

Best Uses:

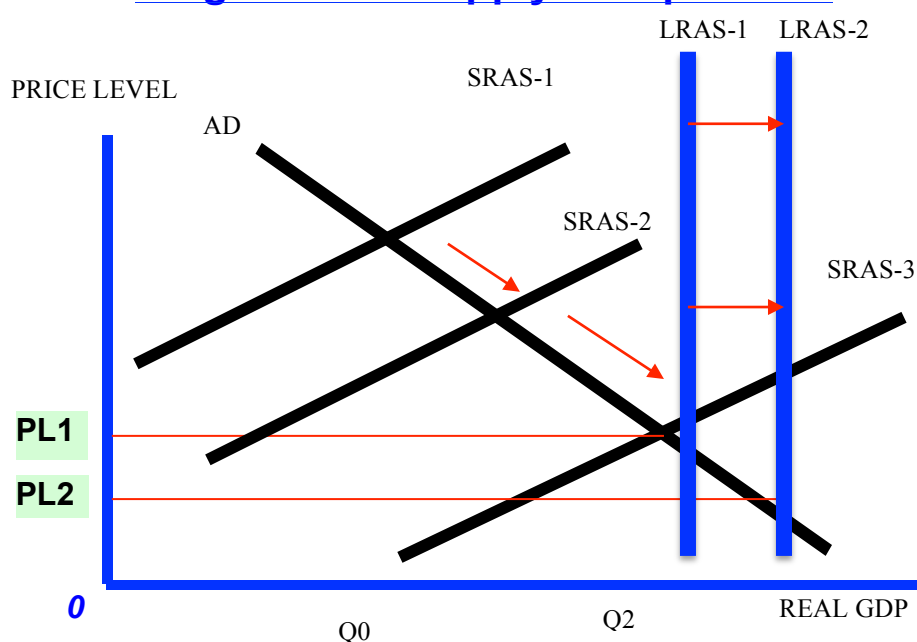
- ⊙ Shows growth with a lower price level
- ⊙ Main focus is a market based approach growth
- ⊙ Interventionist and not interventionist alternatives
- ⊙ Often a long term approach to macromanagement
- ⊙ For further details revise webnote 261

ED 21 Supply side policies

SYLLABUS REFERENCE: 2.6 supply side policies

- Main Course theme: Government intervention in the economy

Diagram 1: 6 supply side policies.



6 SUPPLY SIDE POLICIES

government objective is to shift **LRAS-1 to LRAS-2** i.e. long term growth with reduced inflationary pressure.

(The shifts of the SRAS show the effect of the supply side policies in the short run.)

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