27. Economic Objectives of the Government

All elected governments have common key economic goals to achieve during their term in office

The Economic Objectives of Governments

Provision of Adequate Infrastructure

- Communication networks (high speed broadband access)
- Transport networks (motorways, national roads, waterways and airports)
- Public services (post offices, water, sewerage, electricity)

Equilibrium on Balance of Payments

- Ideally, gov aims to achieve
 Imports = Exports (at least)
- If imports>exports country living beyond its means (buying too many foreign goods)
- If exports>imports good sign but inflation can happen

Achievement of Economic Growth

Growing output is vital

Balanced Regional Development

Spread development via national development plans

Control of Inflation

(Price Stability)

- Control of prices is very important. Inflation erodes economic competitiveness
- Inflation >Cost of your exports on foreign markets
- Inflation = Bad for countries reputation

Achievement of Full Employment

- Situation where jobs are available for all those willing to work at existing wage levels
- Full employment = control of unemployment

Control of Public Expenditure

Keep costs and revenues balanced

Instruments of Government Economic Policy

Fiscal Policy

Control of government revenue and expenditure

How? ↑↓Tax or ↓↑Spending

Monetary Policy

Control of the level of money in the economy

How?

↑↓Interest Rate or ↓↑ Money Supply

Exchange Rate Policy

Control of the value of your currency

How?

Devaluation (worth less) **Revaluation** (worth more)

Direct Intervention

Gov **intervenes** (+ Keynesianism)

How?

State companies
State laws
Capital/Public projects

Conflicts Between Government Objectives

Full Employment (FE)



Control of Inflation

FE means ↑public
expenditure in the economy
which
can ↑ inflation

Economic Growth (EG)



Balanced Regional Development

EG means growing investment + output (private and public). Balanced development = gov imposes taxes on high income earners to ↑social welfare (discouraging investment)

Full Employment (FE)



Control of Spending

FE means ↑ public expenditure
+ budget deficits which can ↑
inflation + national debt