



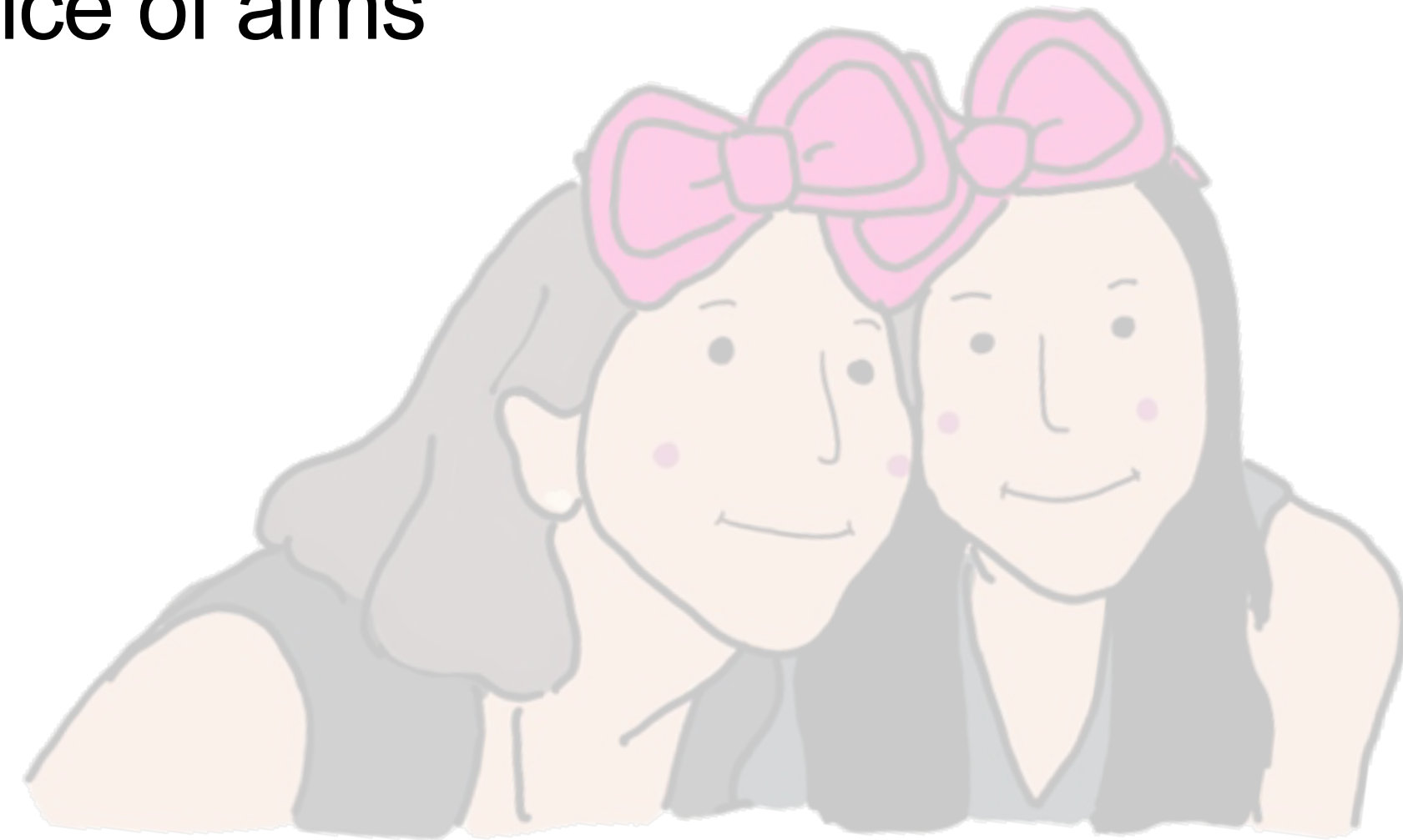
MACROECONOMICS -

The macroeconomic aims

By Kru P'Da and Kru P'Eve Knockout.Economics

Overviews

1. The macroeconomic aims
2. Reasons behind the choice of aims



1. The macroeconomic aims

1. High Economic growth

- ➔ A rise in the national output
- ➔ A rise in productive potential of an economy over time.

2. Low unemployment

- ➔ Full employment : the lowest level of unemployment possible.

3. Price Stability

- ➔ Low inflation : price level is not changing significantly over time.

Macroeconomic aims

5. Redistribution of income

- ➔ Redistribute income from the rich to the poor.

4. Balance of Payment stability

- ➔ Government wants the value of exports equal to imports.

2. Reasons behind the choice of aims

Macroeconomic aims	Reasons why government aim for...
<p style="text-align: center;">High economic growth</p>	<ol style="list-style-type: none"> 1. To improve living standards by increasing outputs 2. To increase employment 3. To increase tax revenue 4. To increase firms' profit
<p style="text-align: center;">Low unemployment</p>	<ol style="list-style-type: none"> 1. To ensure income and employment for people 2. To prevent inefficient use of labour 3. To get tax revenue
<p style="text-align: center;">Price stability</p>	<ol style="list-style-type: none"> 1. To maintain purchasing power and standard of living 2. To ensure economic certainty 3. To ensure export competitiveness
<p style="text-align: center;">Balance of payment stability</p>	<ol style="list-style-type: none"> 1. If $\text{import} > \text{export} \Rightarrow$ money outflow, country may get into debt 2. If $\text{export} > \text{import} \Rightarrow$ products are not enough for inhabitants
<p style="text-align: center;">Redistribution of income of income</p>	<ol style="list-style-type: none"> 1. To reduce poverty 2. To improve poor people's living standards 3. To reduce social unrest from large income gap

Knockout Economics



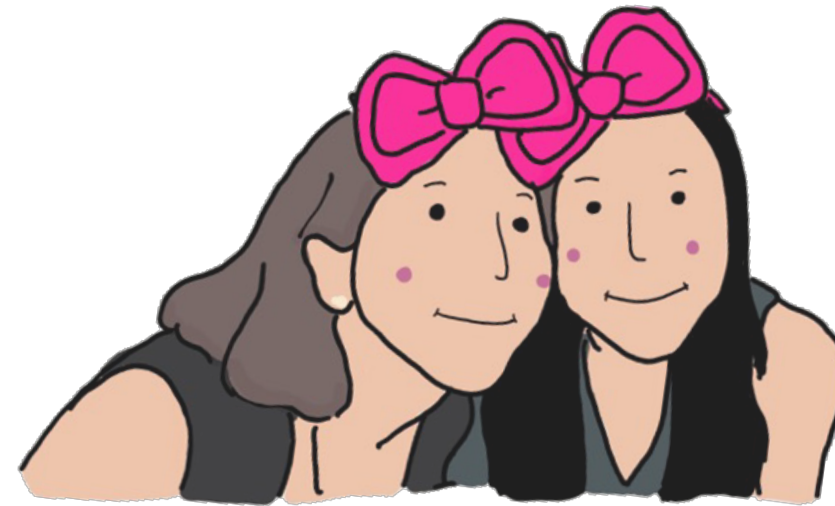
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MACROECONOMICS -

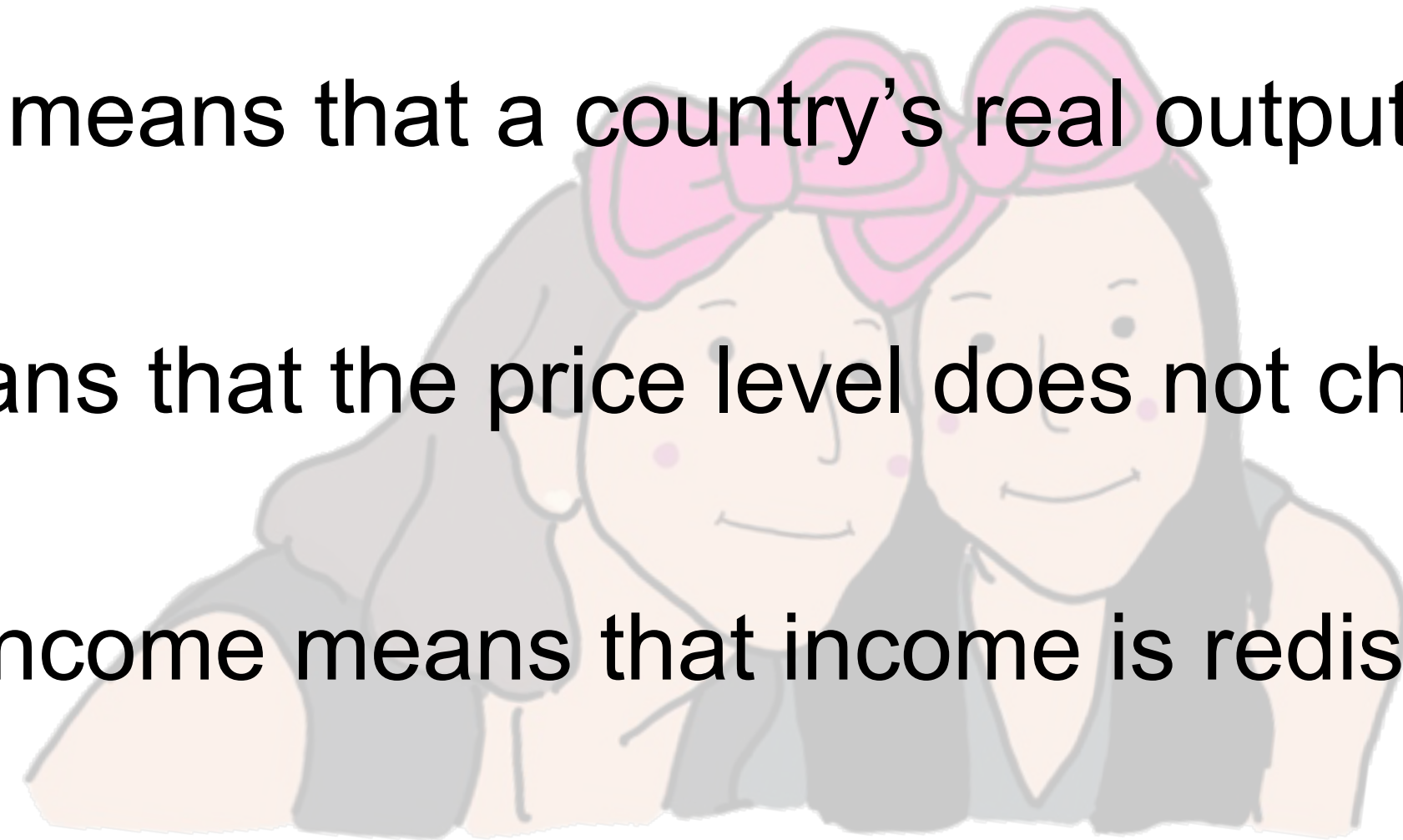
Exercise : The macroeconomic aims

By Kru P'Da and Kru P'Eve Knockout.Economics

Exercise: MCQ

1.) Which statement about the meaning of government economic aims is incorrect?

- A. Economic growth means that a country's real output must rise over time.
- B. Price stability means that the price level does not change significantly over time.
- C. Redistribution of income means that income is redistributed fairly from rich people to poor people.
- D. Full employment means that no one must be unemployed.*



Exercise: Essay

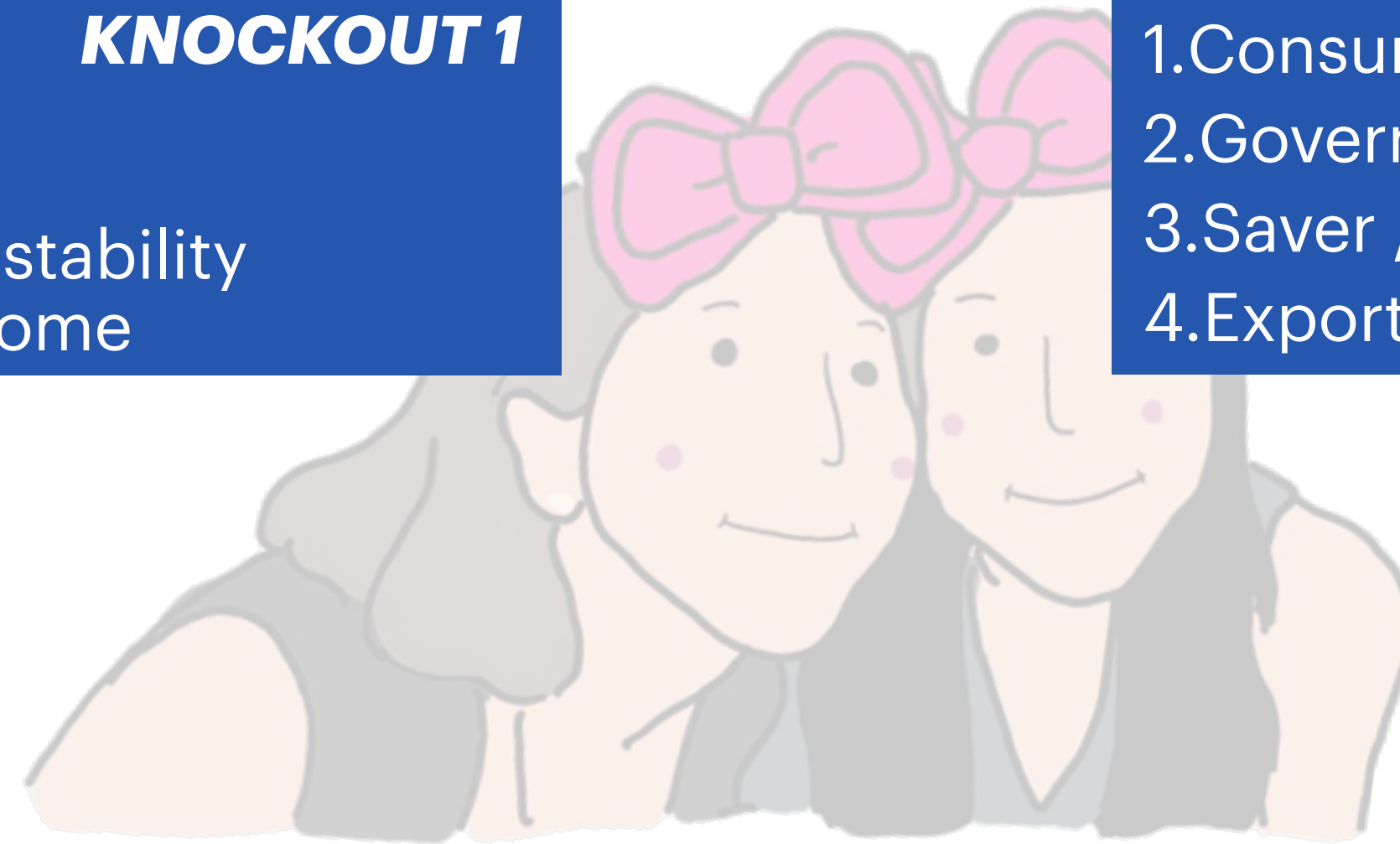
1.) Explain **two** reasons why government aims for high economic growth. [4]

1.Economic growth
2.Low unemployment
3.Price stability
4.Balance of payment stability
5.Redistribution of income

KNOCKOUT 1

1.Consumer, worker // producer, MNCS
2.Government // tax payer
3.Saver // borrower
4.Exporter // Importer

KNOCKOUT 2



Exercise: Essay

1.) Explain **two** reasons why government aims for high economic growth. [4]

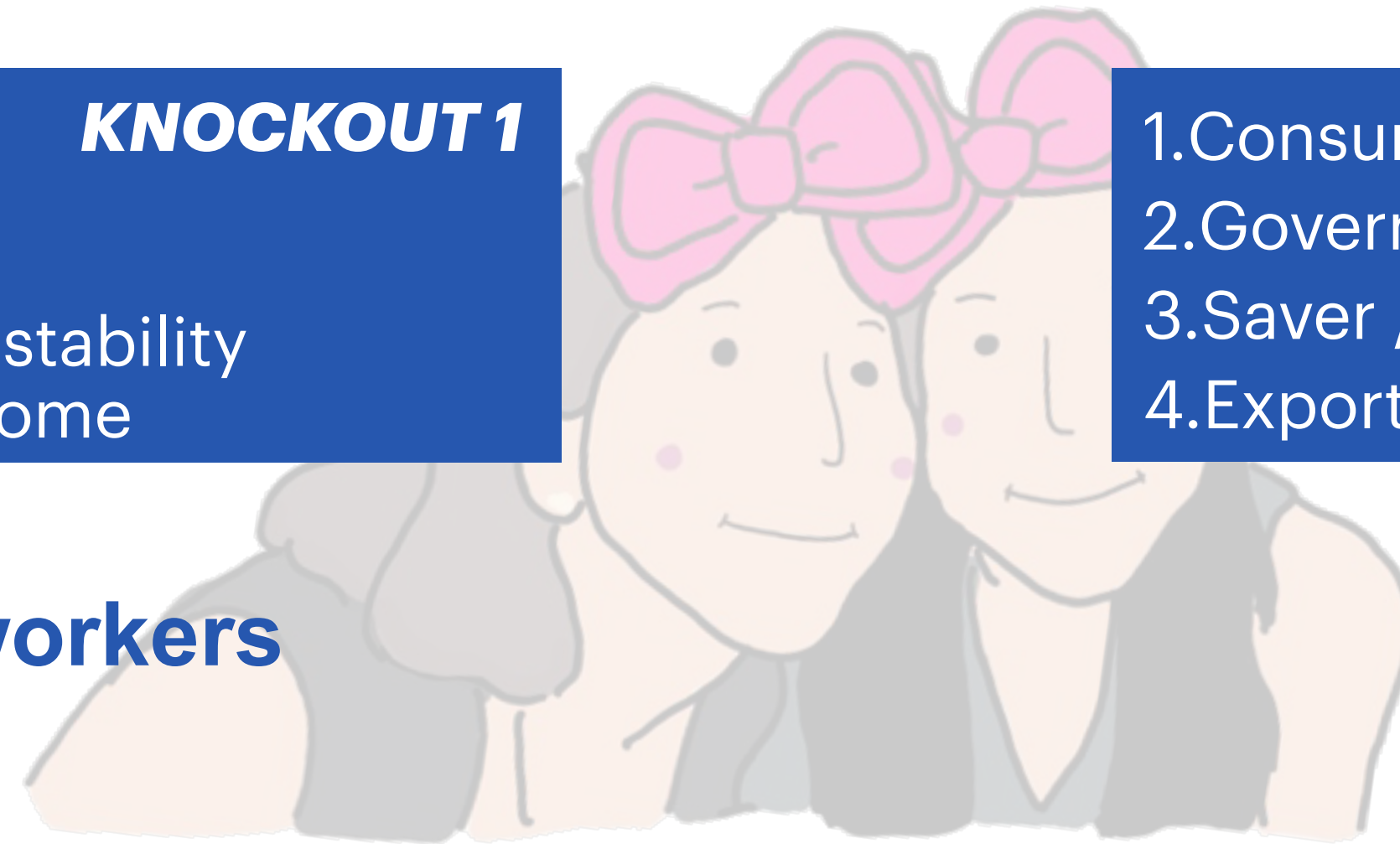
1.Economic growth
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3.Price stability
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KNOCKOUT 1

1.Consumer, worker // producer, MNCS
2.Government // tax payer
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KNOCKOUT 2

- **More jobs created for workers**
- **More goods and services for consumers**
- **More tax revenue to government**



Exercise: Essay

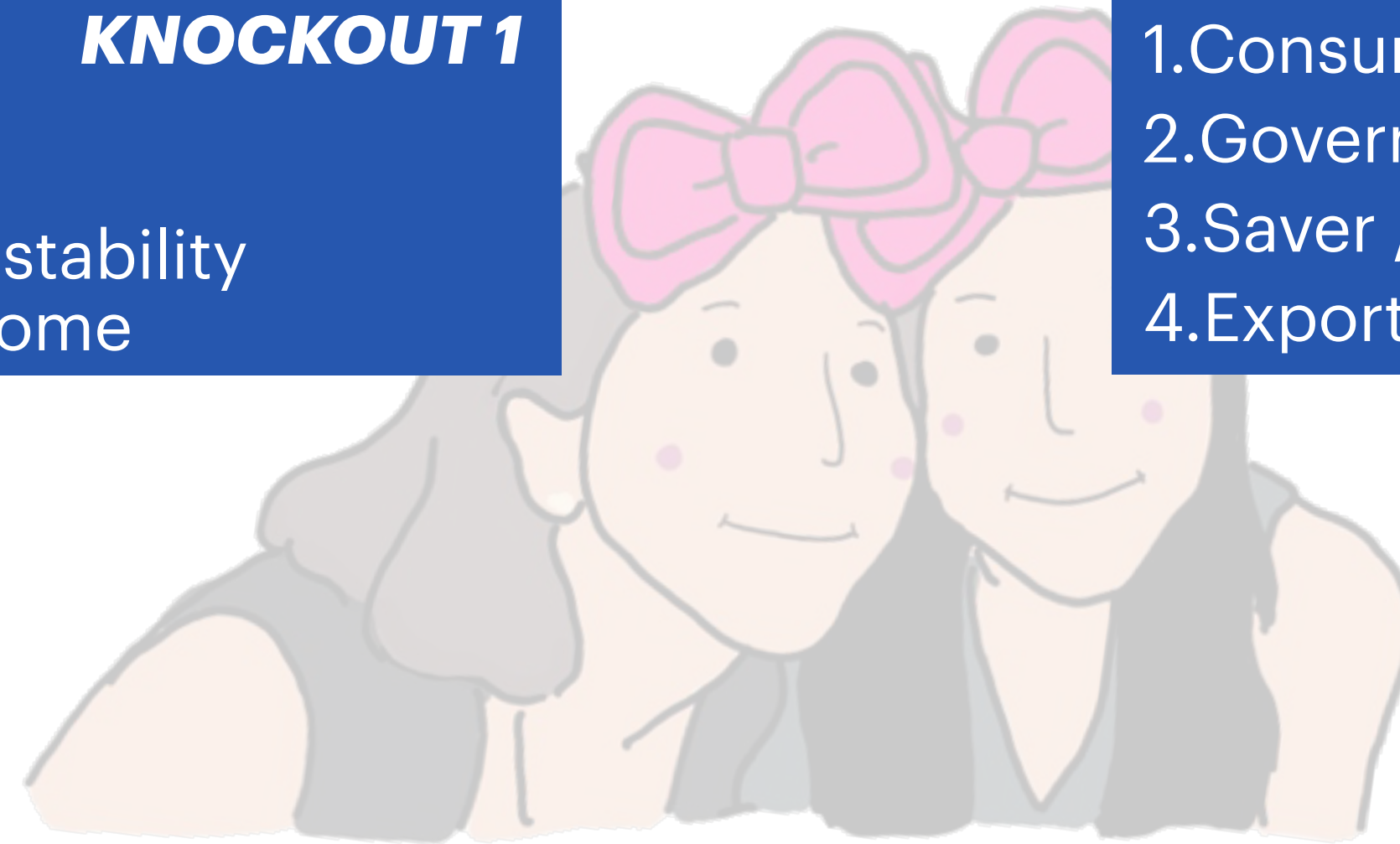
2.) Explain **two** reasons why government aims for low unemployment. [4]

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2. Low unemployment
3. Price stability
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KNOCKOUT 1

1. Consumer, worker // producer, MNCS
2. Government // tax payer
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KNOCKOUT 2



Exercise: Essay

2.) Explain **two** reasons why government aims for low unemployment. [4]

1. Economic growth
2. Low unemployment
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4. Balance of payment stability
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KNOCKOUT 2

- **Higher economic growth**
- **Better standard of living for employed workers**
- **High demand for products and higher profit to firms**
- **More tax revenue to government and lower expenditure on unemployed benefits**

Knockout Economics



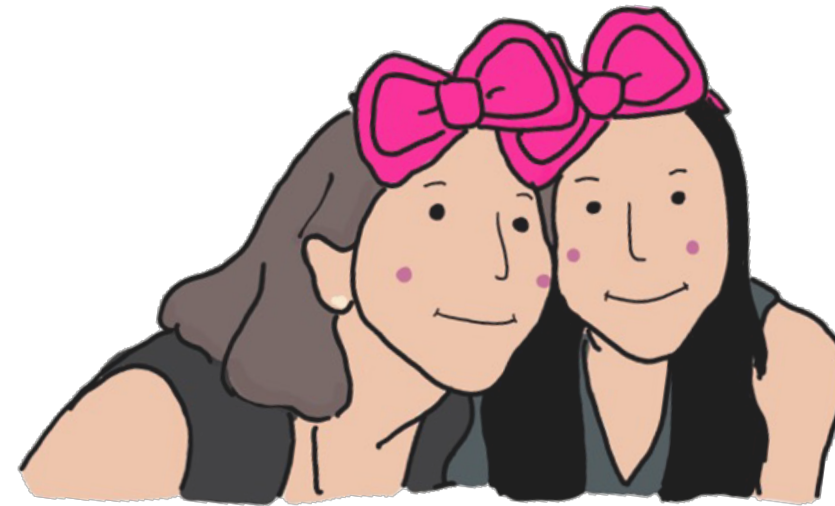
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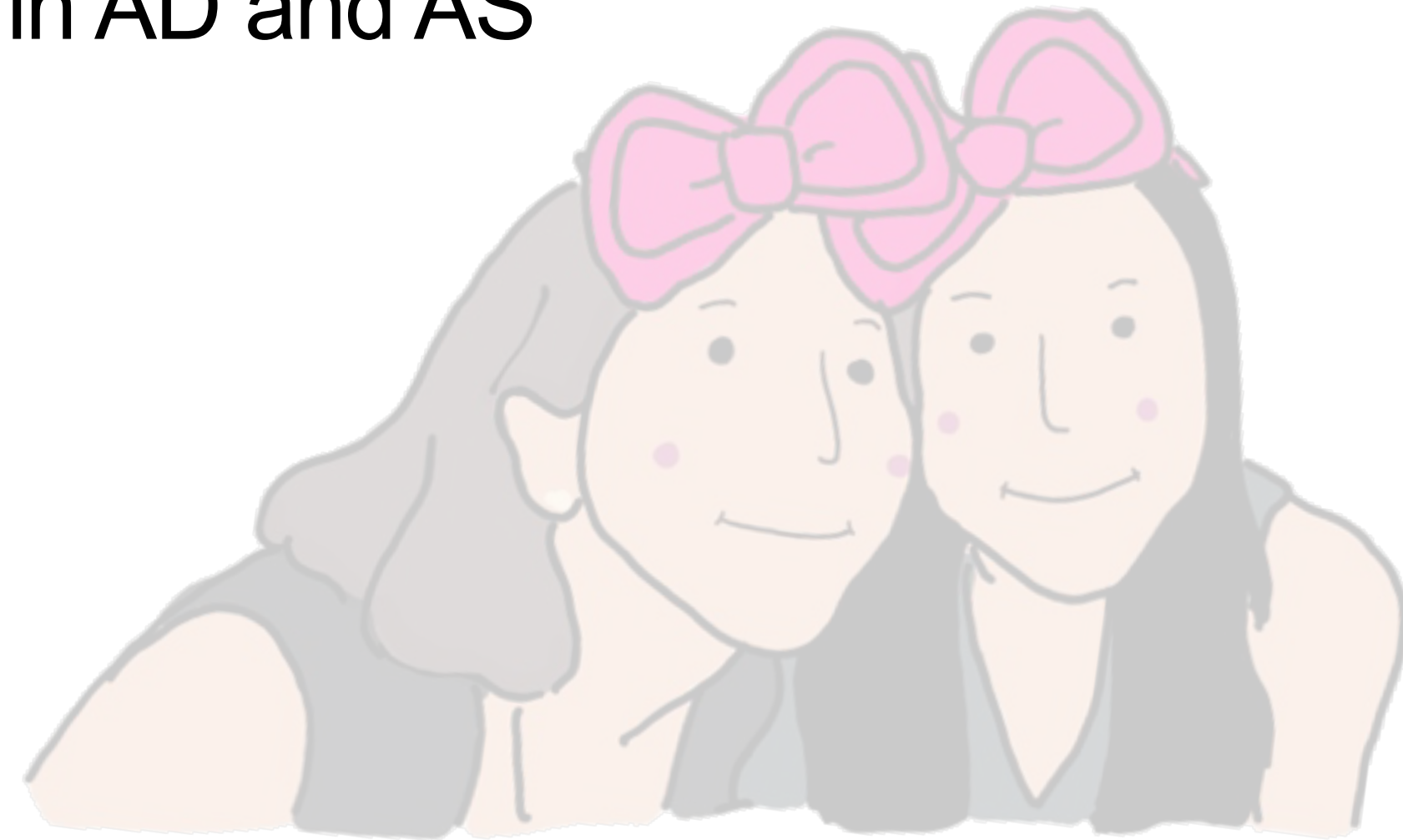
MACROECONOMICS -

Understanding aggregate demand(AD) and aggregate supply(AS)

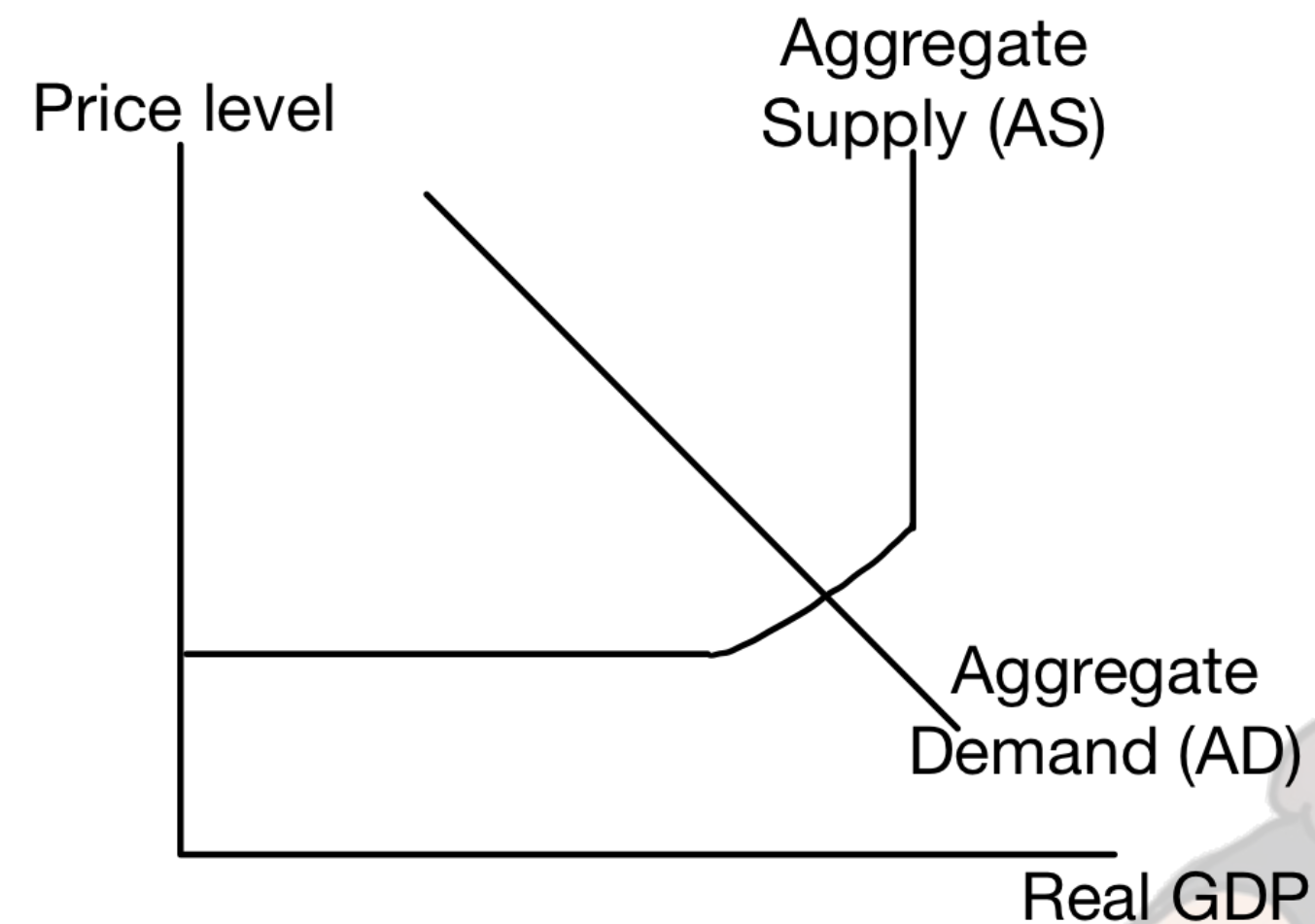
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Overviews

1. Understanding aggregate demand(AD) and aggregate supply(AS)
2. The effects of changing in AD and AS



1. Understanding aggregate demand and aggregate supply



Aggregate demand : the total demand in economy at a given price level

AD = Consumer expenditure + Investment + Government spending + Net export (export-import)

$$\mathbf{AD = C + I + G + NX}$$

Aggregate Supply : the total amount of goods and services that domestic firms are willing to supply at a given price level

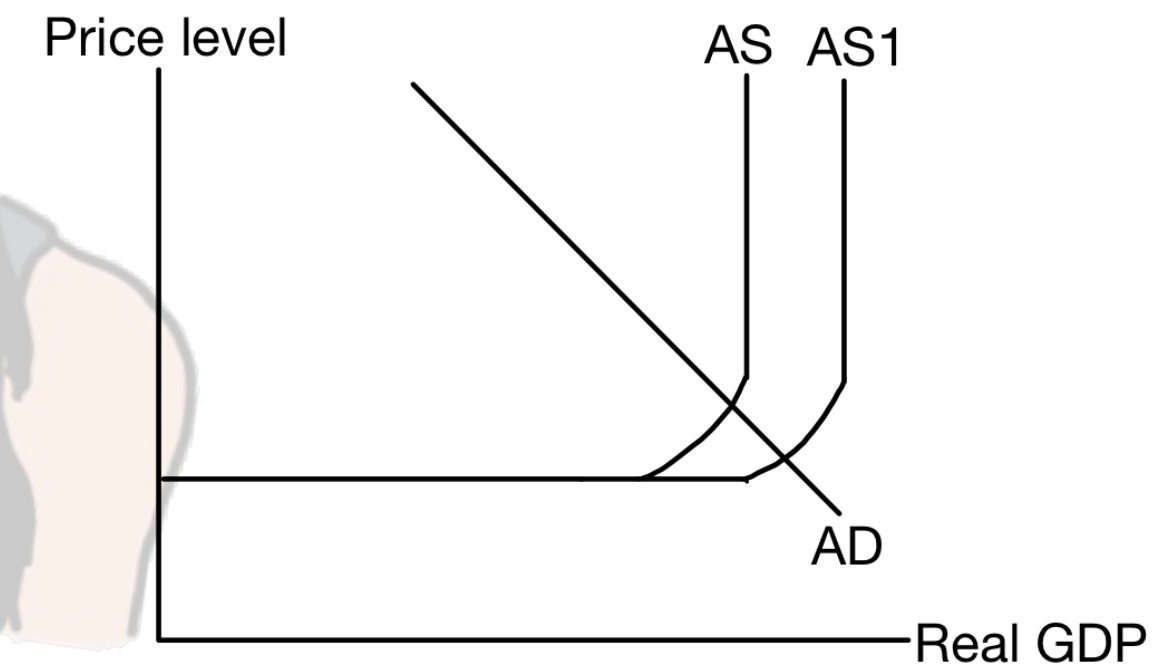
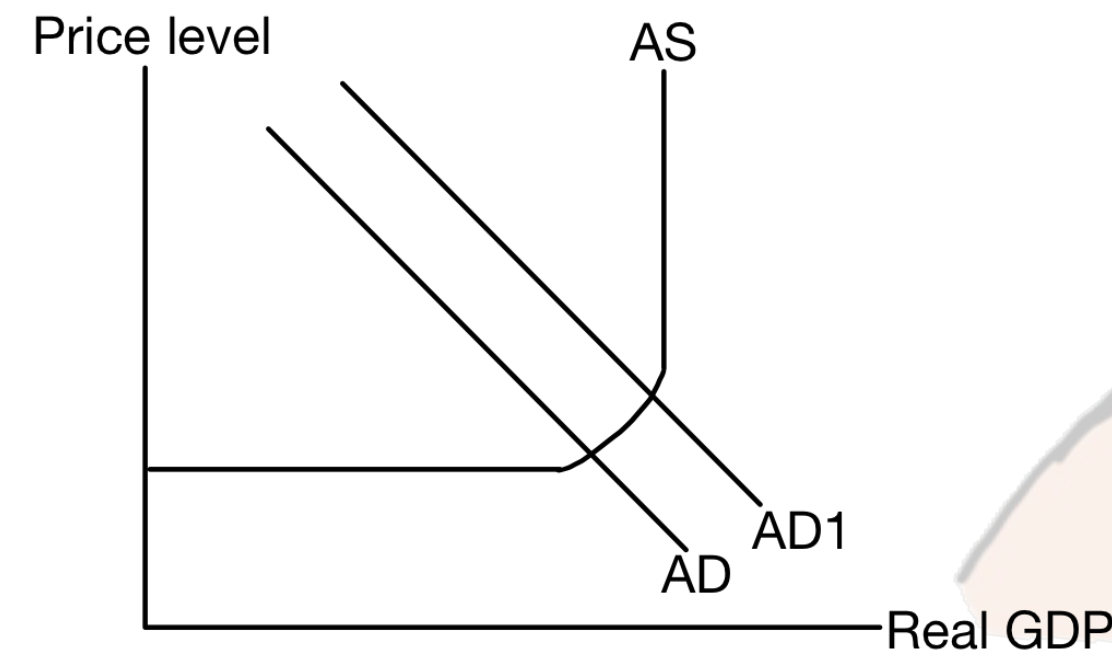
2. The effects of changing in AD-AS

The effects of increasing AD

The effects of increasing AS

Increasing AD caused by higher consumer confidence

Increasing AS caused by technological advance



Effects

- Higher price level
- Higher economic growth
- Higher employment

Effects

- Lower price level
- Higher economic growth
- Higher employment

Knockout Economics



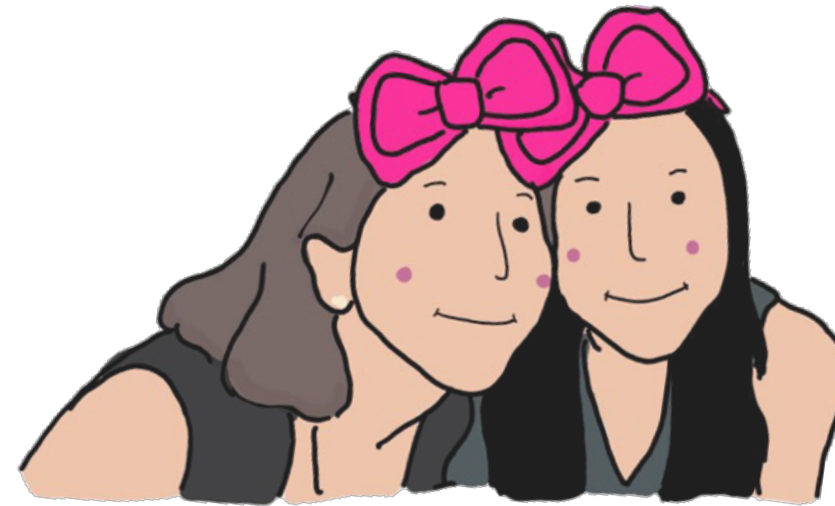
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MACROECONOMICS - **Conflicts between macroeconomic aims**

By Kru P'Da and Kru P'Eve Knockout.Economics

The macroeconomic aims

1. High Economic growth

- ➔ A rise in the national output
- ➔ A rise in productive potential of an economy over time.

2. Low unemployment

- ➔ Full employment : the lowest level of unemployment possible.

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Macroeconomic aims

5. Redistribution of income

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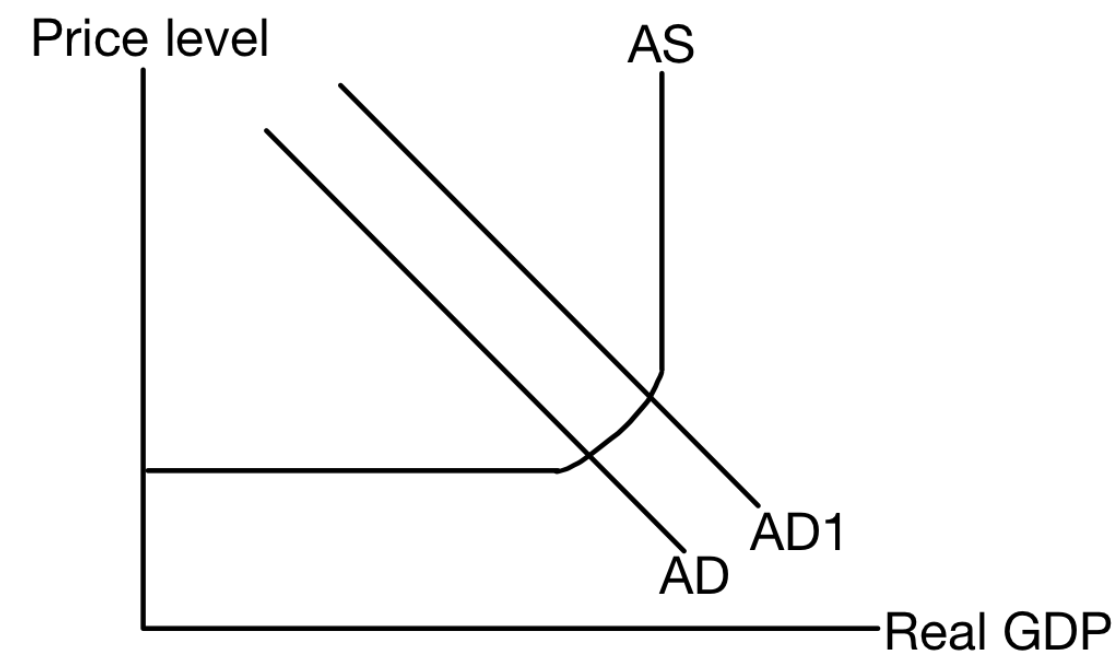
Overviews

1. Conflicts between high economic growth and inflation
2. Conflicts between full employment and inflation
3. Conflicts between economic growth & full employment and balance of payment stability
4. Summary of conflicts between macroeconomic aims



1. Conflicts between high economic growth and Inflation

High economic growth can cause a rise in price of goods and services



High economic growth

People have higher income

Consumption and aggregate demand rises

Higher economic growth leads to higher AD and inflation

2. Conflicts between full employment and inflation

When there is full employment, it can cause inflation.

Full employment

Firms compete for workers,
they have to offer high wage

Cost of production increases and
firms have to increase price of products

Low unemployment may push up wages and prices

3. Conflicts between economic growth & full employment and balance of payment stability

High economic growth and employment may cause BOP deficit

High economic growth
and full employment

People have high income

Spending on goods and services rises
including imports

Higher economic growth and employment may increase imports
and BOP will be worsen

4. Summary of conflicts between macroeconomic aims

Conflicts between macroeconomic aims		
High economic growth	VS	Price stability
	VS	Balance of payment stability
	VS	Pollution and resource waste
Full employment	VS	Price stability
	VS	Balance of payment stability

Knockout Economics



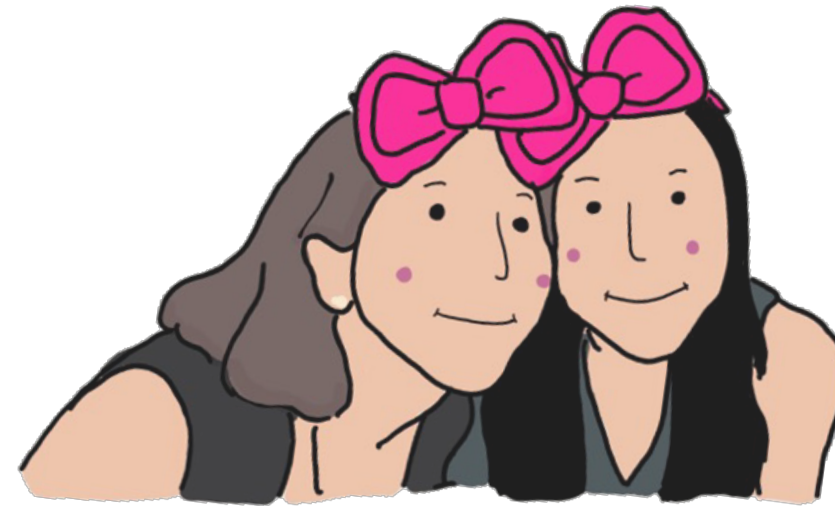
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MACROECONOMICS -

Exercise: Conflicts between macroeconomic aims

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Exercise: MCQ

1. A government would like to achieve full employment. How may this conflict with other macroeconomic aims?

- A. It may decrease the consumption of imported goods.
- B. It may increase incomes for poor people.
- C. It may increase the domestic production.
- D. It may increase price level*



Exercise: MCQ

2. Which case can cause the conflict from achieving the both aims?

	The first aim	The second aim
A	Reducing income inequality	Balance of payment stability
B	Price stability	Balance of payment stability
C	High economic growth	Low unemployment
D*	Low unemployment	Price stability

Exercise: Essay

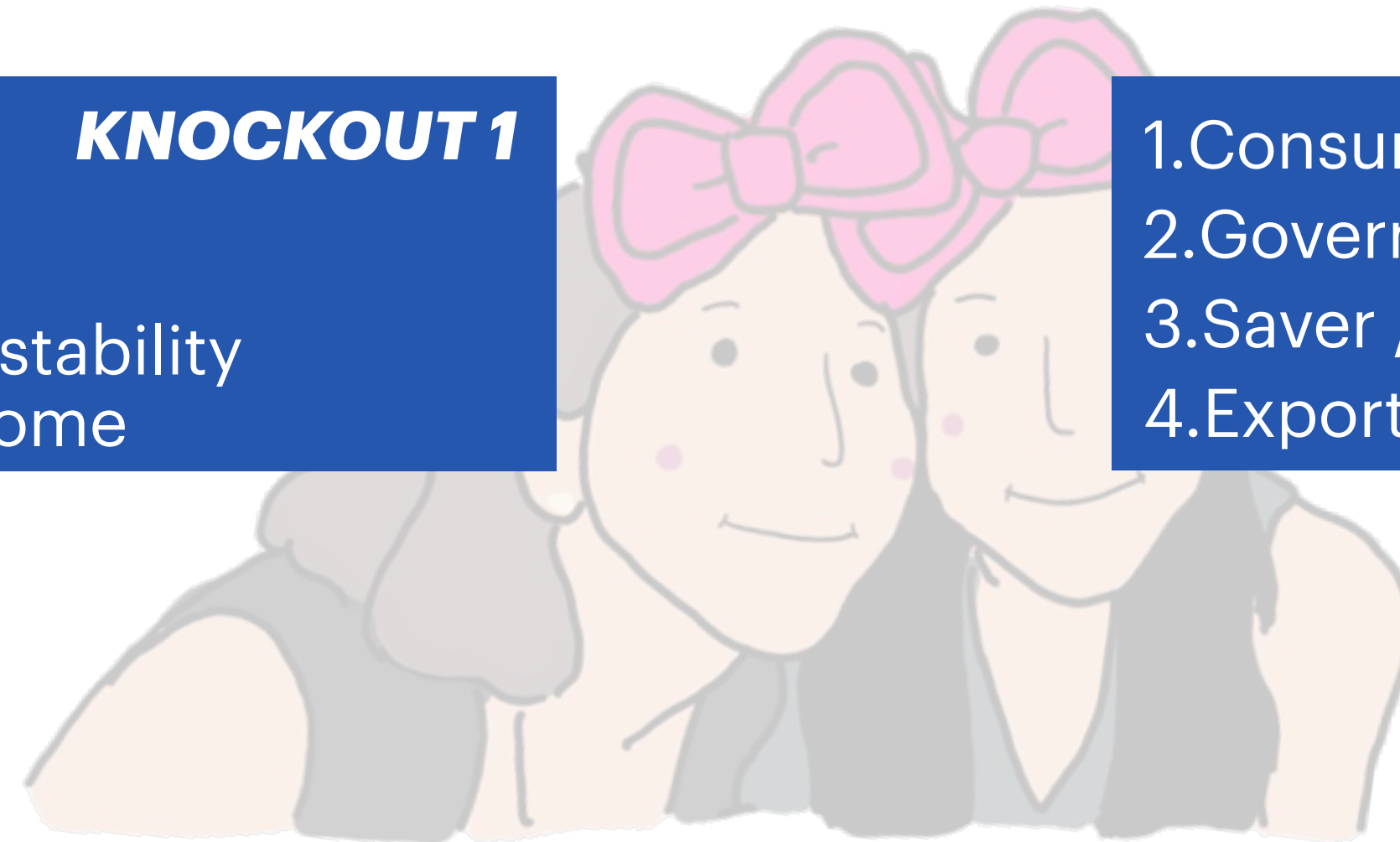
1.) Discuss whether a government should achieve high economic growth and how may this conflicts with other government aims?

1.Economic growth
2.Low unemployment
3.Price stability
4.Balance of payment stability
5.Redistribution of income

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1.Consumer, worker // producer, MNCS
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KNOCKOUT 2



Exercise: Essay

1.) Discuss whether a government should achieve high economic growth and how may this conflicts with other government aims?

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KNOCKOUT 2

Should should achieve high economic growth...

1. Creating employment
2. Consumers' living standards improved
3. Government tax revenue

Should not achieve high economic growth...

1. Balance of payment instability
2. High inflation
3. High pollution

Knockout Economics



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