

CHAPTER 37 : Macroeconomic Objectives

Key terms

1. Balance of payment equilibrium on the current account : where credits are equal to debits. Since the balance of trade is often a major component of the current account, equilibrium is broadly when the value of export equals to the value of imports
2. Balanced government budget : when government spending is equal to its revenue over a period of time, usually a year
3. Current account : part of the balance of payment account. A major component of the current account is the balance of trade
4. Deflation : a sustained and general fall in prices across an economy
5. Economy growth : a measure of how much output has increased by over a 12-month period. It is expressed as a percentage
6. Income equality : when total income in the economy is shared out equally
7. Inflation : a sustained and general rise in prices across an economy
8. Unemployment occurs when individuals are without a job but are actively seeking work

1. Government objectives

: attempt to influence the economy so as to improve its economic performance.

| Government Objectives | Description |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Economic growth | : Average income increases : People can afford more goods and services : Standard of living will be better |
| 2. Low unemployment | : As higher employment should increase tax revenue : Government has more budget to invest in projects Or : Government can reduce budget on unemployed benefits : It can reduce national debt |
| 3. Stable inflation | : High inflation is undesirable : While deflation is seen as being linked to recession and low or negative economic growth |
| 4. The balance of payment on current account | : Current account deficit is undesirable : As it leads to more outflow from the economy |
| 5. Government budgets | : Government broadly aims to have a balanced government budget : This is when government spending is equal to its revenue : If government spending > revenue , it can causes national debt |
| 6. The environment | : Sometimes growth can causes negative externality eg. Global warming etc |
| 7. Income distribution | : Government attempts to reduce gap between rich and poor |

