2.18 Supply-Side Policies: Interventionist Approaches and Evaluation: 10-minute Pack

Total Marks

AQA 7136 · Calculators not allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Full sentences are required for the 25-mark essay question only. Time guidance: 10 minutes. Calculators are not allowed.

1 Equity versus efficiency trade-off: explain one way interventionist supply-side policies can improve equity but possibly reduce allocative efficiency in the UK economy.

(Total for Question 1 is 3 marks)

2 Public investment in transport infrastructure: explain how new government investment in roads and rail in the UK can influence productive capacity and shift LRAS over time.

(Total for Question 2 is 2 marks)

3 Subsidies for research and development (R&D): explain how R&D subsidies provided by the state are intended to change the UK economy's long-run aggregate supply and technology frontier.

(Total for Question 3 is 2 marks)

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Mark scheme · 2.18 Supply-Side Policies: Interventionist Approaches and Evaluation: 10-minute Pack

Question 1

identifies equity benefit, e.g. targeted education or regional grants can reduce inequality and support disadvantaged groups	**M1**
identifies potential efficiency cost, e.g. government interventions can distort market signals, leading to misallocation of resources or support for non-viable firms	**M1**
explains trade-off, e.g. policy improves distributional outcomes but may reduce overall efficiency and raise long-term costs	**A1**

Answer: Targeted intervention can improve equity by supporting disadvantaged regions or groups, but by distorting prices and supporting potentially inefficient firms it can reduce allocative efficiency and raise long-term economic costs.

Question 2

identifies effect, e.g. better transport reduces travel times and logistics costs	**M1**
explains link to LRAS, e.g. lower costs and improved connectivity raise productive capacity so LRAS shifts right	**A1**

Answer: Improved transport lowers costs and boosts connectivity and efficiency, raising productive capacity and shifting LRAS to the right.

Question 3

identifies mechanism, e.g. subsidies lower firms cost of innovation, increasing R&D activity	**M1**
links to LRAS, e.g. more innovation raises productivity and technology, shifting LRAS rightwards	**A1**

Answer: R&D subsidies lower innovation costs and increase technological progress, raising productivity and shifting LRAS to the right.

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