Macroeconomic aims of a government assignment

The government and policymakers of a country intervenes in the economy in order to achieve economic growth, price stability, and low rate of unemployment. First and foremost, economic growth can be defined as an Increase In the country output over a period of time. This means there is an increment In her productive capacity hence a rise in national Income. A high economic growth Is desirable as It represents an improvement in the material standard of living of the society.

A rising real Income per head brings about more and better quality goods and services, Welch are available for consumptions of Individuals. However, an Improvement In the case of consumer welfare due to economic growth Is highly doubtful If the growth Is accompanied by undesirable side effects such as negative externalities, leisure time forgone or even a dilution In the society's tradition & custom. Through redistribution of Income, economic growth can eliminate poverty.

A higher output allows households to enjoy more goods and services thus generating higher income and through the multiplier effect increases national income by folds. Besides hat, the government's tax revenue will rise too, leading to more benefits for the poor such as education and training. This may even help curb the problem of poverty. The authority also highly regards sustaining a stable price level as a primary objective of economic policy.

This is because inflation, defined as a sustained and inordinate increase in the general price level, could have harmful effects both socially and economically. A rising price level creates uncertainties and complicates

decision- making, thus may hamper economic growth. Fluctuations in the level of prices makes information conveyed by prices harder to interpret. Consumer, firms, and the government may face a tough time in allocating funds or resources for the future in an inflationary environment.

Furthermore, as the society strives to maintain its real value of income by keeping up with rising price level and competing with other social classes, the country's social fabric could be severely strained. The mere existence of inflation means that the real value of money is falling. Thus, it will be necessary for the government to intervene in the economy in order to prevent hyperinflation from happening. The countries that experienced the most extreme examples of trotting Inflation are Argentine, Brazil and Russia. The slow growth brought about eventually crippled virtually the entire economic system.

Every government places a low rate of unemployment at the top of Its priority. The percentage of total labor force unemployed makes up the rate of unemployment. Economic costs of unemployment can be devastating, as It could mean a lower Gross Domestic Product (GAP) to loss of potential Income to factors of production, whilst social costs such as Increased poverty, personal hardships to Individuals, decay of unused skills, raise in crime rates and family disputes prove the worthiness of the goal of achieving high employment. Arrest (FORCE) is vital, as fluctuations of the exchange rate create adverse effects to the economy. There are mainly two cases which are prevalent in most economies. Firstly, an appreciation of the exchange rate may cause exports to become relatively dearer, and lead to loss of competitiveness (comparative advantage) to a country. Secondly, a

depreciation of the exchange rate brings about serious domestic inflation, encourages exodus of capital and thus puts the country under stress of lack of Investment and unemployment.

On the external aspect, the government aims to achieve equilibrium in the balance of payment, especially the current account. A deficit in the current account drains the savings and reserve of a country significantly, leading to a chain effect of higher national debt and burden to future generations. In view of the above objectives, the government is needed to regulate and rectify situations. Therefore, the conclusion can be arrived that government intervention is fundamental to every economies in the world.