# 2.11 Macroeconomic Objectives and Policy Goals: 30-minute Pack

AQA 7136 · Calculators not allowed · about 30 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

**Answer all questions. Write full sentences for the longer questions and for any explanation that carries more than 2 marks. Time guidance: 30 minutes total. A non-calculator paper.**

**1** Define the objective of balancing the government budget as a macroeconomic goal and state one reason why the government might aim for a smaller deficit or balanced budget.

**(Total for Question 1 is 2 marks)**

**2** State one reason the current account position matters to households, giving one concrete example of an effect on household welfare.

**(Total for Question 2 is 2 marks)**


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**3** Data-response: The table below gives five headline UK indicators for the latest year. Using this information, explain which macroeconomic objectives in this table appear to be met and which appear to be missed. Table: GDP growth rate = 1.2% (real GDP); Unemployment rate = 4.9%; CPI inflation = 3.1%; Current account balance = -3.0% of GDP; Government budget deficit = -5.5% of GDP. Identify clearly at least four objectives and use the data to support your judgements.

**(Total for Question 3 is 9 marks)**

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**4** Define the government objective of low and stable inflation, referencing the Bank of England CPI target, and explain why stable inflation matters to savers.

**(Total for Question 4 is 3 marks)**


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# Mark scheme · 2.11 Macroeconomic Objectives and Policy Goals: 30-minute Pack

## Question 1

definition: managing public finances so that government spending is covered by revenues, reducing persistent budget deficits over the medium term — **B1**

reason: to avoid rising public debt and interest costs, preserving fiscal sustainability and maintaining investor confidence — **B1**

**Answer: Balancing the government budget means managing spending and tax revenue to avoid persistent deficits; a smaller deficit is sought to prevent rising public debt and high interest costs and to maintain fiscal credibility.**

## Question 2

reason: current account deficits can lead to depreciation pressure on the currency and higher import prices — **B1**

example: if the currency falls, households may pay more for imported food and energy, reducing real disposable income — **B1**

**Answer: A poor current account can put downward pressure on the currency and raise import prices; for example, if the currency weakens households may face higher bills for imported food and energy, reducing real disposable income.**

## Question 3

**Level 1** Simple identification of one or two objectives with minimal use of the data, limited explanation and little linkage to who benefits or loses. — **1-3**

**Level 2** Identifies several objectives and uses the data to support clear judgements about which are being met or missed, with some explanation of consequences for households, firms or government. — **4-6**

**Level 3** A thorough answer that identifies multiple objectives, evaluates the data against policy targets (for example Bank of England 2 percent CPI target, sustainable growth expectations, acceptable unemployment), and explains the implications for households, firms and government with some judgement about priorities or trade offs. — **7-9**

**Indicative content:**

- CPI inflation at 3.1% is above the Bank of England 2% target, so the objective of low and stable inflation is missed; this could erode real incomes and may prompt tighter monetary policy.
- Real GDP growth at 1.2% is positive but modest; whether this meets the economic growth objective depends on potential growth rates, but likely represents slow growth rather than strong growth, which may be judged as underperforming.
- Unemployment at 4.9% is moderately low by historical UK standards, suggesting the low unemployment objective is broadly met, though there may be concerns about underemployment or regional variation.
- Current account at -3.0% of GDP is a deficit; a small to moderate deficit may be acceptable, but -3.0% could be seen as a risk if persistent, so the satisfactory current account objective may be missed or vulnerable.
- Government budget deficit at -5.5% of GDP is large, indicating the fiscal balance objective is not met; this raises concerns about rising debt and may constrain future policy choices.
- Explain effects: higher inflation harms savers and fixed-income households; slow growth limits real income improvements; unemployment near 5% may be acceptable for firms seeking labour but could still affect welfare recipients; a budget deficit limits government ability to invest in public goods or reduce taxes.

## Question 4

definition: keeping the rate of inflation low and stable, typically the Bank of England's 2 percent CPI target — **B1**

reason for savers: stable low inflation preserves the real value of savings by preventing rapid erosion of purchasing power — **B1**

development: predictable inflation helps savers plan long term and reduces uncertainty about real returns — **B1**

**Answer: Low and stable inflation is aiming for a steady low CPI rate around the Bank of England's 2 percent target; it matters to savers because it helps preserve the real value of savings and makes planning for the future easier.**


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