

Broad Social Goals of Economic Policy

All economic systems strive to achieve broad social goals for the good of the citizens. Each of these social goals, however, require tradeoffs.

All economic systems strive to achieve a set of broad social goals, including economic efficiency, equity, freedom, growth, security, and stability. How these goals are prioritized, and how successful an economy is at attaining these goals, influences the quality of life for its citizens. Recent events such as the breakup of the former Soviet Union; the aging of the population in the United States, Japan, and most nations in Western Europe; remarkable advances in technology; and public policy discussions relating to social security, health care, job training, and international trade have focused attention on the broad social goals, and especially on how different countries and types of economic systems tend to value some goals over others.



American citizens and policymakers must decide how best to achieve these goals, working within the framework of a market economy. Achieving these goals is often difficult to do, because although the goals complement each other in some cases, in many cases there are serious tradeoffs to face. When that happens, policies or programs designed to achieve one goal often interfere with achieving another goal or goals. Resolving these conflicts when people have different opinions about the relative importance of each of these goals, and even different interpretations of what the goals mean, is a perennial challenge in every country, and in every economic system.

The six broad social goals of economic policy are:

EfficiencyOptimal use of scarce resources; preventing waste and ensuring most benefit for least cost.

EquityPeople within society are treated fairly and equally.

FreedomIndividuals' economic freedom of choice is protected and fostered. Power of government and other interest groups is constrained.

GrowthIncreasing the productive capacity of the society.

SecurityProtecting individuals against such economic risks as unemployment, bank failure, poverty, business failure, etc.

StabilityMaintaining an economic environment characterized by little or no inflation and no rapid price fluctuation.