Your notes

GCSE Economics: revision notes

The national economy and economic growth

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Measuring the economy

- **Gross domestic product** (GDP) is the total value of goods and services produced in a country in a year. It measures the size of the economy.
- **Economic growth** is an increase in **real GDP** (GDP adjusted for inflation). **Real GDP** per head (GDP ÷ population) is a better measure of living standards.
- The **circular flow of income** shows money flowing between households (who supply factors of production and spend) and firms (who pay incomes and produce goods).

Injections and withdrawals

- **Injections** add money to the circular flow: investment, government spending and exports.
- **Withdrawals** (leakages) take money out: savings, taxes and imports.
- If **injections** are greater than **withdrawals**, the economy grows.

Growth and recession

- The economic cycle: growth (boom), slowdown, **recession**, recovery. A **recession** is two quarters in a row (six months) of falling **real GDP**.
- Benefits of growth: higher living standards, more jobs, more tax revenue. Costs: pollution, using up resources, and inflation if growth is too fast.
- Causes of growth: more investment, better education and training (human capital), new technology and higher productivity.

Key terms

Gross domestic product	The total value of goods and services produced in a country in a year.

Economic growth	An increase in real GDP.
Real GDP	GDP adjusted to remove the effects of inflation.
GDP per head	GDP divided by the population.
Recession	Two quarters in a row of falling real GDP.
Circular flow of income	The flow of money between households and firms.
Injections	Money added to the circular flow: investment, government spending and exports.
Withdrawals	Money leaving the circular flow: savings, taxes and imports.

Your notes

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What is GDP?
2. What is a recession?
3. Why is real GDP used rather than nominal GDP?
4. Which is an injection into the circular flow?
5. Which is a withdrawal from the circular flow?
6. A country's GDP is £60 billion and its population is 3 million. What is GDP per head?
7. What is a benefit of economic growth?
8. What is a cost of economic growth?

Answers

1. The total value of goods and services produced in a country in a year
2. Two quarters in a row of falling real GDP
3. It removes the effects of inflation
4. Exports
5. Imports
6. £20,000
7. Higher living standards and more jobs
8. More pollution and use of resources

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

Free revision for GCSE and KS3 at lycolearn.co.uk. Some notes are for one exam board only, and say so in brackets.