

Research Project 2

Instructions

1. Do research on 4 economic policies:
 - Fiscal Policy
 - Monetary Policy
 - Interventionist Supply-Side Policy
 - Market-Based Supply-Side Policy
2. Answer the questions WITHIN the space provided.
(ห้ามเขียนเกินหน้ากระดาษที่กำหนดไว้)
3. You can do your work on the IPAD or the printed worksheet (scan and submit), but DO NOT TYPE.
(สามารถ Print แล้วเขียนแล้ว Scan ส่งได้ หรือเขียนบน IPAD แล้วส่งก็ได้ แต่ห้ามพิมพ์)
4. The submission is via Moodle, and the deadline is on Wednesday, 19th May.
5. Any student committing plagiarism or suspected plagiarism will receive a mark of 0.

Grading Criteria

- A full mark will be awarded to those who can CORRECTLY answer the questions in the MOST CONCISE and EASY-TO-UNDERSTAND manner.
- Grammatical mistakes will have NO effect your mark, but please try to make your answer as readable as you can.
- You are not required to use all the space provided. Some questions require shorter explanations. As previously mentioned, the more concise, the better.

Hints / Tips

- Try searching through “Google Image” where you will see a lot of tables.
- There are many on Youtube as well.

Briefly explain 2 pros:

- A government can spending toward a specific projects, sectors, or regions in fiscal policy to stimulate the economy where it is thought to be most needed. The government fill the investment void left by downsized and cash-strapped businesses. As government purchases increase demand for both labor and raw materials, private investment gradually increases.
- Fiscal Policy can cause a relatively rapid increase or decrease in aggregate demand. As a result, the government can determine whether or not their policy will work fairly quickly.

Extra:

Briefly explain 2 cons:

- If the policy isn't automatic, it could take months to implement and years to have an impact. Stimulus spending can cause inflation, in which wage increase but prices rise and absorb the extra money.
- When money put into the economy through tax cuts or government spending is spent on imports, it is sent abroad rather than staying in the local economy, the effect of fiscal stimulus is muted

Extra:

Monetary Policy

Briefly explain 2 pros:

- Long-term low inflation can be achieved through monetary policy. Inflation reduces the purchasing power of money, which harms economic growth. Stable prices allow individuals and businesses to devise financial strategies without having to worry about sudden and unexpected price increases.
- Central banks operate independently of political pressure and are fully authorized by a country's system. They can use monetary policy tools quickly in response to economic conditions.

Extra:

Briefly explain 2 cons:

- Interest rates will only be reduced nominally to 0%, limiting the bank's ability to use this policy instrument when interest rates are still low. Maintaining very low interest rates for an extended period of time will result in a liquidity trap.
- Over-borrowing at artificially low rates may happen when interest rates are set too low. This will then lead to a speculative bubble, in which prices rise too rapidly and to absurdly high levels.

Extra:

Supply-Side Policy

Definition:

Supply-Side Policy are government policies directed at increasing productivity and economy's productive potential.

Give 3 examples of "INTERVENTIONIST" supply-side policies (no explanation needed):

1. Investment in infrastructure

2. Investment in new technology

3. Investment in human capital

Briefly explain how "INTERVENTIONIST" supply-side policies work

"Interventionist" supply-side policies are policies that increase AS by government intervention such as providing capital goods and services where it is claimed that the economy has struggled to deliver them in order to compensate for market shortages.

Briefly explain ONE PRO and ONE CON of "INTERVENTIONIST" supply-side policies

PRO - "Interventionist" supply-side policies can provide a basic security net that will increase net economic welfare and helping people to avoid the worst forms of poverty. It can also prevent social unrest from extremes of inequality.

CON - Government intervention may lead to inefficient output because lack of incentives in public sector for example, state-owned enterprises are often inefficient, overstaffed, and manufacture products that not in demand by customers.

Give 3 examples of "MARKET-BASED" supply-side policies (no explanation needed):

1. Policies to encourage competition

2. Labour market reforms

3. Incentive-related policies

Briefly explain how "MARKET-BASED" supply-side policies work

"Market-based" supply-side policies are policies that increase AS through freeing up the market. The goal of these policies is to foster and reward individual initiative and enterprise. At the same time, these measures limit the government's position in the economy.

Briefly explain ONE PRO and ONE CON of "MARKET-BASED" supply-side policies

PRO - "Market-based" supply-side policies can create greater competitiveness leads to greater productivity, allowing more production to be achieved from the same amount of resources. Competition can also lead to higher product quality, more creative products, and lower prices.

CON - As a result of efforts to enhance competitiveness and eliminate environmental regulation, there may be an increase in negative externalities of industry.