**Best Uses:**

* Shows growth with a lower price level
* Main focus is a market based approach growth
* Interventionist and not interventionist alternatives
* Often a long term approach to macromanagement
* For further details revise webnote 261

***ED 21 Supply side policies***

**SYLLABUS REFERENCE: 2.6 supply side policies**

* **Main Course theme: Government intervention in the economy**

**6 SUPPLY SIDE POLICIES**

**government objective is to move AS0 to AS2 i.e. growth with reduced inflationary pressure.**

1. **Reduce marginal tax rates**
2. **Reduce welfare payments for the unemployed**
3. **Encourage entrepreneurship**
4. **Reform labour legislation**
5. **Privitisation**
6. **Competition policy**

**Diagram 1: how managed exchange rates work.**

***0***

Q0

Q2

**PL1**

AD

AS0

PRICE LEVEL

AS1

AS2

**PL1**

**PL2**

REAL GDP