

Economic Objectives

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The economic Objectives of the Australian Government

- The Australian government holds 5 economic objectives in the economy with three of them holding targets
 - Equitable Redistribution of Income (**R**)
 - Efficient Allocation of Resources (**A**)
 - Stabilisation Objectives (**S**)
 - Price Stability (2%-3%)
 - Sustained non-inflationary economic growth (3%)
 - Full employment (4.5%)

The objectives of the RBA

- Price Stability
- Full employment
- Economic Prosperity

The relationship between policy objectives

Compatible	Conflicting
Equitable distribution of income=Full employment	Economic growth≠Structural Unemployment
Economic Growth= Full employment	Economic growth≠Equitable distribution of income
Economic Growth= Price Stability	Economic growth≠Price Stability

- Price stability is necessary to achieve economic growth however rapid economic growth will put upwards pressure on the general price level

Time Lags

- Recognition lag
 - The time it takes for an issue in the economy to be recognised
- Decision lag
 - The time it takes for a decision to be made
 - Monetary policy has a fast decision lag
 - Fiscal policy has a slow decision lag
- Impact lag
 - The time it takes for a policy to impact on the economy
 - Fiscal policy has no impact lag
 - Monetary policy has a 12-18 month impact lag