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# 3.11

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## Using Skills for Business

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### Economic Policy

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#### Learning Outcome Notes

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LO 3.11 - Evaluate the benefits and costs of a government economic policy and assess who enjoys the benefits and who bears the costs.

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## CHAPTER QUESTIONS

By the end of this learnign outcome you should be able to do the following

1. Understand the aims of Government Policy?
2. Describe the different types of Government Policy?
3. Evaluate the costs and benefits of a government policy?

## WHAT IS GOVERNMENT ECONOMIC POLICY

**Policy** <sup>Def</sup> 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.

**Government Economic Policy** <sup>Def</sup> This is how the Government tries to influence the Economy.

The Government tries to create policy that have an impact of the following -

Full employment	Low inflation
Increased economic Growth	Social and income equality.

## IRELAND ECONOMIC POLICIES

### 1. Taxation policies

The Irish government has implemented various tax policies to promote economic growth and attract foreign investment. These policies include a low corporate tax rate of 12.5%, a favourable tax regime for research and development (R&D), and tax incentives for foreign investors.

### 2. Fiscal policy

**Fiscal** <sup>Def</sup> This is how the Government set the spending of a country and the taxation. It deals with the distribution of wealth. It is usually set out during the budget.

The Irish government uses fiscal policy to manage the economy. This includes setting government spending levels and taxation rates to maintain economic stability and promote growth. The government has pursued a policy of fiscal discipline in recent years, with a focus on reducing the budget deficit and stabilizing public finances.

### 3. Industrial policy

**Industrial** <sup>Def</sup> This policy is the government developing the industries in the Primary, Secondary and Tertiary sector

Under this policy they try to encourage Indigenous industry and Foreign Direct Investment (FDI)

The Irish government has implemented various policies to promote industrial development and attract foreign investment. This includes providing financial incentives, improving infrastructure, and offering support services to businesses.

### 4. Trade policy

Ireland is a member of the European Union (EU) and has adopted EU trade policies. The government has also pursued policies. The government has also pursued policies to expand trade and investment relationships with other countries, including the United States and China.

### 5. Monetary policy

**Monetary** <sup>Def</sup> This is used to control the money that is available in an economy. It is used to set interest rate and control inflation.

The interest rate in Ireland is set by the European Central Bank. They control the money in the Euro Zone, so Ireland doesn't really have any control over this.

Ireland is a member of the Eurozone, and the European Central Bank (ECB) sets monetary policy for the country. The ECB aims to maintain price stability and promote economic growth through interest rate policies and other measures.

### 6. Innovation policy

The Irish government has implemented policies to promote innovation and technology development. This includes funding for research and development, support for startups, and initiatives to encourage collaboration between businesses and research institutions.

### 7. Education and training policies

The Irish government invests in education and training programs to develop the skills of the workforce and promote economic growth. This includes funding for universities and vocational training programs, as well as initiatives to promote lifelong learning.

### 8. Social policies

The Irish government has implemented social policies to promote economic equality and social welfare. This includes providing healthcare, housing, and other social services to citizens and implementing policies to reduce poverty and inequality.

### 9. Direct Intervention policy

**Direct Intervention**                      <sup>Def</sup> 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

## EVAULATING GOVERNMENT ECONOMIC POLICY

Government policy has an impact on the economy and also the Household (Increase Tax). To evaluate Government policies, 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?
5. Are there benefits to the policy - what are they?
6. What are the costs associated with the policy?

### Assessing Government Policy

Policies need to be assessed to see if they are doing what they were set out to do, To do this a Cost benefit analysis is done.

**Cost Benefit Analysis**                      <sup>Def</sup> This looks at all the cost associate with the policy and the benefits the policy. If the benefits are more the policy stays

The steps involved in the Cost benefits analysis includes the following -

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

### WHAT ARE THE COSTS AND WHO BEARS THEM?

Every policy will have a financial and opportunity costs. Before the new policy is introduced the Government should look at the impact on the people as well as the cost involved. 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

### WHAT ARE THE BENEFITS AND WHO RECEIVES THEM?

People benefit directly and indirectly with policies implement by the Government -

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.

### ECONOMIC CHANGE

Policies change for various reason. Some of these reasons include the following -

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
4. Same economy - Our economy is affected by what happens in other countries - For Example Brexit

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## Past Exam Questions and Answers

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#### **NOTE - Very Important**

It is very important when answering exams question that you use the following steps -

1. That you know the information for the learning outcome
2. That you understand the information form the learning outcome
3. That you can apply the information form the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the question

**QUESTIONS****2019 - Question 19 - Part C (i)**

New Chapter has decided to diversify and start selling take away coffee which is very much in demand by their customers and would also entice passers-by into the bookstore. They are concerned about a new proposal outlined below which appeared in a newspaper.

'A proposed 'latte levy' could reduce disposable coffee cups by 250,000 a day.' The Government has proposed a new 15 cent levy on disposable coffee cups. The Irish Times, March 2018

Outline two benefits of the proposed 'latte levy'.

1.

2.

<b>SUGGESTED SOLUTIONS</b>
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**2019 - Question 19 - Part C (i)**

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'A proposed 'latte levy' could reduce disposable coffee cups by 250,000 a day.' The Government has proposed a new 15 cent levy on disposable coffee cups. The Irish Times, March 2018

Outline two benefits of the proposed 'latte levy'.

1. **Increased Revenue** - This proposed tax will Increase the tax revenue for the government

This will mean the government will have extra money to spend on essential service such

As infrastructure or redistribute to people who need money in the form of social welfare

protection

2. **Helps the Environment** - The increased of 15c for the cup may encourage consumers to use

re-usable cups. This hopefully will decrease the amount of number of cups being thrown out

And going to land fill.