**Topic 3) Macroeconomic policies**

***Use pages 86-110 from the associated study pack to answer the following:***

***Explain why there is a need for macroeconomic policy***

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***Identify a range of objectives of macroeconomic policy***

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***Explain a range of problems the government faces when trying to manage the economy***

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| Problems government faces when trying to manage the economy | Explanation |
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Briefly explain the following policies designed to influence the economy

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| Policy | Explanation |
| Fiscal Policy  |  |
| Monetary Policy |  |
| Supply-side Policies |  |

***Monetary Policy – provide a basic explanation as to how this works in the UK***

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***Define the following key terms***

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| Key term | Definition |
| Interest rates |  |
| Real interest rates |  |

***Explain in detail a range of ways that higher interest rates will impact on the UK Economy***

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| Impact of higher interest rates on the economy | Explanation |
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***Explain in detail when (considering the economic cycle) when interest rates will be cut and how this will impact on the economy***

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***Fiscal Policy – provide a basic explanation as to how this works in the UK]***

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***Explain the meaning of ‘expansionary fiscal policy’***

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***Explain how the following examples of expansionary fiscal policy impact on the UK Economy***

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| Example of expansionary fiscal policy | How this impacts on the economy |
| Cut in personal income tax  |  |
| Cut in indirect taxes |  |
| Cut in Corporation tax |  |

***Explain the following types of government spending***

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| Type of government spending | Explanation |
| Transfer Payments |  |
| Current Government Spending |  |
| Capital Spending |  |

***Define the following key terms***

|  |  |
| --- | --- |
| Key term | Definition |
| Automatic stabilisers |  |
| Direct taxes |  |
| Indirect taxes |  |
| Progressive taxes |  |
| Proportional taxes |  |
| Regressive taxes |  |

***Explain a range of ways that fiscal policy can shift out the LRAS curve***

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| How fiscal policy can shift out LRAS | Explanation |
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***Define the following key terms***

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| Key term | Definition |
| Government borrowing |  |
| Budget deficit |  |
| Budget surplus |  |

***Use a diagram to help you explain the key term ‘supply-side policies’***



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***Explain how the following supply-side policies will increase LRAS***

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| Supply-side policy | Explanation  |
| Privatisation |  |
| Income tax reforms and Incentive to work |  |
| Competition Policy |  |
| Encourageentrepreneurship  |  |
| Capital investmentAnd innovation |  |
| Trade Union reform |  |
| Spending on education and training |  |