

4 Government aims and policy – Part 1

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

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

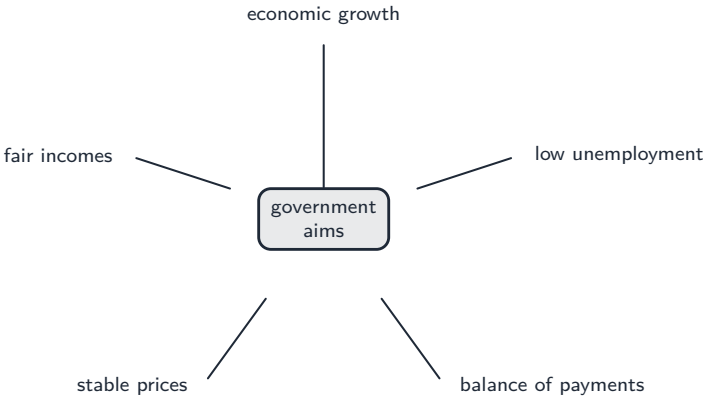
Recall

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

New ideas

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.

4.2 What is *economic growth*? [1]

4.3 What does fiscal policy change? [2]

4.4 What does monetary policy change? [1]

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

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