IGCSE ECONOMICS • EXERCISE SHEET

4.1 Government macroeconomic intervention

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

Objective

Build the skills to answer exam questions on **government macroeconomic intervention** 政府宏观经济干预—the five **macroeconomic aims** 宏观经济目标 and how they can **conflict** 冲突, and the three policy tools.

You must be able to:

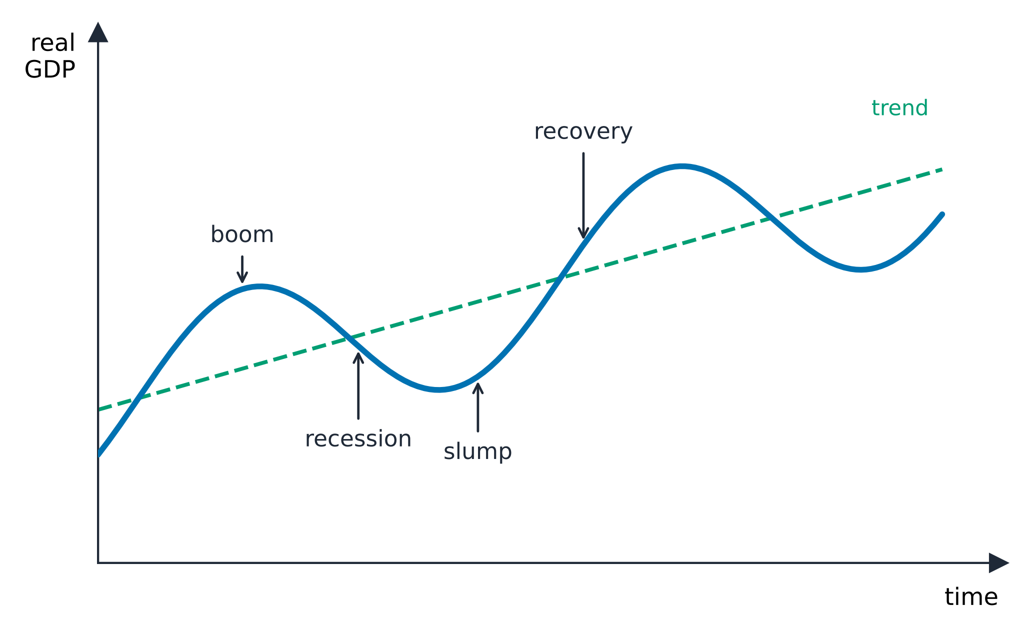
- state the five macroeconomic aims
- explain a conflict between two aims
- identify the three policy tools (fiscal, monetary, supply-side)

1 Worked examples

■ Aims and tools

Governments balance aims that can pull against each other

- **Aims:** economic growth, **full employment** 充分就业, **price stability** 价格稳定, **balance of payments** 国际收支 stability, redistribution.
- **Conflict** 冲突: fast growth or cutting unemployment can pull prices up (inflation).
- **Tools: fiscal** 财政 (spending/tax), **monetary** 货币 (interest rates), **supply-side** 供给侧 (capacity).



Policy aims to smooth the business cycle —supporting demand in a slump, cooling it in a boom

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State three macroeconomic aims of a government. [3]

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

2.3 Identify the three sets of government policy tools. [3]

3 Exam-style questions

3.1 Fast economic growth is most likely to **conflict** with the aim of: [1]

- **A** full employment
- **B** price stability
- **C** higher tax revenue
- **D** higher incomes

3.2 Explain why low unemployment and low inflation may be difficult to achieve at the same time. [4]

3.3 Analyse why a government may not be able to achieve all of its macroeconomic aims at once. [6]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **4.1 Government macroeconomic intervention** past-paper sheet in the Library, or try these in **Practice mode**:

- 0455/13 N25 —Q18 (macroeconomic aims)
- 0455/21 J25 —Q4 (policy, structured)
- 0455/11 N24 —Q17 (conflicting aims)

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 any three of: economic growth; full employment; price stability; balance-of-payments stability; redistribution of income (1 + 1 + 1).

2.2 any one developed conflict, e.g. growth vs price stability; full employment vs low inflation (2 for a developed conflict; 1 for naming two aims).

2.3 fiscal policy; monetary policy; supply-side policy (1 + 1 + 1).

3.1 **B**. Fast growth raises demand, which can pull up prices (inflation).

3.2 *[4]* K 1 + An up to 3 —to cut unemployment the government usually raises total demand → firms hire more workers, but stronger demand pushes prices up → so lower unemployment can come with higher inflation, making both hard to achieve together.

3.3 *[6]* K/App/An —the aims often conflict: raising demand to boost growth and jobs can cause inflation, and faster growth can pull in imports, worsening the balance of payments → so improving one aim can worsen another → a government must set priorities and accept trade-offs, though supply-side policy can ease some conflicts by raising capacity.