

Value of SSPs:

The idea behind this exercise is to point out that at times there has been a trade-off between policy objectives and that SSPs can help to resolve these.

Instructions:

Give the students the charts showing unemployment, growth and inflation from around 1985 to the present day.

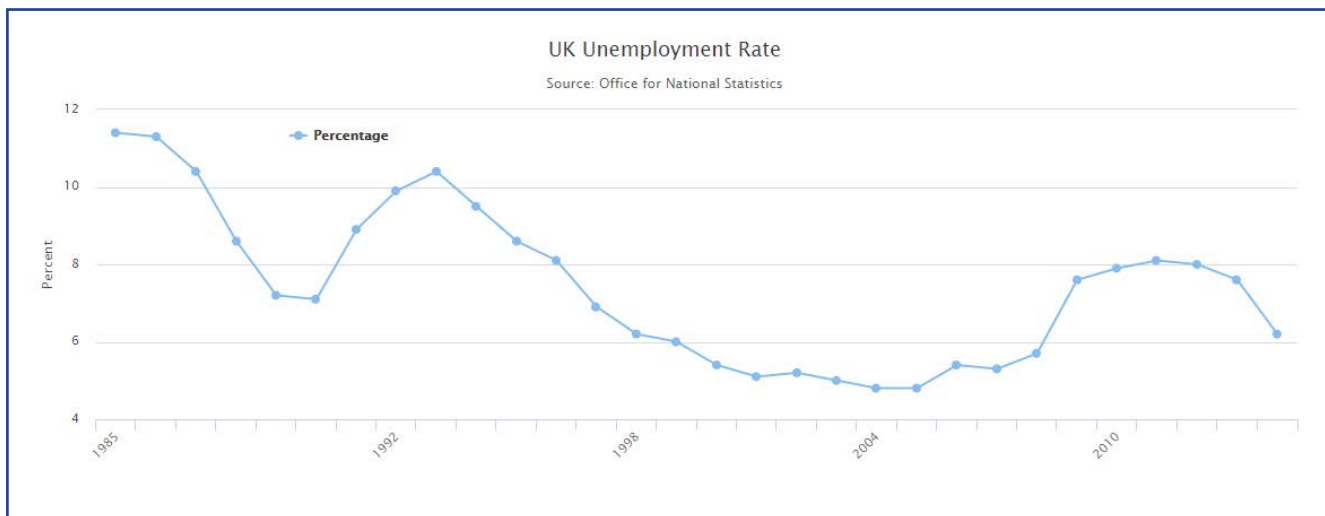
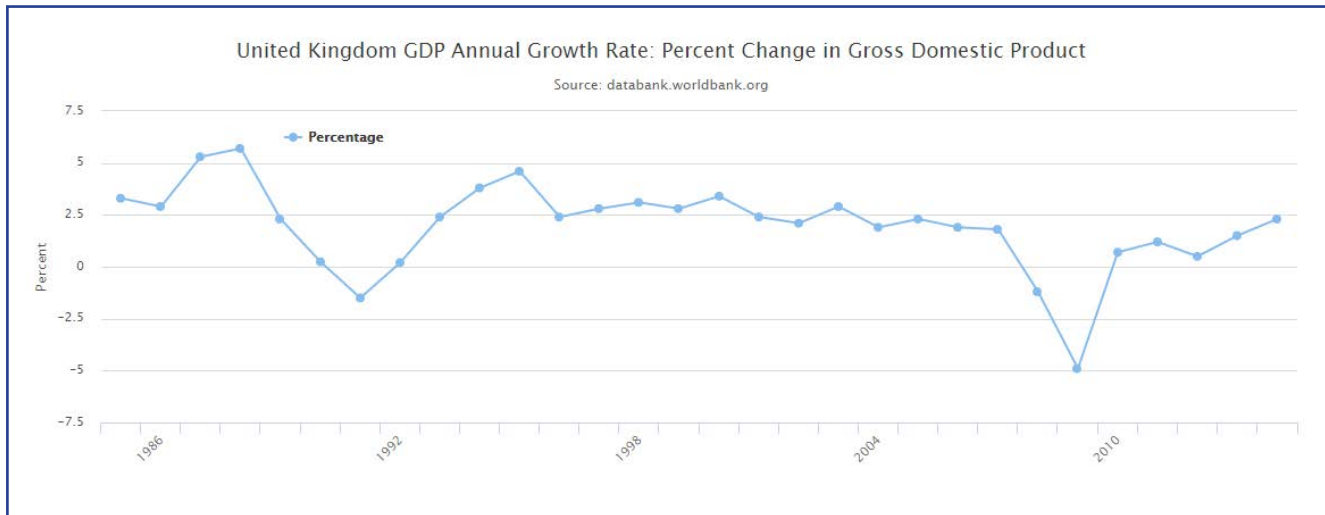
Then ask them to show what they think might be happening in

- (i) **AD/AS terms (i.e. draw it)**
- (ii) **the real world for the periods:**
 - 1985 to 1991
 - 1991 to 1995
 - 1995 to 2008

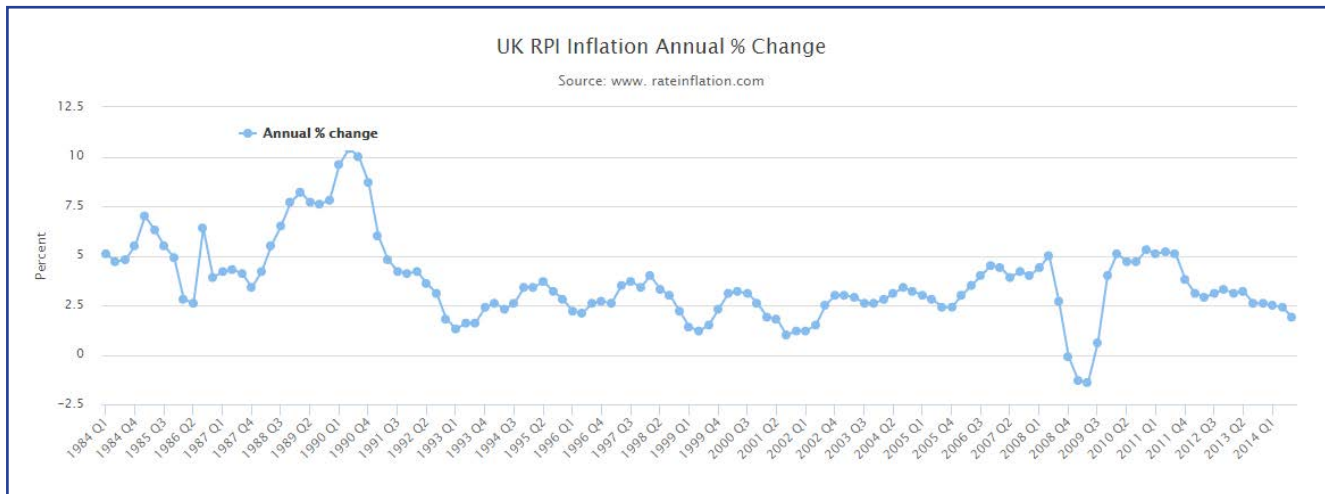
The point to bring out is that in the 80s, prior to supply side reforms having much impact, rapid growth and job creation led to a spike in inflation, whereas in the 00s this didn't happen. Getting them to speculate as to why can be interesting and can lead onto some of Thatcher's supply side policies (separate exercise).

Value of SSPs:

Student resource



Inflation (RPI):



What is going on between...

1985 to 1991?

1991 to 1995?

1995 to 2008?

In each case explain what is going on:

- (i) in AD/AS terms
- (ii) in the real world

What is the difference between 1985 to 1991 and 1995 to 2008?