

2.6.1 Possible macroeconomic objectives

- a) *Economic growth*
 - b) *Low unemployment*
 - c) *Low and stable rate of inflation*
 - d) *Balance of payments equilibrium on current account*
 - e) *Balanced government budget*
 - f) *Protection of the environment*
 - g) *Greater income equality*
- The seven major macroeconomic objectives of governments:
 - **Economic growth:** an increase in real incomes but not too high. Generally, economic growth will improve the standard of living
 - **Unemployment:** a reduction in employment; no more than 2%
 - **Inflation:** stable; preventing prices rising too quickly. The UK aims for 2%. The Monetary Policy Committee of the bank of England uses monetary policy to try to achieve this target rate
 - **Balance of payments:** restoration in the equilibrium in the balance of payments, meaning there should be no persistent and heavy outflow of income and wealth
 - **Fiscal balance:** tax revenues must cover government spending over the course of the economic cycle
 - **Protection of the environment**
 - **Income equality:** ensuring the top decile does not increase much faster than the bottom decile
 - Policies are likely to affect more than one of the objectives so governments must choose which are its most important policies; there will be an opportunity cost