

## 2.1 – Government and the economy

| Subject content                | What students need to learn:  |
|--------------------------------|---|
| 2.1.1 Macroeconomic objectives | <p>a) Economic growth:</p> <ul style="list-style-type: none"> <li>• definition of economic growth</li> <li>• measurement using increases in gross domestic product (GDP)</li> <li>• limitations of GDP as a measure of growth</li> <li>• the use of diagrams to show the economic cycle: annotating boom, downturn, recession and recovery</li> <li>• the effect of each stage of the economic cycle on economic growth, inflation and unemployment</li> <li>• the impact of economic growth on: <ul style="list-style-type: none"> <li>◦ employment</li> <li>◦ standards of living</li> <li>◦ poverty</li> <li>◦ productive potential</li> <li>◦ inflation</li> <li>◦ the environment.</li> </ul> </li> </ul> <p>b) Low and stable inflation:</p> <ul style="list-style-type: none"> <li>• definition of inflation</li> <li>• definition of deflation</li> <li>• measurement using consumer price index (CPI)</li> <li>• types of inflation: <ul style="list-style-type: none"> <li>◦ demand pull</li> <li>◦ cost push.</li> </ul> </li> <li>• relationship between inflation and interest rates</li> <li>• impact of inflation on: <ul style="list-style-type: none"> <li>◦ prices</li> <li>◦ wages</li> <li>◦ exports</li> <li>◦ unemployment</li> <li>◦ menu costs</li> <li>◦ shoe leather costs</li> <li>◦ uncertainty</li> <li>◦ business and consumer confidence</li> <li>◦ investment.</li> </ul> </li> </ul> |