

Sadiq Public School

Do the right, fear no man

**Subject: Economics Class: C2 Day: Saturday Date: 16th Nov,2024**

**Lesson: Unit No. 28 [Supply-side policies]**

**Inquiry:**

Are you able to draw a table comparing the effects of particular policy measures such as a cut in income tax on unemployment, inflation, economic growth and the balance of payments?

**Information:**

**Privatization**

* Privatization seeks to increase competition and efficiency by increasing the role of market forces.
* Moving industries into the private sector may put more pressure on them.
* It provide them with a greater incentive to respond to changes in consumer demand.
* It also provide them with high quality products at low prices. If they do not, they will go out of business, but, if they do, they could make high profits.
* Privatization will increase productive capacity, if private sector firms invest more and work more efficiently than state enterprises.
* Privatization will not necessarily ensure greater competition. Over time, a monopoly may develop.
* A private sector firm may be less inclined to take into account social costs and social benefits than a state-owned enterprise and may be more willing to make workers redundant.

**Labor market reforms**

* Labor market reforms are designed to make labor markets work more efficiently. The intention is to increase the quality, quantity and flexibility of labor.
* The reforms can include better training and the removal of barriers to entry, such as excessive qualifications, and barriers to exit from labor markets, such as long contracts.
* Making it easier for employers to hire and fire workers, is one way that some government seek to increase the efficiency of labor markets.
* This is likely to make it easier for firms adjust their supply to changing market conditions.
* It may also encourage firms to employ more workers as they will know that they will not have to continue to pay them, should demand for their products fall.
* There is a risk, however, that firms may not spend as much on training their workers if they think the workers may not be with them for very long.
* Another labor market reform is reform of trade unions. This may make labor more productive.
* If the power of trade unions is reduced, they may be less inclined to engage in industrial action.
* There may be less disruption to production and trade union members may be more willing to be flexible in what tasks they do and the hours they work.
* If trade unions have been intimidating their members into taking industrial action, there may be a case for reducing their power.
* In some cases, though, reducing trade union power may reduce the benefits that trade unions may provide not only for their members, but also for employers and the economy as a whole.
* It is also possible that trade union reforms may give too much power to employers which could lower the pay of workers and increase their working hours.
* Being paid less and working more hours may reduce the motivation of workers and make them tired which would be likely to reduce their productivity.

**Subsidies**

* A government may provide subsidies to the firms in particular industries for a number of reasons connected to increasing the performance of markets.
* For example, new small firms might be subsidized in order to increase competition in markets.
* Firms may also be subsidized to encourage them to buy new capital equipment.
* Of course, consideration would have to be given as to whether this is the best use of government spending and there is the risk that the firms may become dependent on the subsidies.

**Read your textbook Page No. 245-247**

**Synthesizing information: (Personal notes)**

1. Explain labor market reforms in detail.

**Practice:**

**Activity # 1**

In 2015 the Malaysian government cut income tax rates. A year later increase of income tax bands from twelve to fourteen. This change in 2016 made the tax system more progressive and meant that the tax system had more bands than most countries.

* What is a possible disadvantage of cutting income tax rates?
* Why may introducing more tax bands discourage work and effort?

**Activity # 2**

Employment laws set out to protect the rights of workers. They may cover, for example, the right to maternity leave, the maximum number of hours a week a worker can be made to work and the procedures that have to be followed when a worker is made redundant. On average, there are more regulations imposed on employers in sub-Saharan Africa than in other parts of the world. For example, in Niger employers have to give any workers they want to fire, a relatively long period of notice, financial compensation and the offer of retraining. In practice, however, employment laws may only affect a relatively small percentage of the labor force in some countries.

* Explain one argument for and one argument against removing employment laws.
* Explain why employment laws may only affect a small percentage of the labor force in some countries.

**Feedback:**

If you have any question about this topic please send me an email. I will reply ASAP.

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| Class | Teacher’s Name | Teacher’s Abbreviation | Teacher’s Email Addresses | Instructions |
| C2GA | Bushra Bajwa | BB | Bushrabajwa786@gmail.com | C2GA students will send their home assignments to their subject teacher (BB) for checking and getting feedback. |
| C2A | Shammas Abbas | SAA | ShamasAbbas74@gmail.com | C2A students will send their home assignments to their subject teacher (BB) for checking and getting feedback. |