CHAPTER 37 : Macroeconomic Objectives

Key terms

- 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
- 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

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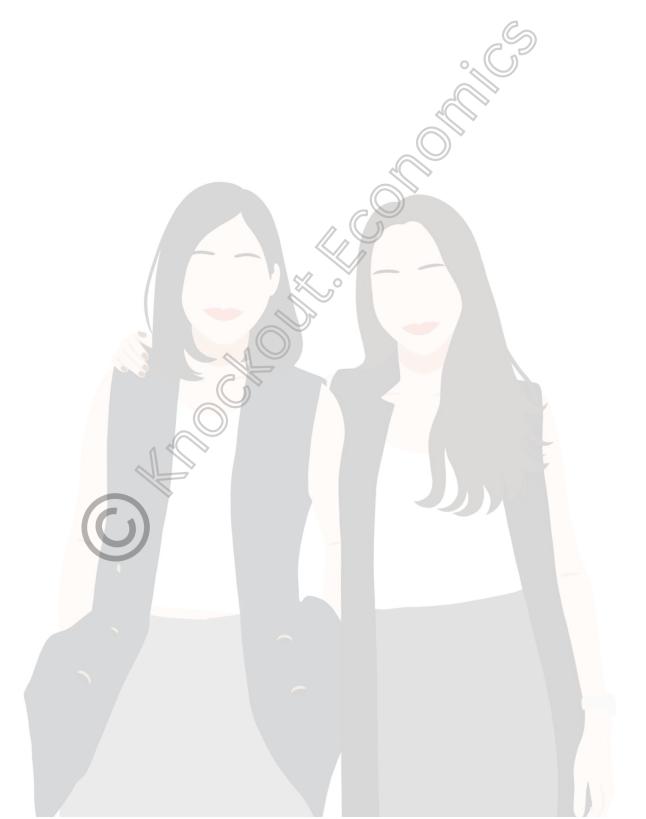
1. Government objectives

: 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 deficit is undesirable
current account	: 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

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