

4.1 Macroeconomic objectives and conflicts

Name: _____ Class: _____ Date: _____ **Total: 18 marks**

KEY WORDS Phillips curve • inflation target

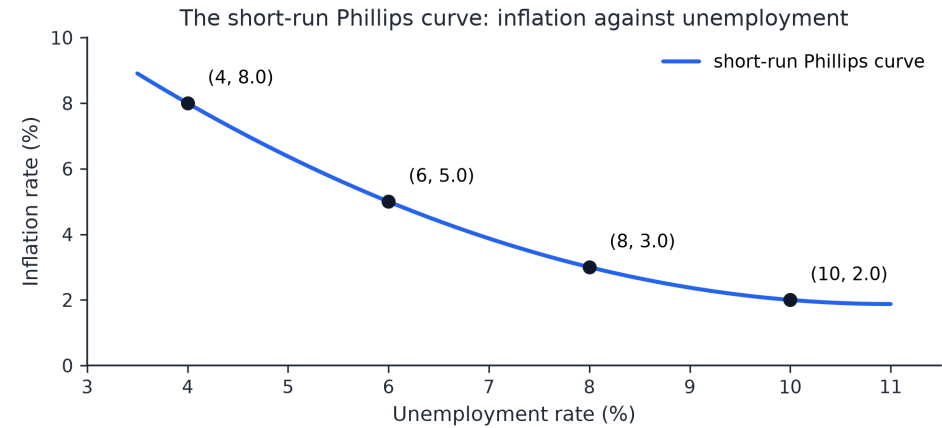
Macroeconomic objectives and conflicts

Objective

State the six macroeconomic objectives with their measures, and analyse the four conflicts between them, including the short-run Phillips curve (spec 2.3.6, rows 1–2).

1 Key knowledge and worked examples

Objectives and trade-offs. Growth; low and stable inflation; low unemployment; current-account equilibrium; a balanced budget; greater income equality. The Phillips curve trades inflation against unemployment in the short run: the points (4, 8), (6, 5), (8, 3) and (10, 2) trace the curve, so disinflation costs jobs at first. Growth strains the environment; reflation worsens inflation AND the current account together; uneven growth widens inequality.



Original illustrative curve; the labelled pairs are the worked trade-off.

2 Practice

2.1 List the six macroeconomic objectives. [2]

2.2 On the Phillips curve with points (4, 8), (6, 5), (8, 3) and (10, 2), what happens to unemployment if inflation is cut from 8% to 3%? [2]

2.3 Why does reflationary policy tend to worsen BOTH inflation and the current account? [2]

2.4 Name the conflict between growth and the environment, with one mechanism. [2]

2.5 Give one reason growth might widen income equality gaps. [2]

3 Exam-style questions

3.1 (*Original.*) Using a Phillips curve diagram, explain the short-run trade-off between inflation and unemployment, and one reason it may be easier to cut inflation than the curve suggests. [4]

3.2 (*Original, SAM context.*) India grew rapidly while Delhi suffered smog severe enough to close schools. Analyse the conflict between growth and environmental protection. [4]
