as an increase in production possibilities caused by factors including increases in the quantity and quality of resources, leading to outward PPC shifts.
- Describe, using an LRAS diagram, economic growth as an increase in potential output caused by factors including increases in the quantity and quality of resources, leading to a rightward shift of the LRAS curve.
- Explain the importance of investment for economic growth, referring to investment in physical capital, human capital and natural capital.
- Explain the importance of improved productivity for economic growth.

Consequences of economic growth

- Discuss the possible consequences of economic growth, including the possible impacts on living standards, unemployment, inflation, the distribution of income, the current account of the balance of payments, and sustainability