IGCSE ECONOMICS • EXERCISE SHEET

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

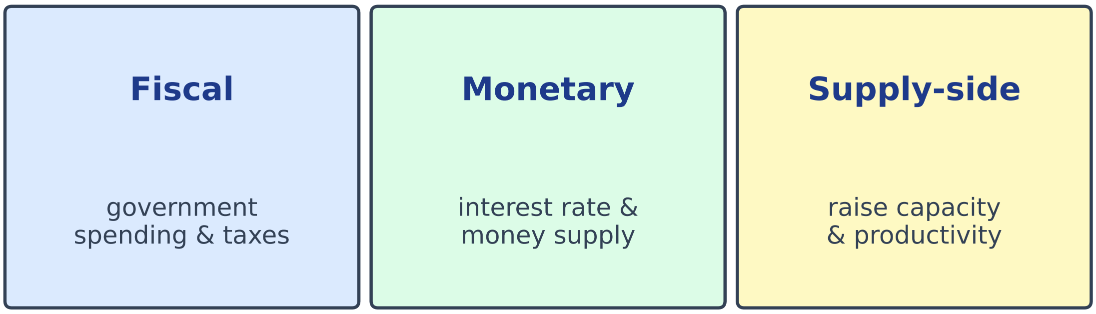
1 Worked examples

■ 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

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]