

4.4 Supply-side policy

Name: _____ Class: _____ Date: _____

Total: 16 marks

KEY WORDS supply-side policy 供给侧政策 • privatisation 私有化 • deregulation 放松管制 • incentives 激励
• factors of production 生产要素

Objective

Build the skills to answer exam questions on **supply-side policy** 供给侧政策 — policies that raise what the economy *can* produce (**education and training, privatisation, deregulation, incentives** 教育培训、私有化、放松管制、激励).

You must be able to:

- define supply-side policy
- give examples of supply-side measures
- analyse the strengths and weaknesses of supply-side policy

1 Worked examples

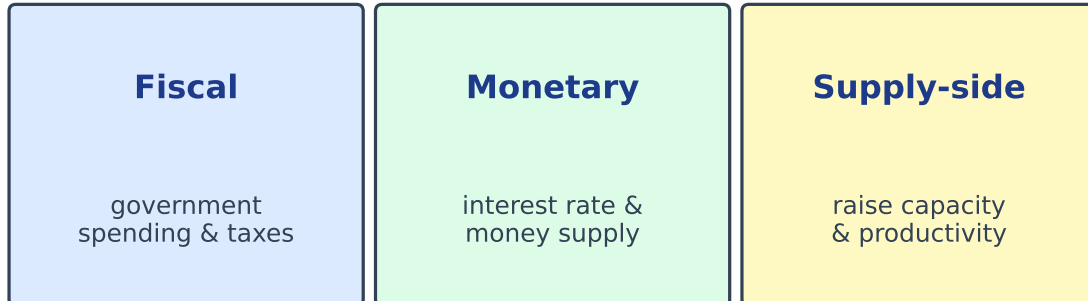
■ Raising productive capacity



Supply-side policy improves the quantity and quality of factors of production

- **Supply-side policy** 供给侧政策: raises the amount the economy *can* produce (improves factors).

- **Measures:** education and training (higher productivity 生产率), privatisation 私有化, deregulation 放松管制, incentives 激励 (lower taxes).
- **Strength:** can raise growth *and* lower inflation. **Weakness:** works slowly.



Exam: fiscal = G & T; monetary = interest rate / money; supply-side = capacity & productivity

Supply-side policy is the third toolkit, alongside fiscal and monetary policy

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *supply-side policy*. [2]

2.2 Identify two supply-side policies. [2]

2.3 State one weakness of supply-side policy. [1]

3 Exam-style questions

3.1 Which is a **supply-side** policy? [1]

- **A** raising interest rates
 - **B** spending on education and training
 - **C** raising income tax
 - **D** cutting government spending
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3.2 Explain how spending on education and training can raise an economy's output. [4]

3.3 Analyse why supply-side policy can raise growth and lower inflation at the same time. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 policy that aims to raise the amount the economy can produce by improving the quantity and quality of the factors of production (2 for a clear definition; 1 for a partial idea).

2.2 any two of: education and training; privatisation; deregulation; lower-tax incentives (1 + 1).

2.3 it works slowly (results take years) (1).

3.1 B. Spending on education and training is a supply-side policy.

3.2 [4] K 1 + An up to 3 — education and training give workers better skills → they become more productive (each makes more) → the economy can produce more goods and services → so its output (and capacity) rises.

3.3 [6] K/App/An — supply-side policy raises the economy's productive capacity (more and better factors) → the economy can make more goods → this raises output and growth, *and* because more is supplied, prices are held down rather than pushed up → so unlike demand-side policy, it can raise growth *and* lower inflation together → its drawback is that it works only slowly.