

The effectiveness of supply side economics in improving

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Supply side economics is very effective on a long run basis, but may not be as good on a short run. This means to improve the economy through competition between firms and markets, to increase efficiency and flexibility through labour and production and also to improve all macro tradeoffs. The effect all this will have on the AS curve is that the AS curve will shift to the right, showing that supply increases and inflation decreases. Also now more jobs will be available which means that the unemployment level will decrease.

Supply side economics can do a lot good for the future generations, in a long run, but it may cause problems in a short run. In order to increase competition companies and firms would need to be privatised and deregulated, so that monopolist companies would have to face competition. Deregulation will force these monopolies into competition which will allow economic growth to improve. Also by having competition between the different companies will cause inflation to decrease as people would be now able to buy the same good or service but from a different and may be a cheaper company. This means that companies will need to reduce their prices in order to stay in the market or they will be shifted out of business.

The bad side to supply side economics is that in a short run if companies can't afford to lower their prices or if they can't cope the competition then they may close down, which means employees will become redundant and unemployment may increase. Also this means that people who don't have many skills other than mining or working in steelworks etc may not be able to get a job anywhere else unless they are taught new skills.

Problems like this can also be good for the economy as the old industries or ones who can't cope with the competition could relocate to the new industry will open up more jobs for people. Also the new industries will require different skills or more skills so people will become productively more efficient at their work, which will allow faster economic growth for the UK. Competition can also pump up demand as well, which means that this can also benefit the demand side of economics as well as the supply side.

Unemployment isn't just caused by deregulation it's also caused because of benefits, because people have found a better alternative to working they would rather prefer to sit at home and get benefits then work, which is bad for the economy because it means companies who desperately need employees won't be able to get them because people would rather not do anything and get paid, this can also cause companies to become productively less efficient which may end up the company becoming bankrupt and out of business. This is really bad for economic growth as it will slow it down and may speed up inflation depending on how many companies actually close down.

In order to resolve this unemployment problem benefits would need to be reduced so that people stop relying on the state for money and actually start working and also pay would need to increase so that it encourages more people to work rather than get benefits. If the wages for people is lower than the benefits people get for not working, then people would definitely take the easy way out. If benefits are cut and wages are increased then people will have no choice but to work and earn their money which will increase

economic growth and in a long run UK will have better trade offs, because of their good productivity and efficiency inflation will be low which means prices will also be low. This means that the UK will be able to export and import more, but exports will be better as this will mean there is more revenue coming in.