GOVERNMENT POLICY (3.11)

Government Policy

Definition
This is a document that sets out proposed actions and principles for businesses to follow. Some are required by laws (Anti bullying) and some by choice

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Government Economic Policy

Definition
This is how the Government tries to influence the Economy

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Consumer Price Index

The Government creates policy that have an impact of the
1. Full employment
2. Low inflation
3. Increased economic Growth
4. Social and income equality

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Types of Government Policy

The four main types of government policy that we looked at are
1. Fiscal Policy
2. Monetary Policy
3. Industrial Policy
4. Direct Intervention Policy

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Fiscal Policy
Definition

1. This is how the Government set the spending of a country and the taxation.
2. It deals with the distribution of wealth. It is usually set out during the budget.

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Monetary Policy
Definition
1. This is used to control the money that is available in an economy. It is used to set interest rate and control inflation
2. The interest rate in Ireland are set by the European Central Bank.
3. They control the money in the Euro Zone,

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Industrial Policy
Definition
1. This policy is the government developing the industries in the Primary, Secondary and Tertiary Sector.
2. Under this policy they try to encourage Indigenous industry and Foreign Direct Investment (FDI)

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Direct Intervention Policy

Definition

1. This looks at setting up semi state bodies to provide goods and service that are not provide by the private sector

Example includes Electric Ireland

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How to Evaluate Government Policy

we need to ask the following questions
1. What is the economic issue?
2. What caused the issue?
3. What are the Government doing about it?
4. What policies do other countries have?

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Cost Benefit Analysis

Definition

This looks at all the cost associate with the policy and the benefits the policy. If the benefits are more the policy stays

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The steps involved in the Cost

1. Gather the information
2. Calculate the costs
3. Examine the benefits
4. Balance the cost against the benefits
5. Is the policy equitable – is it fair
6. Is the policy sustainable – can the policy continue long term
7. Make an evaluation

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Who bears the cost of policies

Taxpayers will bear the costs of the policies in a county. For example

1. Local Property Tax (LPT) – Costs on homeowners
2. Universal Social Charge – Cost on employee
3. National Minimum wage – Cost to Business

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1. FDI – People who get job in the country benefit directly while the rest of the county will benefit indirectly from the revenue the Government receive and providing of essential services
2. Cut Tax – employees benefit directly as they have more disposable income and Business benefit indirectly as employees will have more money to spend on goods and services

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Economic Change

1. The economy is changing – Rental marketing getting too expensive
2. Government Changes – a new government might want to bring in their own policies
3. Conflicting Goals - a cut in taxes means people have more money to spend on goods – this might drive up inflation

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Economic growth

Definition

This occurs when there is an increase in the amount of goods and service produced in an economy from one year to the next

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