

1. (a) What are the main macro-economic policy objectives?

The main macro-economic policy objectives are to maintain the full employment; increase the growth of national output in term of GDP; keep control the inflation in the acceptable level; induce the Regional Balance of the uneven distribution area and the balance of Trade which is the least objective because it's the government constraint rather than an objective on decision making.

First of all, full employment can be illustrated in term of prospective economy, Government tried to minimize the figure of the numbers of the people unemployed. However, there are around 940,000 people unemployed in UK. The unemployment rate remained steady at 3.2%, which is much lower than the rate in many other industrialized countries nowadays. It's an economic waste associated with people unemployed, and also in the consequence, national output will decrease while the unemployment rate increase. It leads the permanent loss of society, especially the poor health and lower living standard occurred in the circumstance. There are certain types of unemployment: permanent unemployment which is people suffered the continuous unemployment; and long term unemployment which is people unemployed more than a year. The Government concerns the longer people unemployed, the more difficult for them to find a job, so spending on those unemployed allowance, or such benefits will be much more. Therefore, the Government will use their Policy Weapons to control the situation. Fiscal Policy is one of their Weapons. Government will increase the expenditure, such as build up different kind of projects; assist people to invest on the business such as financial loans, or business training for the young graduates; contribution on the skill training, basic skill and child care. Moreover, Government also will cut tax to make the economy increase although it's not the short term effect.

Secondly, the Growth of Output is another policy objective. It can be measured by the GDP, Gross Domestic Product, GNP Gross National Product & NNP Net National Price. It is the long-term economy because of the productivity and technology changed, and the GDP will be changed by different factor, for example, UK is still behind other countries, such as German, US because they don't want to invest money on machinery. They are more conservative so that they prefer to keep the existing Manufacturing & Industrial equipment. However, the substantial reason for the Expansion of Economy is to increase people or the society's living standard. If the GDP is high, both Public and Private can earn more in order to increase more investment and Government Spending. However, one thing we should be noticed that is the danger of continuing the more activities on the expansion of economy scale because it will has the bad effect of the environment.

Thirdly, inflation is one of the outcomes of the economic activities. It affects people's

inequality. As we know high prices occurred in the market as the investment increase, or business activities increase. For the instance, the income should be re-distributed. It may affect the people whom might get the benefit or not. In 1980 to 1990, inflation occurred, there was an unforeseen inflation followed by deflation, so it created the uncertainty, which obstructed the business decision-making. However, Inflation is a good sign for the recovery of slump economy, but Government should keep it in the acceptable level which is around 2.5%. It's hard to control inflation because we should increase our productivities when the economy in the recession. However, the inflation can be controlled indirectly by increasing the interest rate, or Government cut down the spending.

Lastly, Balance of Trade is the Government's constraint for the imports and exports of Goods. Government needs to keep down the imports and encourage the exports because it's the way to earn money by exports. According to the two-sector Model, the inflow of export and outflow of import in the circular flow of income should maintain in the balance level. Government has restriction for imports, for example, it should be passed by the required Authority and standardize the goods; set up the Quotas and import duties.

The main macro-economic policy objectives are needed to use some policy weapons to control. However, Fiscal and Monetary Policy should be decided together to control the level of activities in economy. Government shouldn't use only one weapon to maintain all the objectives because it has conflicts with each other.

(b) Comment on the 'trade-off' that may exist between these objectives.

Full employment will lead another effect of high inflation. It's a trade-off of achieving one objective by losing another objective! So, we might say a level of unemployment will have no further upward pressure of inflation. However, we cannot stop the full employment in order to make no pressure on inflation, or vice versa. Can we balance the situation? No, I guess not because the inflation will come by the full employment. We can try to solve problem when it comes. We cannot stop the objective before it achieved. In my opinion, the Government can minimize the effect of those contradictions. We can maintain the level of business activities by cutting the Government spending or increase the interest rate when inflation reaches the unacceptable level.

GDP increase by means of inflation increase, although we can produce more in order to increase the productivity, the high inflation will shift the economy. It is a good sign to see the inflation after the Government set all the policy to recover the economic recession. When the inflation over the particular level, Government can slow down the business activities and control the national output by mean of increase tax.

Theory and empirical evidence clearly confirm that there is no long-term trade-off between price stability and economic growth in the long run, simply lead to rising inflation. The trade-off will be shifted over a period again and again. For the short run, it is no doubt that trade-off will affect the Government to achieve all the objectives at the same time. However, we can see it in the long term and it supposed to be changed periodically.

(C) To what extent have successive UK governments been successful in achieving the main macro-economic objective over the period since 1979?

1979-the oil price rises, which affected by the slowdown in the world demand in the early 1990s. Inflation went down from 1970s – 1980s as well as the high unemployment, the unemployment levels often associated with lowering inflation are usual temporary. Privatisation defined by Mrs Margaret Thatcher and put the private sector back in charge. The public debt caused by the deep recession of the early 80s, so the Government had a carefully thought-out strategy which was the need to raise cash quickly to increase the Government spending and covered the deficits. First, the Thatcher government decided to offload companies such as Amersham International. The golden age of privatization: there was the need to raise money and reduce public spending and higher unemployment meant that by 1983 the government's finances were deep in the red, with a deficit of around 4% of GDP. There was the sense that privatisation of services in the public sector offered the prospect of better value for money. and in the early 1980s to hand over refuse collection and street cleaning to a private company, and private sector not only do it cheaper, but do it better! The privatisation of British Telecom was a seminal moment and as their Big Idea - a way not just of making money but of ridding Britain of socialism for ever and by the time of the next big privatisation - British Gas in 1986. After British Gas, came the year of privatisations - 1987 - with British Airways, Rolls-Royce and British Airports Authority floated on a rip-roaring stock market in the first half of the year and Again looking to save money in the wake of recession

1984-1985 which was the large action of mining strike, and Mrs Thatcher decided to against those miners in any circumstances. We can see the unemployment rate went up to the double digits since then.

1998 the Labor Government introduced the New Deals for Youth and Adults with the aim of reducing long Term unemployment, so it shown the position reduction of unemployment rate The labor market performance has been generally good over the last few years. The minimum wage, New Deal, and Working Families Tax Credit Policies make the unemployment was halved since 1993, so there have been signs of improvement in the labor market.

The Maastricht Treaty 1993, one of the main EU policy to maintain the united European Countries in the Economic Bargaining: a set of interest rate, a set of Currency, which increased the opportunities to the world trade in other word 'Nationalisation'. It had the big impact on the unemployment and Balance of Trade from 1993 till now.

UK Government on most of its objectives had the satisfactory outcomes, for example, the improvement of national output, the control of unemployment, and maintain the inflation at the lower level especially on particular aspects. However, it still has the unbalance of trade that means the import of goods is greater than the export. As a result, it may reduce the national income. The Government should keep the figure above the negative level although as we discussed the Balance of Trade which was the constraint more than the objective of the Government.

<http://society.guardian.co.uk/commongood/comment/0,8146,459537,00.htm> | How Thatcher stumbled on her Big Idea

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