10 Objectives and policy – Part 1 — Answers

Answers

Work through these after trying the questions yourself.

10.1 Any two of: economic growth, low inflation, full employment, balance of payments.
10.2 Government spending and taxes.
10.3 The interest rate (and the money supply).
10.4 Supply-side policy.
10.5 Fiscal and monetary policy.

10.6 It should use *expansionary* fiscal policy —raising government spending or cutting taxes. This boosts aggregate demand, which raises output and creates jobs, helping to pull the economy out of recession and cut the high unemployment.