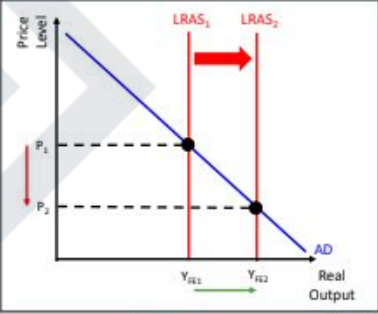








2.6.3 Supply Side Policies

Supply Side Policy	Policies designed to increase the quantity and/or quality of an economy's factors of production.	
Interventionist SSPs	Free Market SSPs	Supply Side Improvements
Government policies which generate supply side improvements.	Policies which provide markets with more freedom, resulting in supply side improvements.	Increases the long-run productive potential of the economy
Examples:	Examples:	
 Education and Training Programmes	 Reduction in Corporation Tax	
 Infrastructure Projects	 Deregulation	
 Securing Intellectual Property Rights	 Labour Market Reforms	
Supply side policies often involve long time lags!		Price Level ▼ Real Output ▲

Sustained economic growth can often benefit a country's living standards through higher income per head. In the UK from 2001 to 2007, the annual average growth in real income per head was +3%.

For 2008 and 2009, it was -3%.

Explain how supply-side factors might help to achieve sustained economic growth.

[15 marks]

Weaknesses in the UK balance of trade in goods persist, with a deficit of £27.6 bn in the third quarter of 2011, compared, for example, to £23.3 bn in the same quarter in 2010.

Discuss the possible contribution of supply-side reforms to achieving an improvement in the UK balance of trade in goods.

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[25 marks]