Your notes

GCSE Economics: revision notes

Government economic objectives

Contents

1. Macroeconomic objectives
2. Conflicts between objectives
3. Distribution of income and wealth
4. Key terms
5. Quick questions
6. What to do next

Macroeconomic objectives

- Governments aim for: economic growth; low unemployment; low and stable inflation (the UK target is 2%, measured by CPI); balance of payments stability; and a fair distribution of **income**.
- Protecting the environment is also an increasingly important aim.

Conflicts between objectives

- Objectives can conflict. Fast growth can raise inflation; policies to cut inflation (like higher interest rates) can raise unemployment.
- Growth can also increase imports, worsening the balance of payments, and can harm the environment.

Distribution of income and wealth

- **Income** is money received over a period (wages, interest, benefits). **Wealth** is the value of assets owned (houses, savings, shares).
- Inequality can be reduced through **progressive taxes** (where richer people pay a higher percentage, like **income** tax), benefits and the National Minimum Wage.
- The Lorenz curve and **Gini coefficient** measure inequality. A **Gini coefficient** of 0 means perfect equality, and 1 means one person has everything.

Key terms

Macroeconomic objectives	A government's aims for the whole economy.
Inflation target	The UK government's target of 2% CPI inflation.
Progressive tax	A tax where higher earners pay a higher percentage.
Regressive tax	A tax that takes a higher percentage from lower earners.
Income	Money received over a period of time.
Wealth	The value of assets owned.

© LycoLearn · lycolearn.co.uk · Free GCSE and KS3 revision

Gini coefficient	A measure of inequality from 0 to 1.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What is the UK government's inflation target?
2. What is a progressive tax?
3. What is the difference between income and wealth?
4. What does a Gini coefficient of 0 mean?
5. Which is a macroeconomic objective?
6. Why can fast growth conflict with low inflation?
7. Which policy reduces income inequality?
8. What is a regressive tax?

Answers

1. 2%
2. A tax where higher earners pay a higher percentage
3. Income is money received; wealth is assets owned
4. Perfect equality
5. Low unemployment
6. High demand can push up prices
7. The National Minimum Wage
8. A tax that takes a higher percentage from lower earners

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

Free revision for GCSE and KS3 at lycolearn.co.uk. Some notes are for one exam board only, and say so in brackets.

Your notes