A-LEVEL ECONOMICS • EXERCISE SHEET

5.4 Supply-side policy

Name: ______________ Class: __________ Date: ____________ **Total: 26 marks**

KEY WORDS supply-side policy 供给侧政策 • privatisation 私有化 • market-based and interventionist 市场化与干预型 • deregulation 放松管制 • training 培训

Objective

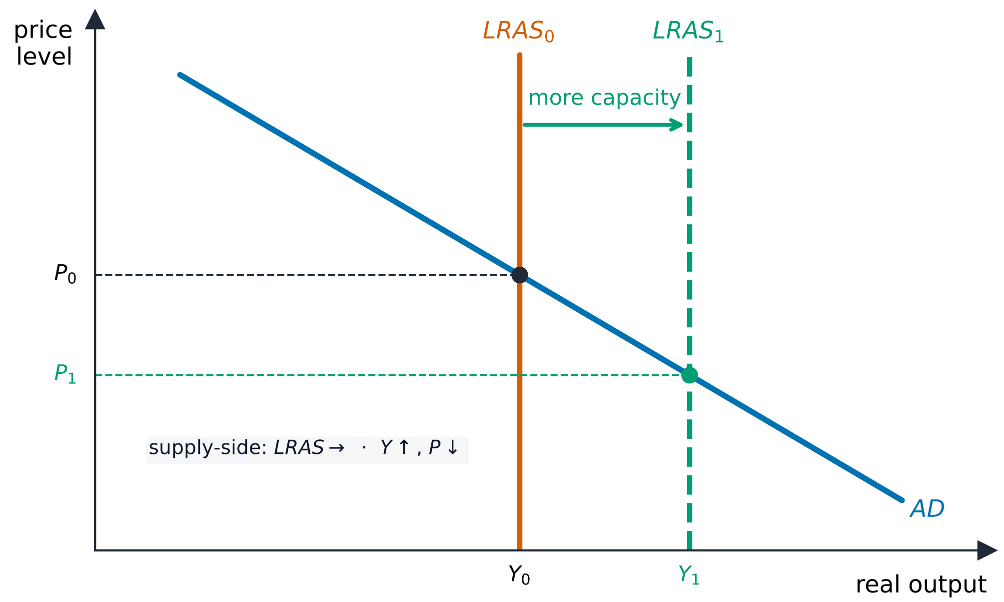
Build the skills to answer exam questions on **supply-side policy 供给侧政策** — **market-based and interventionist 市场化与干预型** measures, their effect on **LRAS 长期总供给**, and their effectiveness.

You must be able to:

- define supply-side policy and give market-based and interventionist examples
- show its effect on LRAS
- analyse its strengths and weaknesses

1 Worked examples

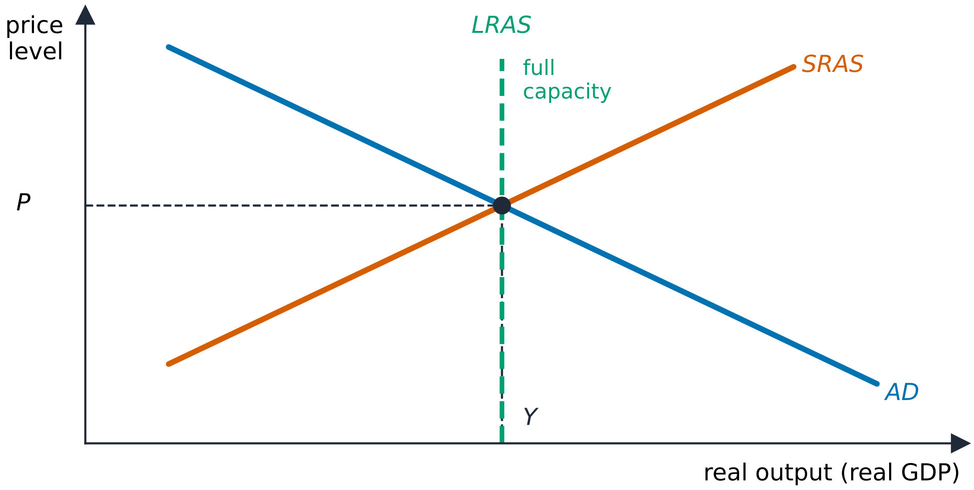
■ Raising productive capacity



Growth ***and*** *lower inflation — no trade-off*

- **Supply-side policy 供给侧政策** raises **productive capacity 生产能力** (shifts LRAS right).

- **Market-based:** cut income tax/benefits (work **incentive** 激励), **privatisation** 私有化, **deregulation** 放松管制.
- **Interventionist:** education/**training** 培训, **infrastructure** 基础设施, support for research.



short-run equilibrium: $AD = SRAS$ · long-run capacity: vertical $LRAS$

On AD–AS: supply-side success raises real output ***and*** *lowers the price level — no inflation trade-off*

Answer shapes: an **Explain [up to 8]** answer may use an LRAS diagram (AO3); **Discuss** [**12**] adds a judgement (AO4).

2 Practice

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

2.2 State one market-based and one interventionist supply-side policy. [2]

2.3 State the effect of a successful supply-side policy on LRAS. [1]

3 Exam-style questions

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

A	B
C	D

A government spending on training
B building new infrastructure
C privatising a state-owned firm
D raising unemployment benefits

3.2 Using a diagram, explain how investment in education and training can raise an economy's productive capacity. [8]

3.3 Discuss whether supply-side policy is the best way to achieve long-term economic growth. [12]