4.5.4 Macroeconomic policies in a global context

a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, with specific reference to the impact of:
  - *Measures to reduce fiscal deficits and national debts*
  - *Measures to reduce poverty and inequality*
  - *Changes in interest rates and the supply of money*
  - *Measures to increase international competitiveness*

b) Use and impact of macroeconomic policies to respond to external shocks to the global economy

c) Measures to control global companies:
  - *The regulation of transfer pricing*
  - *Limits to government ability to control global companies*

d) Problems facing policy makers when applying policies
  - *Inaccurate information*
  - *Risks and uncertainties*
  - *Inability to control external shocks*

Measures to reduce fiscal deficits and national debts	1. Cuts to government spending 2. Tax increases 3. Economic- expansionary fiscal and monetary policy 4. Bailout/ default
Measures to reduce poverty and inequality	1. Increase the minimum wage 2. Invest in public services particularly education 3. Increase Job Seekers Allowance 4. Progressive tax system 5. High taxes on luxury goods
Measures to increase international competitiveness	1. Supply-side policies to increase productivity 2. Competition policy 3. Devaluation of the currency 4. Reduce the minimum wage
Measures to respond to external shocks	1. Floating exchange rate 2. Flexible monetary policy 3. Flexible and mobile labour force 4. Diversified economy 5. Strong fiscal position
Measures to control global companies	Regulation of transfer pricing which is used in tax avoidance. Transfers are movements of money within a company which is located in many countries. Companies could say their activities have been in countries with low tax.

- Tax rules are complex and difficult to apply and regulate. It can be expensive to challenge companies.
- Problems facing policy makers:
  - Inaccurate information
  - Risks and uncertainties: consumers react in unexpected ways

- Inability to control external shocks: eg the financial crisis