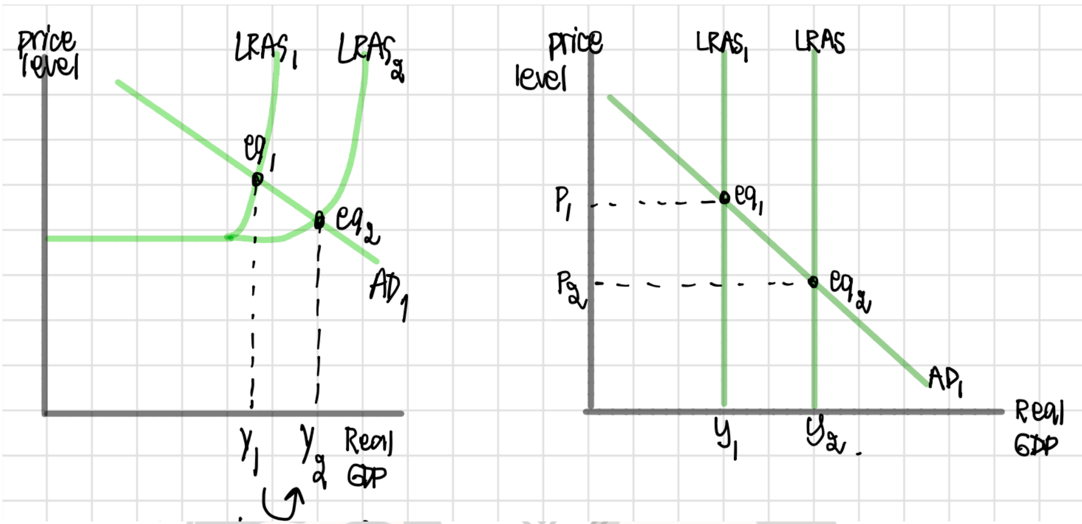
CHAPTER 39 : Macroeconomic supply-side policies

Key terms

1. Deregulation : the process of removing government controls from markets
2. Market-based policies : government policies designed to promote economic growth by reducing barriers to the efficient working of free markets
3. Interventionist policies : government policies designed to correct market failures that are reducing the growth rate of the economy
4. Minimum wage : the least amount an employers can pay one of its workers, usually expressed as an hourly wage rate
5. Poverty : occurs when an individual is little between off or even worse off when gaining an increase in wages because of the combined effect of increased tax and benefit withdrawal。
6. Supply-side policies : government policies designed to increase the productive potential of the economy and push the long-run aggregate supply curve to the right

1. **Supply-side policy**

: Government policy designed to increase the productive potential of the economy and push the LRAS curve to the right



Market Based Policies	**Interventionist Policies**
: Government policies designed to promote economic growth by reducing barrier to the efficient working of free market	: Government policies designed to correct market failure that are reducing the growth rate of economy.
• **Deregulation** - The process of removing government controls from the markets - It can reduce cost of production and as a result, it can encourage more firms to start-up business and enter to the market • **Privatisation** - When government transfer/sell some of asset or control to private sector - If government run businesses, Government has less incentive to cut cost or create some innovation • **Reduction in taxation** - Lower tax can increase incentive for small firms to enter and set up the business - As a result, it can increase competition	• **Investment in education and training** - Increasing in education level can increase productivity of labour - LRAS shifts right • **Government provides subsidies** - Government provides grants to private firms - Cost of production reduces and encourage firms to produce more • **Infrastructure investment** - Infrastructure is important to promote economic growth - As poor infrastructure eg, poor road may take longer time for transportation goods, cost of production increases