



How to Overcome Slow Growth?



But what is...?

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

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

Productivity measures output produced per unit of input (e.g. number of hours worked). Productivity is one of the principle determinants of a country's standard of living.

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".

Potential Growth refers to the rate at which an economy can expand without overheating. Policy reforms can help boost potential growth, allowing the economy to expand at a faster pace.

Promoting growth is the main goal of economic policy makers. High growth rates lift the standards of living, help reduce unemployment rates, improve the fiscal situation and create opportunities for future generations. But growth rates across much of the developed world, including Europe, have slowed in recent years. What can policy makers do to increase growth?

- 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 Some euro area countries have higher level of GDP per capita than others. What accounts for these differences? What does productivity measure, and why is it key to raising living standards?
- ④ What are the reasons for sluggish growth in some euro area countries? Which factors are short-term causes related to the business cycle? Which are longer-term structural factors related to economic fundamentals?
- ⑤ What can your chosen country do to raise its growth rate in the short term? What is meant by fiscal or monetary stimulus? What can it do to raise economic growth in the long term? How might investing in infrastructure, education or research & development help?
- ⑥ What will happen if a country tries to grow above its potential rate for an extended period? What can a country do to raise its potential growth rate?
- ⑦ Can deepening the European Union's single market help to raise economic growth? What areas appear most important to address rapidly in the country you have chosen?
- ⑧ Why is the Europe 2020 strategy potentially important for raising growth rates in the EU? What about the Juncker investment plan?
- ⑨ Are demographic trends important for explaining slow growth? Why?