



1: Economic objectives

These will include the following:

- Maintain a stable and sustainable level of economic growth (not to be confused with sustainable development)
- Maintain inflation at an acceptable level (currently the target is 2.0%)
- Work to achieve full employment, defined as "employment opportunity for all" (HM Treasury, March 2000)
- Monitor the level of the balance of payments

2: Non-economic objectives

There will also be a number of non-economic objectives which government might pursue which could include any of the following:

- Eradication of child poverty
- Improving the welfare of pensioners
- Increasing the minimum wage
- Reducing the level of poverty
- Improving educational provision
- Improving health provision and care
- Improving the standards of social care
- Enhancing equity
- Improving productivity

The above examples are certainly not exclusive objectives and it could be argued that the difference between 'economic' and 'non-economic' is a little blurred; after all, reducing the level of poverty involves some key economic decisions!

Whatever the objectives set by government, there are always bound to be conflicts that will arise in achieving them. To achieve such objectives, policies will have to be put in place to change people's behaviour, as well as ensuring the creation of the necessary infrastructure - both physical and administrative. This will require resources to be directed towards that objective.

In doing all these things, there will be consequences elsewhere for the economy. This Activity is aimed at encouraging you to think through some of these conflicts and how government can best balance its priorities - because ultimately that is what it is all about. No government can achieve every objective, so it has to find a balance between what is acceptable in each case.

For example, in economic objectives, raising economic growth may be desirable to improve the welfare of all citizens but in doing so, there is a risk of triggering inflationary pressures. Governments have to find a way of creating the conditions that will encourage a level of economic growth that helps boost the welfare of the majority but which will not be so high that inflationary pressures become too serious.

In such cases, it is all about fine-tuning the economy to create the right conditions for it to flourish and to achieve its stated objectives.

The Activity



Diverting resources to health care not only benefits those who are ill but may also have significant long-term benefits on macroeconomic policy objectives as well - there will be a number of positive externalities that may arise, but at what cost?



Education lays the foundations for the improvement in the quality of human capital in a country and also helps to improve the long-term welfare prospects of individuals. Should it take priority over other spending plans?



Pensioners may be classed as not economically active - are they a drain on the nation's resources or do they have a valuable contribution to make?

Task

The government has £35 billion set aside to devote to spending on different policy objectives. It is seeking advice on how to allocate these resources between different uses and is looking for evidence for how these resources will represent value for money - measured in this case by giving the greatest benefit to the most people in society.

You will work in two sections. Section 1 will consist of three groups each working on a different policy objective; section 2 will represent a panel of Treasury ministers who will be charged with making the final decision on the apportionment of the funds.

The Presenters

You have been asked to present a short speech to a panel of ministers from the Treasury promoting the case for a particular spending plan and objective. Your speech should cover the following areas but you can consider other aspects you think important:

1. The objective of the plan
2. What behaviour/infrastructure/resources will be needed to achieve the objective
3. What external effects this is likely to have on other areas of economic and non-economic policy objectives
4. Why this plan should be a priority for the government

The three spending plans relate to:

- Health
- Education
- Pensioners

The Panel

Your task is to make some judgments on the relative spending plans put forward by the three groups. Building this knowledge will enable you to be able to assess the quality of the presentations more effectively. You will be expected to ask questions of those who are presenting to seek further information to help in making your decision.