



IB Economics: IBeconomics.com

3.15 SUPPLY-SIDE POLICIES: STUDENT LEARNING ACTIVITY

Answer the questions that follow.

1. DEFINITIONS

Define the following terms:

[10 marks]

- Demand side policies
- Fiscal policy
- Monetary policy
- Government budget
- Long-run aggregate supply (LRAS)
- Aggregate demand
- Full employment level of output
- Potential output
- Supply side policies
- Interventionist supply side policies
- Free market supply side policies
- Privatisation
- Deregulation
- Anti-monopoly regulations
- Bid rigging
- Predatory pricing
- Price fixing
- Tying
- Vendor lock-in
- Geographic allocation
- Trade liberalisation
- Labour market flexibility
- Labour market
- Labour productivity
- Research and development (R&D)
- Infrastructure
- Market-based policies
- Interventionist policies
- Industrial policies
- Capital formation
- Human capital
- Trade liberalisation (free trade)
- Labour market

3.15: Supply-side policies

- 3. Outline the expected effects of interventionist supply-side policies **and** market-based supply-side policies. **[6 marks]**

- 4. Outline the effects of supply-side policies on output (real GDP), unemployment and the price level. **[6 marks]**

3.15: Supply-side policies

6. Outline how supply-side policies can help achieve the macroeconomic objectives of price stability, low unemployment **and** economic growth. **[6 marks]**

7. Explain the effect of supply-side policies when an economy is experiencing stagflation. **[6 marks]**

3.15: Supply-side policies

14. Recommend macroeconomic policy when demand-pull inflation is present in an economy.

[6 marks]

15. Recommend macroeconomic policy when cost-push inflation is present in an economy.

[6 marks]

B. SKILLS APPLICATION

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Business Tues Nov 15, 2016 6:56am EST

Welcome to 'Flexicurity': Danish workers have a 20 per cent chance of losing their job in any given year

NEW YORK



Will this day be Freja's last in her job? Copenhagen. November 16, 2017.

REUTERS/MILENA BAENSCH

Denmark's centre-right government has presided over a boom. Unemployment, at 4.5%, is at its lowest in over 30 years, inflation is below the euro-area average and growth is faster. The budget surplus hit 3.9% of GDP in 2005. It is Denmark's exceptional performance on jobs that has attracted most attention. Over the past three years the Danes have shaved the public payroll by almost 1% while boosting private-sector employment by 3.7%. Latest estimates suggest that 34,000 private-sector jobs will be created this year. Many economists fulsomely praise "flexicurity"—a peculiarly Danish blend of a flexible labour market, generous social security and an active labour-market policy with rights and obligations for the unemployed. Workers pay high taxes, but trade job security for a guarantee, should they be laid off, of time-limited but generous unemployment pay that they can live on and a promise that they will get new jobs fast. Hiring and firing can happen from one day to the next, which gives Danish companies a decided competitive edge over rivals in Sweden and Germany. About a fifth of Danish workers lose their job in any given year but most find a new job quickly.

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