Conflicts in Government Policy Objectives
Policy Objectives

- **Economic Objectives:**
  - Unemployment/Employment
  - Inflation
  - Economic Growth
  - Balance of Payments
Policy Objectives

- **Non-economic Objectives:**
  - Poverty
  - Health
  - Education
  - Pensions
  - Equity
  - Crime
  - Social care
  - Welfare
  - Productivity
  - Efficiency
Conflicts in Government Policy Objectives

- International Aid vs Domestic Priorities
- Growth vs Sustainability
- Domestic Government vs EU
- Regulation vs Market Freedom
- Welfare Benefits vs Incentives
- Public Services vs Tax Cuts
- Inflation vs Growth
- Aid vs Trade
- Trade vs Protection
- Employment vs Inflation
- Interest Rates vs Growth
- Interest Rates vs Exchange Rates
Conflicts in Government Policy Objectives

• Government now accounts for nearly 40% of all economic activity
• Governments have a wide range of economic and non-economic policy objectives
• Many of these will involve conflicts – cannot have everything!
• Necessity of finding acceptable balances
Conflicts in Government Policy Objectives

• **Inflation v Growth:**
  – Economic growth may be desirable to help improve the wealth and welfare of the population at large

• **But:**
  – Too much economic growth may lead to inflation
Conflicts in Government Policy Objectives

- **Aid versus Trade:**
  - Should the government push for policies to improve trade with less developed countries or provide more aid?

- **But:**
  - Aid may lead to the country becoming too reliant
  - Trade may need international cooperation
Conflicts in Government Policy Objectives

• **Employment versus Inflation:**
  – Policies to boost employment may be seen as desirable

• **But:**
  – Could trigger economic growth that is too fast – leads to inflation?
Conflicts in Government Policy Objectives

• **Trade versus Protection:**
  – Boosting trade may help UK exporters but also implies access for imports

• **But:**
  – Domestic industries may be pushing for some form of protection from cheap overseas imports
Conflicts in Government Policy Objectives

• **Interest Rates versus Growth:**
  – Government might want to stimulate economic growth by seeing a reduction in interest rates

• **But:**
  – Lowering interest rates may trigger inflationary pressures
Conflicts in Government Policy Objectives

• **Interest Rates versus Exchange Rate:**
  – Increasing interest rates may be necessary to cool off the economy

• **But:**
  – Raising interest rates tends to lead to an appreciation of the exchange rate which affects exporters, particularly manufacturing
Conflicts in Government Policy Objectives

• **International Aid versus Domestic Priorities:**
  – There may be an imperative to increase aid abroad to combat poverty, starvation, etc.

• **But:**
  – There are plenty of domestic pressures – homelessness, poverty, etc.
Conflicts in Government Policy Objectives

• Economic Growth versus Sustainability:
  – Economic growth may be desirable to help improve the wealth and welfare of all

• But:
  – Economic growth has effects on the environment and on social issues – stress, divorce rates, etc.

Encouraging the development of wind farms may benefit the environment but people who live nearby may feel the farms are an eyesore.

Title: Wind Farm. Copyright: Getty Images, available from Education Image Gallery
Conflicts in Government Policy Objectives

• **Domestic Government versus the EU:**
  – Governments may wish to integrate the economy with the EU and take advantage of the single market

• **But:**
  – This may take important policy making powers away from the UK

The expansion of the European Union and the new constitution may offer opportunities to businesses but at what cost to the legislative powers of domestic governments?

Title: Ten nations join European Union.
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Conflicts in Government Policy Objectives

• **Regulation versus Market forces:**
  – Governments might see a need to regulate business and the economy to achieve various social, economic and political objectives

• **But:**
  – Greater regulation restricts the functioning of the market possibly leading to the inefficient allocation of resources
Conflicts in Government Policy Objectives

- **Welfare Benefits versus Incentives:**
  - There is a need to provide welfare support for those who cannot, through no fault of their own, help themselves.

- **But:**
  - The welfare ‘safety net’ can lead to people relying on it and not having the incentives to help themselves.

No one doubts that there are social problems that need to be dealt with but will this lead to an over reliance on the state and can the state afford such a system?

Title: Down and Out. Copyright: Getty Images, available from Education Image Gallery
Conflicts in Government Policy Objectives

• **Public Sector Spending versus Tax Cuts:**
  – There may be a demand for improved public sector services – health education, etc.

• **But:**
  – Governments might also want to pursue tax cuts – not only politically popular but also helps stimulate the economy and gives people more freedom of choice
Conflicts in Government Policy Objectives

• **Solutions:**
  
  • Finding a balance between the conflicting objectives (not easy)
  
  • Establishing priorities and justifying them - accepting the criticism of these priorities