



6.1 Economic Issues

What are the key economic objectives?

1. Price stability/Low inflation
2. Employment
3. Economic Growth
4. Balance of Payment

What are the stages of a business cycle?

1. Growth
2. Boom/Peak
3. Recession
4. Slump
5. Recovery

What are the government policy instruments?

1. Public expenditure
2. Taxes
3. Interest rates

How does a change in government spending affect business activity?

Increase expenditure => increase demand => increase production => increase employment => economic growth

How does a change in taxes effect business activity?

1. Increase taxes => reduce demand => reduce inflation
2. Increase taxes => increase government revenue => increase public/merit goods => reduce inequality
3. Reduce taxes => increase demand => increase production => increase employment => economic growth

How does a change in interest rate effect business activity?

1. Increase interest rates => reduce borrowing/investment => increase savings => reduce demand => reduce inflation
2. Reduce interest rates => increase borrowing/investment => reduce savings => increase demand => economic growth

Download mind map [HERE](#)

Practice past year exam questions by topic [HERE](#)

Schedule a tutorial [HERE](#)

Download more notes

[Unit 1 – Understanding Business Activity](#)

[Unit 2 – People in Business](#)

[Unit 3 – Marketing](#)

[Unit 4 – Operations Management](#)

[Unit 5 – Financial Information and Decisions](#)

[Unit 6 – External Influences on Business Activity](#)