



Slow Growth



But what is...?

GDP The Gross Domestic Product is the value of all the finished goods and services produced within a country's borders, usually per year.

GDP growth measures the increase in goods and services. Growth is important for raising living standards.

Productivity measures output per hour worked. Slow productivity growth in European countries may be due to less use of IT, a reluctance to embrace innovation and barriers to market access which can limit competition.

Europe 2020 is the EU's growth and jobs strategy for the coming decade. It is designed to help achieve "smart, sustainable and inclusive growth".

Questions? Use the Euro Challenge Forum!

Economic growth is important to ensure the welfare and standard of living of a country's citizens. Many euro area countries suffer from sluggish economic growth due to poor productivity, higher unemployment and structural weaknesses. As populations age across Europe, growth is projected to slow further in the absence of needed reforms.

- ① What is the difference between the level of **Gross Domestic Product (GDP)** and the **growth rate (%)**?
- ② What is **GDP per capita**, and why it is a useful measure for making cross-country comparisons?
- ③ How would you explain the **higher level of GDP per capita in the US** compared to euro area countries (e.g., employment, hours worked, productivity)?
What are the **reasons for sluggish growth** in some euro area countries? Are these due to the **business cycle** (short-term) or to longer-term **economic fundamentals** (i.e. structural features of euro area economies such as higher unemployment, aging, less use of IT, etc.)?
- ④ What can a country do to raise its **growth rate in the short term** (e.g. government spending, interest rate cuts)? What can it do to raise economic **growth in the long term** (e.g. investment in education, research and development, technology, infrastructure)?
- ⑤ What is meant by a country's **potential growth rate** (Hint: speed limit)? What will happen if a country tries to grow above this rate for an extended period? What can a country do to raise its potential growth rate?
- ⑥ Can completing the European Union's **single market** help to raise economic growth? In what way?
- ⑦ Why is the **Europe 2020** strategy potentially important for raising growth rates in the EU? What does your chosen country plan to do under Europe 2020?
- ⑧ Is **population aging** important for explaining slow growth? Why?