

4.5 Supply-side Policy

Question Paper

Course	CIEIGCSE Economics
Section	4. Government & the Macroeconomy
Topic	4.5 Supply-side Policy
Difficulty	Medium

Time allowed: 110
Score: /86
Percentage: /100

Question 1

More agricultural markets come close to perfect competition than markets for manufactured goods and for services. The goals of business organisations can vary between markets, and within markets. In 2017, the Nigerian government used supply-side policy measures to influence the goals and performance of firms in a range of markets and to lower firms' average costs of production.

Discuss whether or not the use of supply-side policy measures by a government will reduce firms' average costs of production

[8 marks]

Question 2

Moldova is Europe's poorest economy with many of its people living in poverty. It is mainly an agricultural economy with many small farms. Its shops are also small. The government has used a range of policies, including supply-side policy, to improve the economy's performance. It has mostly been successful. For instance, unemployment has fallen

Identify two supply-side policy measures

[2 marks]

Question 3

Discuss whether or not building more roads in Manila will benefit the Philippine economy.

Refer to the [source material](#) in your answers.

[6 marks]

Question 4

The use of supply-side policy measures, including deregulation, is moving China closer to a market economic system. Some supply-side policy measures, such as education and subsidies, can also increase a country's economic growth rate. China joined the World Trade Organisation in 2001 and has since removed some quotas on imports and reduced some import tariffs. These measures may influence the size of its current account surplus.

Define *deregulation*.

[2 marks]

Question 5

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Analyse how education and subsidies can increase a country's economic growth rate.

[6 marks]

Question 6

Estonia has one of the fastest internet speeds in the world. The government allows both direct and indirect taxes to be paid online. According to the World Bank, it is very easy for a firm to deal with construction permits and to register property in Estonia. A low level of government regulation affects how easy it is to start and to run a firm. Many new firms are labour-intensive but some become more capital-intensive as they grow.

Discuss whether or not an economy would benefit from less government regulation.

[8 marks]

Question 7

It was predicted that global unemployment would rise by over two million in 2017. Unemployment rates, however, vary between countries. Some governments use fiscal policy measures and others use supply-side policy measures to reduce unemployment. The unemployment rate can also be influenced by trade protection.

Analyse how supply-side policy measures may reduce unemployment.

[6 marks]

Question 8

Confidence in the government's reform agenda led to very strong growth of India's stock exchange index in 2017. Firms liked the supply-side policy measures that had been introduced, such as government spending on infrastructure projects including building new motorways. However, opponents of the government claimed that the government was prioritising one government aim over others.

Define *supply-side policy*.

[2 marks]

Question 9

Confidence in the government's reform agenda led to very strong growth of India's stock exchange index in 2017. Firms liked the supply-side policy measures that had been introduced, such as government spending on infrastructure projects including building new motorways. However, opponents of the government claimed that the government was prioritising one government aim over others.

Discuss whether or not infrastructure projects will benefit an economy.

[8 marks]

Question 10

Teachers in many countries oppose their governments' cuts in spending on education. They worry that this could reduce the standard of education and also the welfare of teachers employed in the state sector. Some teachers specialise in teaching one subject while others teach a number of subjects.

Analyse the contribution that education can make in an economy.

[6 marks]

Question 11

In 2016, the Indonesian government increased its spending on healthcare and education and considered raising the school leaving age. The government also planned to increase taxation. Such a move might conflict with its aim of reducing unemployment at a time when a number of countries were at risk of entering a recession.

Discuss whether or not a government should raise the school leaving age.

[8 marks]

Question 12

In 2015, Spain experienced a higher death rate than birth rate for the first time since 1939. It is forecast that its population will fall by 5.6 million over the next 50 years. Such a decline would be likely to influence the number and size of the country's firms and have an impact on the environment. There are a variety of ways of increasing a country's population.

Explain two policy measures a government could introduce to encourage families to have more children.

[4 marks]

Question 13

The government of Slovenia has introduced a range of supply-side policy measures to influence the country's inflation rate. Among other factors affecting the economy is a change in trade union membership and strength.

Explain two supply-side policy measures.

[4 marks]

Question 14

More governments are imposing taxes on unhealthy food and drinks. Such taxes are usually regressive. Some of these governments are also increasing their spending on healthcare. In other countries healthcare is provided by the private sector. The number of state-owned enterprises is declining in a number of countries due to privatisation.

Discuss whether or not consumers are likely to benefit from state-owned enterprises becoming private sector firms.

[8 marks]

Question 15

In the 1990s Cambodia became a mixed economy. One of the results of this was specialisation in the clothing industry. In 2005, import quotas for clothing in the key markets of the USA and the EU were removed. Clothing now accounts for 80% of Cambodia's exports. The increased role of the private sector has resulted in a rise in malnutrition in Cambodia.

Discuss whether or not an increase in the role of the private sector will benefit an economy.

[8 marks]