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# 0455-IGCSE ECONOMICS

## BANK LENDING

1. Why can an increase in bank lending increase economic growth?

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- It may increase consumer expenditure. A higher total aggregate demand may encourage firms to increase their output and this will raise real GDP.
  - An increase in bank lending may increase investment (spending) on capital goods. It will also increase productive capacity causing potential economic growth.
  - An increase in bank lending to people undertaking education/ training may increase labour productivity thus increasing GDP and potential economic growth
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