

Supply-Side Policy

Definition:

the policy that government wield in order to increase the productivity and rising the efficiency in the economy. Thus, if the policy was used effectively, it will yields higher economic growth in long-run.

Give 3 examples of "INTERVENTIONIST" supply-side policies (no explanation needed):

1. Public sector investment

2. Health spending

3. Vocational training

Briefly explain how "INTERVENTIONIST" supply-side policies work

When the government try to offset the market failure by interfering with the economy. To be more clear, if the government wants to increase an incentive to invest in the economy, instead of using policies such as lowers income tax, they will increase on their spending on the public sector.

Briefly explain ONE PRO and ONE CON of "INTERVENTIONIST" supply-side policies

Pro → If the policy is being used effectively, it will rising the levels of real output and lowering the price level. Also this policy tends to shift the whole LRAS to the right, which is very healthy for the economy.

Con → Some may consider that the government expenditure in education and vocational training is unworthy because it doesn't ensure a permanent jobs without secure an appropriate level of aggregate demands in the economy.

Give 3 examples of "MARKET-BASED" supply-side policies (no explanation needed):

1. Privatisation

2. Deregulation

3. Income tax cuts

Briefly explain how "MARKET-BASED" supply-side policies work

Market-based policies is a policy that focus on the influence in free market and by using the force of supply and demand to adjust the imbalance in the economy. Therefore, market-based policy is limited because it can only interfere with the market mechanism.

Briefly explain ONE PRO and ONE CON of "MARKET-BASED" supply-side policies

Pro → Market-based policies tends to encourage competition, so the increase in competition leads to the increase in market efficiency and offset the market failures. All policy is used without government intervention.

Con → The most common disadvantage of the supply-side policy is that it take a long time to implement and for the effects of the policy to reach it full potential. It might take months or even years to start seeing the outcome.