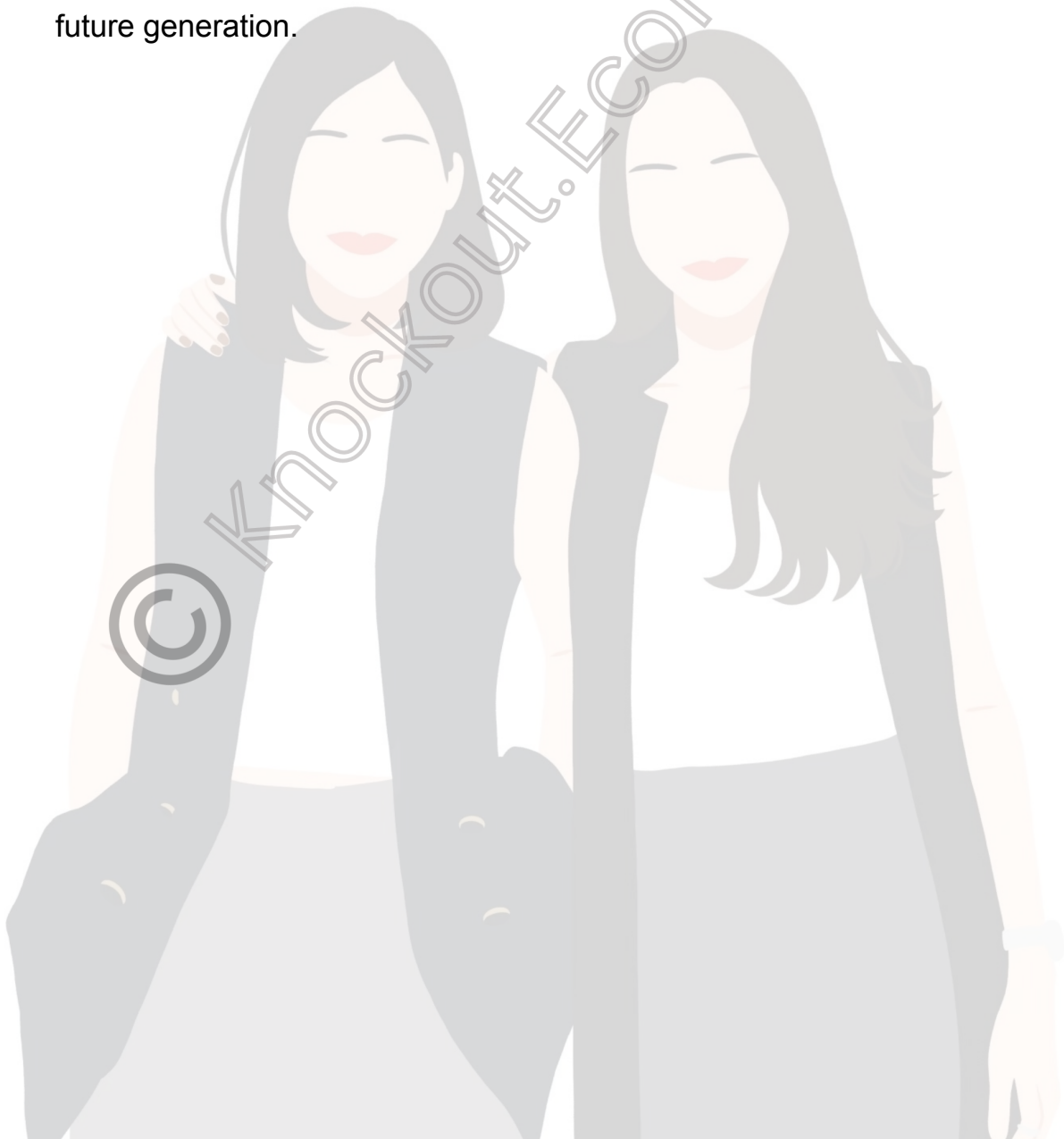


CHAPTER 36 : The benefits and costs of economic growth

Key terms

1. Economic growth : a measure of how much output has increased by over a 12-month period. It is expressed as a percentage
2. Income/ wealth inequality : when income/wealth is shared out unevenly between different groups in society.
3. Sustainable growth : growth in the productive potential of the economy today that does not lead to a fall in the productive potential of the economy for future generation.



1. Benefits and cost of economic growth

Advantages	Disadvantages
<p>1. When there is high economic growth : Country produces more goods and services : Firms need to hire more labour and hence it can reduce unemployment rate.</p> <p>2. Higher economic growth means people have more income : People have more ability to purchase goods and services : There will be better standard of living</p> <p>3. Employees can get higher wage and lower unemployment rate in the market</p> <p>4. Government receives more tax revenue and more budget to invest in projects or Government reduces payment on unemployed benefits, it can reduce national debt.</p>	<p>1. Production volume increases, so it leads to high pollution in the market : It can causes negative impact on healthcare</p> <p>2. As there is high AD in the economy, it can lead to demand-pull inflation</p> <p>3. Firms need to offer higher wage for employees : Cost of production will be higher : It can leads to cost-push inflation</p> <p>4. Unemployment rate may not decrease as firms may use capital / machine rather than hiring more employees.</p> <p>5. If economic growth is derived from demerit goods, government may need to pay more on healthcare.</p> <p>6. As currency becomes appreciated, people in the economy can buy cheaper import goods :Current account can be deficit</p>