

IGCSE Economics: Introduction to macroeconomics

What is macroeconomics?

- The big picture of economics.
 - ◆ Government policies to influence the economy.
- It is concerned with issues, objectives and policies that affect the whole economy.
- How does the government help or hinder firms.
- How are scarce resources allocated to meet the needs and wants of the whole country and the whole world?
- Government believes that macroeconomic stability is the precondition for capital investment, productivity, company profits and employment.

What are the main objectives?

- Sustainable economic growth.
- Low inflation rate (price stability).
- Low unemployment rate.
- Healthy Balance of Payments account.
- Balanced government budget.
- Rising standard of living and a fall in relative poverty through the redistribution of income.
- Governments will attempt to meet these objectives by imposing economic policies.

What is the other objective?

- Low income disparity:
 - ◆ Measured by the Gini Coefficient which is always given out of 1 or 100.
 - ◆ A high value here indicates low income disparity:

- Speculation.

What do these indicate?

- How well these objectives are met is indicative of an economy's health and strength.

Differences between governments:

- Each government, depending on their political orientation, will have slightly different goals:
 - ◆ Extremist governments may have radically different goals.
 - ◆ But they will all want:
 - High Employment.
 - Sustainable economic Growth.
 - Balanced Government budget.
 - Stable and low Inflation by stabilizing prices.
 - Higher levels of Trade, capital investment and labor productivity for balance of payments stability.
 - Rising Standard of living and a fall in relative poverty through the redistribution of income.
 - These general goals create the acronym EGGITS.

Other Information:

- Domestic shocks are internal shocks from within the nation:
 - ◆ The collapse of the Lehman Brothers firm.
- External shocks or exogenous shocks are shocks from without the nation:
 - ◆ Rapid rise in crude oil prices.
- Speculation.