**Test 1 - Question 2**

**Supply-side policies can (i) improve the quantity, quality and mobility of factors of production, and (ii) increase efficiency to address the economic problems during economic crisis like COV-19.**

1. Explain how such supply-side policies are used to help government overcome recession during this COVID-19 crisis. [10]
2. Discuss the factors that determine the effectiveness of the adoption of supply-side policies to contain the economic problems due to CIVID-19. [15]

Introduction

Due to COVID-19, world trade has come to such a disruption that many countries experience a slowdown in their economy that there is fall in aggregate demand and a rise in aggregate supply that these countries experience recession where there is fall in real GDP, GPL and rising unemployment. It is proposed that the supply-side policy can be adopted to solve the recession as it involves the restructuring economy with manpower development, infrastructural development, technological development and capital development to adjust more the AD and AS to curb recession.

Main Body

**1. Explain how recession occurs due to COVID-19 (briefly)(2 marks)**

- affected the AD and AS aspect

**2. Explain how SS-side policies can help to overcome the recession due to COVID-19**

2.1 – explain how infrastructural development diversify the economy to help the economy to provide diversification which can create a variety of new employment opportunities to overcome structural unemployment and demand deficient unemployment. This development can also lead to new areas of growth.

2.2 explain how the supply-side policies can advance in technological development to spearhead new industries with technological advancement to accelerate growth with high-valued industries and new economic industries that promote growth.

2.3 explain how the supply-side policies use manpower development to solve structural unemployment as it solves skills mismatch and displacement of workers by machinery.

2.4 explain how supply-side policies can be used to create capital accumulation and help to finance business to overcome shortage of fund to overcome the difficulties during COVID-19.

2.5 Explain how the production capacity and frictions in the economy can be eradicated to raise availability of resources to expand production capacity and raise production to overcome fall in real GDP and production

2.6 Explain the AD can be raised through the supply-side policies with the increase in investment, consumption and government expenditure.

3. Draw and describe how Ad and SRAS can be increased and LRAS can be shifted rightward.

4. Analysis – key determinants on whether the recession can be curbed – availability of fund and time period of the impact.

Conclusion

It can be observed that the supply-side policies can be raised and varied to ease the structural changes in the economy and availability of resources. It raises the efficiency of production and changes the development of the economy to overcome recession. However, it is imperative to take note of the limitations of the policies.

b) Discuss the factors that determine the effectiveness of the adoption of supply-side policies to contain the economic problems due to CIVID-19. [15]

The discussion in part a0 has shown how supply-side policies can be adopted to solve the economic problems due to COVID-19. The economic problems can be seen from how the economy fails attain sustained economic growth, low unemployment, low unemployment and negative balance of trade.

Main body

1. Briefly explain how the supply-side polies solve the main economic problems created by the COVID-19 incidents

2. Identify, explain and evaluate the factors affect the effectiveness of the supply-side policies in curbing the economic problems due COVID-19. Factors like

2.1 Time duration

2.2 cost of financing

2.3 Efficacy of the government and institution

2.4 Availability of resources

2.5 severity of the economic problems

2.6 limitations of the particular ss-side implementations

2.7 Possible obstacles on the AD components – value of interest elasticity on investment

2.8 constraints of the economy – small and open economy

3. examine which factors would be most impactful

**Conclusion**

Studying the factors that would affect the ss-side policies is of great significance as the effectiveness of the policy in eradicating the economic problems due to COVID-19 depends on it. The implementation of the policy must take into consideration the constraints.