



5: Measures of economic performance

- 1 (a) The GDP per capita fell by \$2110 from \$40 771 in 2008 to \$38662 in 2009. This was the result of the global financial crisis which result in falling incomes and higher unemployment. [5]

(b) **KN:** 2 marks; **AP:** 2 marks; **AN:** 2 marks; **EV** 2 marks

GDP per capita represents the average income per person; national wellbeing is assessed by examining a range of factors such as health, personal relationships and employment. Some studies have shown that up to a certain GDP per capita there is a positive relationship between these two variables. Beyond this the relationship appears to break down – the Easterlin paradox. However, this might not be the case because of the difficulty of measuring national wellbeing accurately. [10]

(c) **KAA** 9 marks; **EV:** 6 marks

Living standards relate not only to income but also to the quality of life. GDP per capita may accurately reflect changes in living standards because of factors such as changes in income distribution; changes in in hours and conditions of work; changes in the environment; and changes in the provision of services such as healthcare and education. Nevertheless, GDP per capita is regarded by many people as the best measure to assess changes in living standards. [15]

- 2 (a) **Correct answer: D** There was disinflation between 2011 and 2016 . [1]

(b) The CPI is an index number given a base year when it is set to equal 100.

The 700 items in the basket of goods used to measure inflation is based on The Living Costs and Food Survey and is supposed to represent typical spending patterns.

The basket has to reflect patterns of spending so weights are applied in the basket of goods to form the CPI reflecting the percentage of spending on them. [4]