A-LEVEL ECONOMICS • EXERCISE SHEET

5.1 Government macroeconomic policy objectives

Name: ____________ Class: ________ Date: __________ **Total: 26 marks**

KEY WORDS inflation 通货膨胀 • economic growth 经济增长 • balance of payments 国际收支 • price stability 物价稳定 • full employment 充分就业

Objective

Build the skills to answer exam questions on **macroeconomic policy objectives** 宏观经济政策目标 — the five aims (**price stability, full employment, growth, balance of payments, redistribution** 物价稳定、充分就业、增长、国际收支、再分配) and the **conflicts** 冲突 between them.

You must be able to:

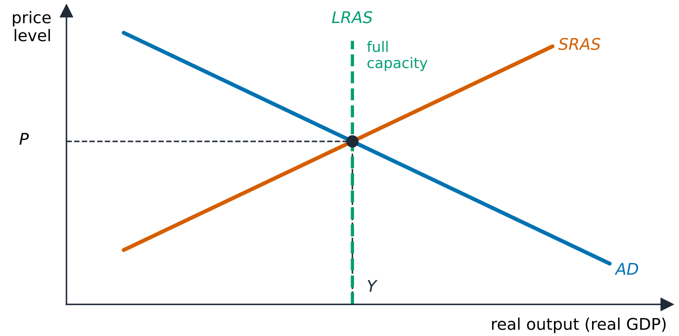
- state the main macroeconomic objectives
- explain the conflicts between objectives
- analyse a policy trade-off

1 Worked examples

■ Objectives and conflicts

Five aims that often pull against each other

- **Aims:** price stability (~2% inflation), full employment, economic growth, balance-of-payments stability, redistribution.
- **Conflicts:** growth ↔ inflation; growth ↔ balance of payments (more imports); unemployment ↔ inflation; growth ↔ the environment.
- Fiscal and monetary policy are **demand-side** 需求侧; supply-side policy works on **aggregate supply** 总供给.



short-run equilibrium: $AD = SRAS$ · long-run capacity: vertical $LRAS$

AD–AS is the master diagram: the price level shows inflation, real output shows growth and jobs

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

2 Practice

2.1 State three macroeconomic policy objectives. [3]

2.2 State one conflict between two macroeconomic objectives. [2]

2.3 State the difference between a demand-side and a supply-side policy. [2]

3 Exam-style questions

3.1 Faster economic growth is most likely to **conflict** with: [1]

A lower unemployment
B price stability
C higher tax revenue
D higher incomes

3.2 Explain why the objectives of low unemployment and low inflation may conflict. [6]

3.3 Discuss whether a government can achieve all of its macroeconomic objectives at the same time. [12]