2.11 Macroeconomic Objectives and Policy Goals: Test Pack

Total Marks

AQA 7136 · Calculators not allowed · about 20 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for the longer questions and for any explanation that carries more than 2 marks. Time guidance: 20 minutes total. A non-calculator paper.

1 Define the macroeconomic objective of economic growth as a government target, and state why it matters to households.

(Total for Question 1 is 2 marks)

2 State the objective of low unemployment for government policy and give one reason why firms prefer low unemployment.

(Total for Question 2 is 2 marks)

3 Explain briefly why low and stable inflation is important for firms when making investment decisions.

(Total for Question 3 is 2 marks)

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4 Distinguish between actual economic growth and sustainable (long-run) growth as government objectives, and give one reason why a government might prioritise sustainable growth over a short term spike in actual growth.

(Total for Question 4 is 3 marks)

5 Explain the objective of environmental sustainability as a macro policy goal and give one trade off this objective might create with short term economic growth.

(Total for Question 5 is 3 marks)

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Mark scheme · 2.11 Macroeconomic Objectives and Policy Goals: Test Pack

Question 1

definition: an increase in real national output or real GDP over time, seen as an objective to raise productive capacity **B1**

reason for households: can raise incomes and employment opportunities, improving living standards **B1**

Answer: Economic growth is a rise in real national output or real GDP; it matters to households because it tends to raise incomes and create more job opportunities, improving living standards.

Question 2

objective: maintain a low level of unemployment to maximise use of the labour force and reduce social costs **B1**

reason for firms: larger pool of labour and higher aggregate demand, supporting sales and reducing recruitment difficulties **B1**

Answer: Low unemployment means keeping joblessness low so the labour force is well utilised; firms prefer it because it supports higher demand for their products and makes it easier to recruit suitable workers.

Question 3

predictable low inflation reduces uncertainty about future costs and real returns, making it easier for firms to plan and evaluate long-term investments **B1**

this stability lowers the risk premium required and can increase the level of business investment **B1**

Answer: Low and stable inflation reduces uncertainty about future costs and real returns, helping firms plan long-term investment and lowering the risk premium they require.

Question 4

definition: actual growth is the short-term increase in real GDP, often year to year **B1**

definition: sustainable growth is growth that can be maintained without causing inflationary pressure or depleting resources, consistent with long-run potential output **B1**

reason: sustainable growth avoids boom and bust, protects future living standards and prevents overheating that would create inflation or environmental harm **B1**

Answer: Actual growth is the short-term rise in real GDP; sustainable growth is growth that can be maintained without overheating or depleting resources. Governments may prefer sustainable growth because it preserves future living standards and avoids inflationary or environmental costs of a short-lived boom.

Question 5

definition: aiming to manage economic activity so that natural resources and environmental quality are preserved for the long term, including reducing emissions and pollution **B1**

trade off: stricter environmental regulation or limits on resource extraction can raise production costs and slow short term output growth **B1**

development: this trade off may be justified by long term benefits such as sustainable resource use and avoided future costs from environmental damage **B1**

Answer: Environmental sustainability aims to preserve natural resources and limit environmental damage; it may conflict with short term growth because regulation and green investment can raise costs and reduce output in the near term, though it may bring long term benefits.

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