Your notes

GCSE Economics: revision notes

Supply-side policies

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What supply-side policies are

- **Supply-side policies** aim to increase the **productive capacity** of the economy (its ability to produce), making it more efficient and competitive in the long run.

Examples

- Education and training: raising workers' skills (**human capital**) improves productivity.
- **Infrastructure**: better transport and broadband make it easier for firms to operate.
- Lower taxes on income and profits: encourage work, enterprise and investment.
- **Deregulation**: removing unnecessary rules to increase competition.
- **Privatisation**: selling state-owned firms to the private sector to make them more efficient.
- Labour market reforms: such as making it easier for people to move for work.

Evaluation

- Advantages: can increase growth without causing inflation, and reduce structural unemployment.
- Disadvantages: they take a long time to work, can be expensive, and some (like **deregulation** or tax cuts for the rich) can increase inequality or harm workers' rights.

Key terms

Supply-side policies	Policies to increase the economy's productive capacity.
Productive capacity	The maximum an economy can produce.
Human capital	The skills and knowledge of workers.
Infrastructure	Basic facilities such as roads, railways and broadband.

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Deregulation	Removing rules to increase competition.
Privatisation	Selling state-owned firms to the private sector.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What do supply-side policies aim to do?
2. Which is a supply-side policy?
3. What is privatisation?
4. What is deregulation?
5. What is infrastructure?
6. What is a disadvantage of supply-side policies?
7. How can lower income tax be a supply-side policy?
8. What is human capital?

Answers

1. Increase the economy's productive capacity
2. Spending on education and training
3. Selling state-owned firms to the private sector
4. Removing rules to increase competition
5. Basic facilities such as roads and broadband
6. They take a long time to work
7. It encourages people to work more
8. The skills and knowledge of workers

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

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