



9: Economic growth

1

(a) In both countries the level of GDP increased between 2013 and 2018. However, China's GDP was growing at a slower and slower rate throughout the period from about 7.7% in 2013 to about 6.6% in 2018. In contrast, Bangladesh's GDP was growing at a faster and faster rate during this period from 6% in 2013 to 7.8% in 2018. [5]

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

Explanation of output gap – difference between actual rate of growth and long-term trend rate of economic growth. Trade cycle diagram to illustrate output gap.

In this case it is likely that Bangladesh is in the boom phase with a growth above the long-term trend growth rate. The implications are that employment will be rising with a possible upward pressure on prices.

EV: 2 marks

However, as a developing country, Bangladesh may have much spare capacity especially labour so inflationary pressures may be subdued. [8]

(c) **KAA:** 8 marks; **EV:** 4 marks

Analysis: consideration of export-led growth with examples from first paragraph; foreign direct investment with reference to multiplier effect; agriculture and money sent back to Bangladesh from citizens living abroad (how this represents an inflow into the current account of the balance of payments and is, therefore, an injection into the circular flow.

Evaluation: Consideration of relative importance of each factor e.g. exports of ICT products have increased significantly; significance of multiplier effects – size of multiplier. [12]

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

Analysis: benefits include higher real incomes resulting in improved living standards; increased tax revenues for the governments from taxes that can be used for improvements in healthcare and education. Also remittances from citizens living abroad have helped to lower rates of poverty enabling people to buy more goods and services.

Evaluation: Benefits might not be distributed evenly because of inequality of income distribution; some groups might benefit more than others e.g. those working in factories relative to those in rural areas working in agriculture. Also costs of higher growth including pollution might result in a lower quality of life. [15]