

Best Uses:

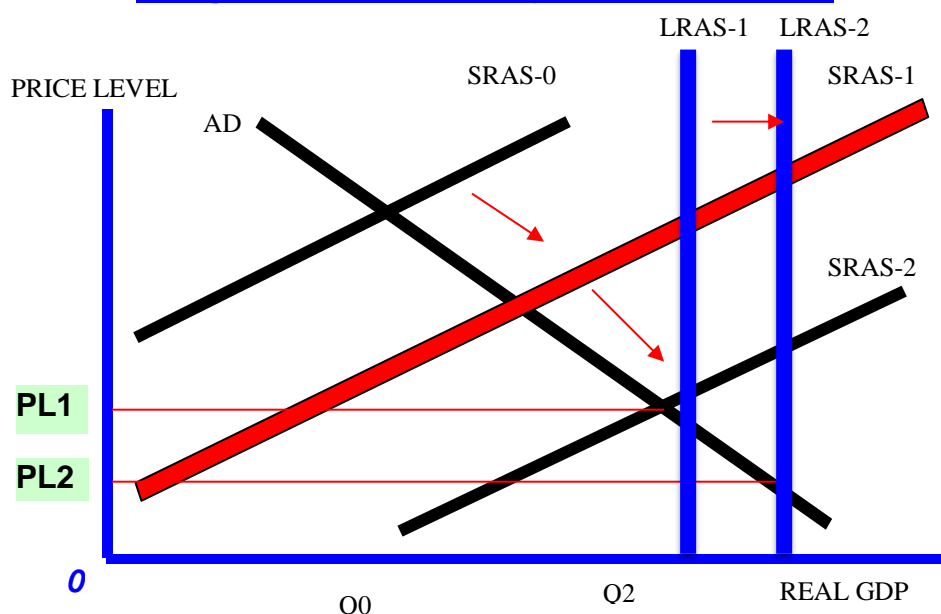
- ⊙ Shows growth with a lower price level
- ⊙ Main focus is a market based approach growth
- ⊙ Interventionist and not interventionist alternatives
- ⊙ Often a long term approach to macromanagement
- ⊙ For further details revise webnote 261

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.)

NB: THIS IS A LONG RUN POLICY

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