

4.4 Supply-side policy

Name: _____ Class: _____ Date: _____

Total: 16 marks

KEY WORDS supply-side policy • privatisation • deregulation
• incentives • factors of production

Objective

Build the skills to answer exam questions on **supply-side policy** – policies that raise what the economy *can* produce (**education and training, privatisation, deregulation, incentives** , , ,).

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 Key knowledge and worked examples

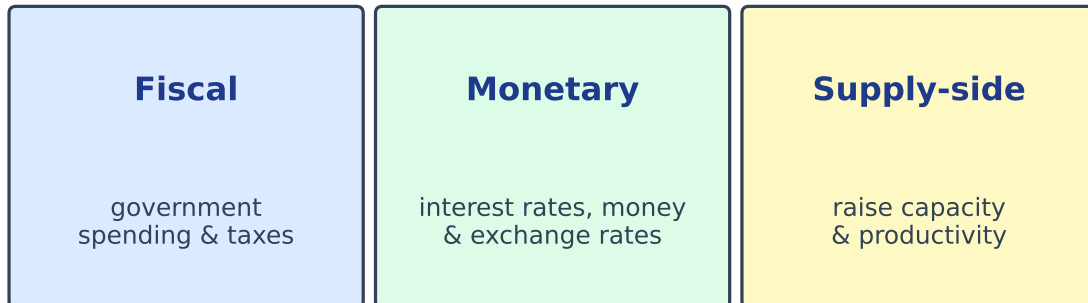
■ Raising productive capacity



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

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

- **Measures:** education and training (higher productivity), privatisation, deregulation, incentives (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

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.

Each answer shows the steps, then the **result**.

2.1

- **supply-side policy** aims to raise how much the economy can produce by improving the **quantity and quality of factors** (K)

2.2

- any **two** of: **education and training** / **privatisation** / **deregulation** / **lower-tax incentives** (K, K)

2.3

- it works **slowly** (results take years) (K)

3.1 B

- spending on **education and training** is a supply-side policy (K)
- A is monetary; C and D are fiscal demand-side tools

3.2

- education and training give workers **better skills** (K)
- they become more **productive** (each makes more) (An)
- the economy can produce more → **output and capacity rise** (An)

3.3

- supply-side policy raises **productive capacity** (K)
- the economy can make more → **growth rises**, and more supply **holds prices down** (An)
- unlike demand-side policy, it can raise growth **and** lower inflation together – but it works **slowly** (An)