A-LEVEL ECONOMICS • EXERCISE SHEET

10.1 Government macroeconomic policy objectives

Name: ____________ Class: ________ Date: __________ **Total: 23 marks**

KEY WORDS supply-side 供给侧 • monetary 货币 • supply-side policy 供给侧政策 • fiscal 财政 • monetary policy 货币政策

Objective

Build the skills to answer exam questions on **government macroeconomic policy objectives** 宏观经济政策目标 at A Level — the goals (**growth, price stability, full employment, balance of payments** 增长、物价稳定、充分就业、国际收支) and the **policy tools** to reach them.

You must be able to:

- state the main macroeconomic objectives and how each is measured
- match objectives to fiscal, monetary and supply-side tools
- analyse why a policy mix is used

1 Worked examples

■ Objectives and tools

Demand-side tools are quick; supply-side tools are slow but lasting

- **Objectives:** growth (% Δ real GDP), price stability (% Δ CPI), full employment (unemployment rate), balance-of-payments stability.

- **Tools: fiscal** 财政 (spending/tax), **monetary** 货币 (interest rate), **supply-side** 供给侧 (capacity/productivity).
- Demand-side tools work on **aggregate demand** (quick, can cause inflation); supply-side works on capacity.

these goals pull against each other

lower unemployment ⇌ higher inflation

faster growth ⇌ higher inflation

faster growth ⇌ worse current account

faster growth ⇌ more pollution

The objectives often conflict — meeting one can mean missing another

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State how *price stability* is measured. [1]

2.2 State which policy mainly works on aggregate supply. [1]

2.3 State two macroeconomic policy objectives. [2]

3 Exam-style questions

3.1 Which policy mainly works on the **supply side** of the economy? [1]

A	B
C	D

A changing the interest rate
B changing government spending
C spending on education and training
D changing income tax to alter demand

3.2 Explain why a government uses a mix of demand-side and supply-side policies. [6]

3.3 Discuss whether monetary policy alone can achieve a government's macroeconomic objectives. [12]