IB Economics – Macroeconomic Policies



IB Economics: lBeconomics.com

3.15 SUPPLY-SIDE POLICIES: STUDENT LEARNING ACTIVITY

Answer the questions that follow.

1. DEFINITIONS

Define the following terms:

- 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
- Fee 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

[10 marks]

- 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

IB Economics – Macroeconomic Policies Student activity: **3.15 Supply-side policies**

2. SHORT-ANSWER QUESTIONS	
A. SUPPLY-SIDE POLICIES	
Outline the objectives of supply-side policies.	[2 marks]
	· · · · · · · · · · · · · · · · · · ·
2. Distinguish between interventionist supply-side policies and market-based supply-side	le policies. [6 marks]

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3.	Outline the expected effects of interventionist policies.	supply-side policies and market-based supply-side [6 marks]
4.	Outline the effects of supply-side policies on ou	otput (real GDP), unemployment and the price level. [6 marks]
4.	Outline the effects of supply-side policies on ou	
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5. Explain the goals of supply-side policies.	[8 marks]

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6.	Outline how supply-side polices can help achieve low unemployment and economic growth.	e the macroeconomic objectives of price stability, [6 marks]
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7.	Explain the effect of supply-side policies when a	
7.	Explain the effect of supply-side policies when a	n economy is experiencing stagflation. [6 marks]
7.	Explain the effect of supply-side policies when a	
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8.	Outline supply-side policies aimed at achieving increased competition.	[4 marks]
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9.	Outline supply-side policies aimed at improving incentives.	[4 marks]
9.	Outline supply-side policies aimed at improving incentives.	[4 marks]
9.	Outline supply-side policies aimed at improving incentives.	[4 marks]
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10. Outline supply-side policies aimed at labour market reform.	[4 marks]
11. Outline the strengths and limitations of interventionist supply-side policies.	[6 marks]
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12. Outline the strengths and limitations of market-	-based supply-side policies.	[6 marks]
		_
13. Recommend macroeconomic policy when economy.	demand-deficient employment	is present in an [6 marks]
	demand-deficient employment	

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14. Recommend macroeconomic policy when de	emand-pull inflation is present in an economy. [6 marks]
15. Recommend macroeconomic policy when co	ost-push inflation is present in an economy. [6 marks]
15. Recommend macroeconomic policy when co	
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16. Use examples to explain the supply-side effects of demand-side policies.	[6 marks]

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17. Use examples to explain the demand-side effects of supply-side policies.	[6 marks]

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B. SKILLS APPLICATION



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

NEW YORK









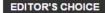




Will this day be Freja's last in her job? Copenhagen. November 16, 2017.

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.





A dramatic week ahead



Facebook prohibits private gun sales on its site



Our top photos from the past week. Full Coverage

IB Students show very elevated levels of stress compared to other students Sarah Palin and Donald Trump announce birth of new daughter, Freedom Hilton Queen Margaret College rocked by rampant student lethargy during mocks



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QUESTIONS		

 Outline the Danish policies that help maintain: a. Low rates of structural unemployment b. Low rates of frictional unemployment. 	[6 marks]

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2. Explain how highly progressive income taxation reduces income inequality ion Danis	sh society. [10 marks]

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 Explain how Denmark has managed to avoid high levels of income inequal have a highly flexible labour market. 	ity and still manage to [10 marks]

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4. High income taxes are said to be a disincentive to work. Explain managed to combine high income taxes with high rates of economic	how the Danish model has growth. [10 marks]
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5.	The Danish have very low unemployment rates yet their unemployment benefits which the most generous in the world. Explain the policies that help the Danes avoid the effects associated with unemployment benefits.	ch are some of le disincentive [10 marks]

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6.	Given that the Danish have very high rates of economic growth and low income in the implications for the often cited conflict between equity and efficiency.	nequality, discuss [10 marks]

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