

IB Economics – Macroeconomic Policies

Exam Practice Questions: 3.15: Supply-side policies



IB Economics: IBeconomics.com

3.15 SUPPLY-SIDE POLICIES: EXAM PRACTICE QUESTIONS

Answer the questions that follow.

1. IB ECONOMICS PAPER 1 EXAMINATION QUESTIONS

1. Explain how growth in the potential output of an economy may be affected by government policies aimed at increasing competition. **[10 marks]**
2. Evaluate the statement: 'Supply-side policies achieve long-term economic growth whereas demand-side policies achieve low unemployment and price stability in the short-term'. **[15 marks]**
3. Distinguish between market-based **and** interventionist supply-side policies. **[10 marks]**
4. Evaluate the ability of supply-side policies in achieving the objectives of price stability **and** low unemployment. **[15 marks]**
5. Explain how aggregate demand and aggregate supply are affected by two interventionist supply-side policies. **[10 marks]**
6. Explain how reforms that promote labour market flexibility may lead to the growth of potential output in an economy. **[10 marks]**

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7. Evaluate the various labour market reforms in terms of their effects on inflation, employment, equity **and** economic growth. **[15 marks]**
8. Explain how incentive-based policies may lead to the long-run aggregate supply curve shifting right. **[10 marks]**
9. In terms of their effects on stakeholders and the economy, evaluate incentive-based policies. **[15 marks]**
10. Explain how reforms that promote labour market flexibility may lead to the growth of potential output in an economy. **[10 marks]**
11. Evaluate the statement: 'Monetary and fiscal policies can effectively close deflationary and inflationary gaps but they cannot be effective in addressing stagflation.' **[15 marks]**
12. Evaluate the role of supply-side policies in decreasing structural and cyclical unemployment. **[15 marks]**