

ECONOMICS

Discuss the effectiveness of economic policies in achieving the Australian government's economic objectives.

Discuss the Australian government's use of microeconomic policies in achieving price stability, economic growth and external stability in the Australian economy

Microeconomic policies refer to the action undertaken by the Australian government aimed at increasing the productivity, efficiency and international competitiveness of producers, improving resource allocation and expanding the supply capacity through structural change. Referred to as supply side economics, it is central to the government's long term aim of increasing the level of sustainable economic growth as well as reducing the extent to which inflationary pressures and the current account deficit emerge.

The microeconomic policies of National competition policy, Trade and Industry Policy, Deregulation of the financial market and labour market reform have been pivotal to achieving external stability, sustainable economic growth through low unemployment and price stability.

National competition policy

Aimed at improving price stability and external stability. It was enforced by the ACCC to reduce inefficiencies, improve competitive practices, productivity and efficiency in all business and enterprises. But adopting the competitive practices under the 1974 Trade practices Act, the ACCC aimed to target practices, which restricted the competitiveness of firms.

Gary Banks, Chairman of the Australian Govt Productivity Commission said that increasing competitiveness was aimed at "providing strong incentives for firms to innovate combined with a regulatory environment".

Aimed at improving the international competitiveness of export competing firms and thus external stability by maintaining a surplus on the balance of goods and services.

Through innovation, adopting of the leading edge technology and reduced costs of factors of production, firms are increasingly seeking to attain technical efficiency (max level of output for a given quantity of inputs).

Further, it reformed the structure of public monopolies and monopoly pricing to promote a fairer and more competitive market with price surveillance by the ACCC (loss leader).

Reforming inefficient regulation which restricts efficiency and the allocation of resources efficiently.