10 Objectives and policy – Part 1 — Answers

Answers

Work through these after trying the questions yourself.

10.1 Any two of: economic growth, low inflation, full employment, balance of payments.
10.2 Government spending and taxes.
10.3 The interest rate (and the money supply).
10.4 Supply-side policy.
10.5 Fiscal and monetary policy.

10.6 It should use *expansionary* fiscal policy — raising government spending or cutting taxes. This boosts aggregate demand, which raises output and creates jobs, helping to pull the economy out of recession and cut the high unemployment.