

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

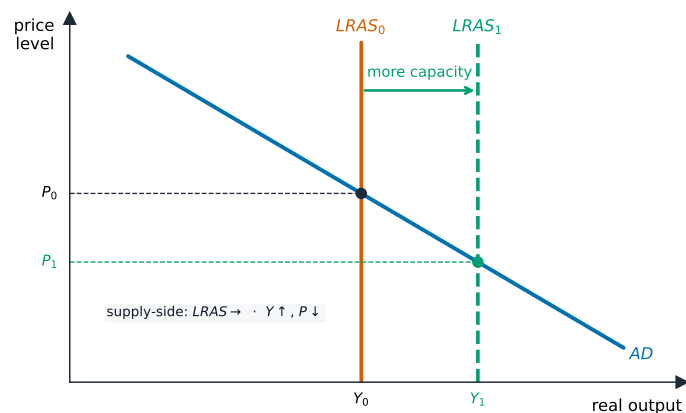
Build the skills to answer exam questions on **supply-side policy** 供给侧政策 — **market-based and interventionist** 市场化与干预型 measures, their effect on **LRAS** 长期总供给, and their effectiveness.

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

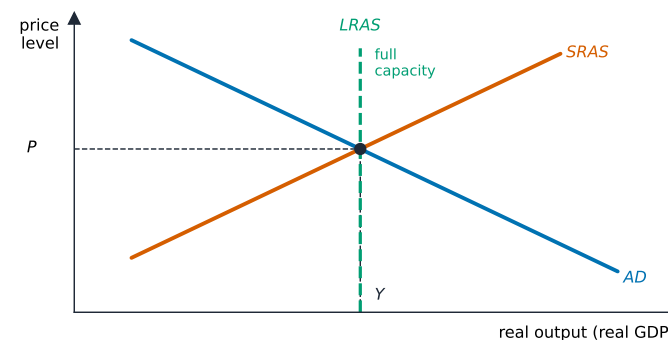
■ Raising productive capacity



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]