

# 4 Government aims and policy – Part 1

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Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

## Vocabulary

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*Write each word three times.*

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| English          | Write it 3 times (English) |
|------------------|----------------------------|
| economy          | _____                      |
| economic growth  | _____                      |
| low unemployment | _____                      |
| stable prices    | _____                      |
| fiscal policy    | _____                      |
| tax              | _____                      |
| monetary policy  | _____                      |
| interest rates   | _____                      |

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## Recall

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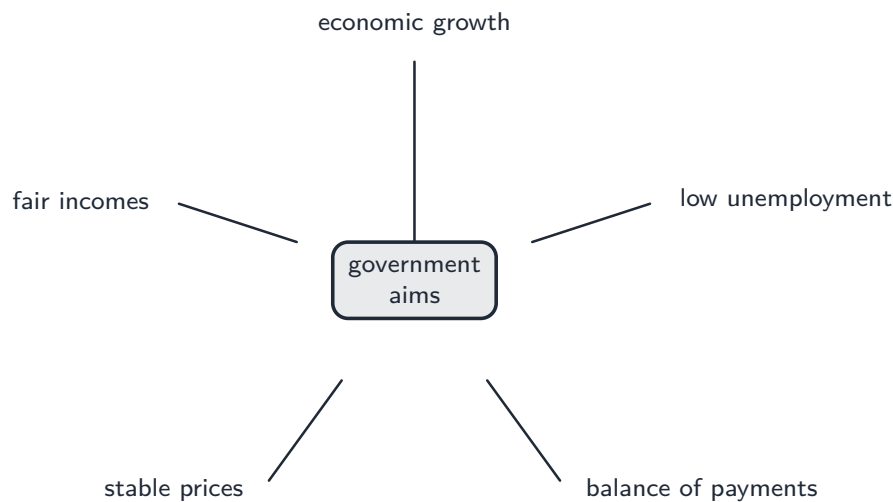
A government wants the **economy** \_\_\_\_\_ to do well. It uses policies to reach its aims.

## New ideas

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Read these first, then do the Practice.

## ■ 1 Government aims



- **economic growth** – the economy produces more;
- **low unemployment** – most people have jobs;
- **stable prices** – prices do not rise too fast.

## ■ 2 Two policies



- **fiscal policy** changes **tax** and government spending;
- **monetary policy** changes **interest rates**.

**Watch out:** fiscal policy uses *tax and government spending*; **monetary** policy uses *interest rates* – keep them apart. A government's main aims are growth, low unemployment, stable prices and fair incomes.

## Practice

Try these in order.

4.1 Name two aims of a government.

[2]

**4.2** What is *economic growth*? [1]

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**4.3** What does fiscal policy change? [2]

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**4.4** What does monetary policy change? [1]

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**4.5** If the government raises interest rates, is that fiscal or monetary policy? [1]

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**4.6 Challenge.** Classify each as fiscal or monetary policy: (a) cutting income tax, (b) raising interest rates, (c) increasing spending on hospitals. [3]