**A2 Business Studies Unit 4**

**Supply Side Policies**

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| **Supply Side Policy** | **Possible Business Impact** | **Evaluation** |
| Encourage new business start-ups to create new enterprises.For example, the government finances business link website which provides useful advice and details of support for new business start-ups.  | * This will create more competition for existing firms.
* Successful new businesses may demand for products from existing firms, increasing output and jobs.
 | * Any policy to assist new business start-ups will only be really successful if the whole economy is expanding and not in downturn/recession.
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| Expand the university courses to increase the proportion of the working population with specialist and flexible skills. | * UK businesses should benefit from better qualified staff who should be more productive.
* UK firms should be able to compete effectively in the knowledge based global markets.
 | * Such policies take several years to have much impact.
* Other countries, e.g. China, are expanding higher education provision even faster than the UK.
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| Allow increased immigration into the UKFor example, in 2007 net migration into the UK reached 240,000. | * This will increase the total labour supply available to UK firms.
* Increased labour supply helps to keep wage rises down.
* Skills shortages have been reduced.
 | * Increased congestion caused by increased population – may push wages down.
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| Encourage multi-national investment in the UK.For example, Honda’s Swindon plant has been expanded with government support. | * Creates more competition for UK based companies-may make them more efficient.
* More jobs increases incomes and this will lead to increased demand and output in the economy.
 | * UK based firms might be forced out of business by competition.
* Foreign companies may use foreign managers and key workers so impact on UK job market could be limited
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| Reduce direct tax rates such as income tax and corporation tax. | * Should encourage increased incentives for firms to invest for the future and for employees to work.
 | * Other countries have much lower direct tax rates in the UK so the UK’s relative competitiveness may not be increased greatly.
* Other taxes may have to be increased to finance this policy e.g. VAT
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Possible business impacts:

* UK firms should be able to compete effectively in the knowledge based global markets.
* Increased labour supply helps to keep wage rises down.
* Should encourage increased incentives for firms to invest for the future and for employees to work.
* More jobs increases incomes and this will lead to increased demand and output in the economy.
* This will create more competition for existing firms.
* This will increase the total labour supply available to UK firms.
* UK businesses should benefit from better qualified staff who should be more productive.
* Creates more competition for UK based companies-may make them more efficient.
* Skills shortages have been reduced.
* Successful new businesses may demand for products from existing firms, increasing output and jobs.

Evaluation points:

* Such policies take several years to have much impact.
* Increased congestion caused by increased population – may push wages down.
* Other taxes may have to be increased to finance this policy e.g. VAT
* Other countries have much lower direct tax rates in the UK so the UK’s relative competitiveness may not be increased greatly.
* Foreign companies may use foreign managers and key workers so impact on UK job market could be limited.
* Any policy to assist new business start-ups will only be really successful if the whole economy is expanding and not in downturn/recession.
* UK based firms might be forced out of business by competition.
* Other countries, e.g. China, are expanding higher education provision even faster than the UK.