

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.

Fiscal Policy

Briefly explain 2 pros:

- A decrease in unemployment: the government use an expansionary fiscal policy when unemployment is high. It will increase spending and decrease taxes. So, people have more disposable income that will increase demand for goods and services. Therefore, firms should increase production to meet the equilibrium, they should hire more employee.
- A decrease in budget deficit: because the effect of the deficit increases public debt, the country should make contraction in fiscal policy to reduce public spending and increase taxes to increase income and lower the budget deficit.

Extra:

Briefly explain 2 cons:

- When the government uses expansionary and contractionary fiscal policy, there will be a conflict. If the government wants to increase spending and stimulate economic growth, it should issue beneficial bonds to public so individual and businesses will buy more. They will have less money to invest, the economy will slow down.
- An increase in tax could be unpopular and dangerous to apply. When government increases more spending, the budget deficit takes in, it can continue to widen dangerously. The effect is muted when tax savings and government is on imports.

Extra:

Monetary Policy

Briefly explain 2 pros:

- a small amount of inflation is good for growing economy, occurs when the price level of goods and services increases. An investment will be more expensive and slow down economic growth a little due to an increase in interest rate.

- it restore employment and short-term demand. The government manages money supply and lowers interest rate to reinvigorate the economic system and to stimulate the economic cycle by encouraging consumption and investment spending, to borrow more.

Extra:

Briefly explain 2 cons:

- the economy does not stabilize themselves very rapidly and require active government intervention to raise demand in short term. Wages, employment and prices are also slowly respond to the market needs and gradually change due to the monetary policy interventions.

- keeping interest rates very low for prolonged periods of time can cause a liquidity trap, tend to make monetary policy more effective during expansions than recessions.

Extra:

Supply-Side Policy

Definition:

A range of policies designed to reduce costs and to improve efficiency, productivity, and international competitiveness so that the economy can grow, without experiencing inflation, in the long-run.

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

- increased education and training

- improving transport and infrastructure

- build more affordable homes

Briefly explain how "INTERVENTIONIST" supply-side policies work

It involves government intervention to overcome market failure. For example, high government spending on transportation, education and communication.

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

Pros - the government encourages the quality of life such as investment, training and provision of job information to increase supply

Cons - the government improves infrastructure to implement and its intervention may create allocative inefficiency.

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

- reducing unemployment benefits

- income tax cuts

- deregulation in labor market.

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

it focuses on allowing market to work freely with less government intervention and involves policies

to increase competitiveness and free-market efficiency. Greater competition affects greater efficiency.

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

Pros - incentives for competition can lead to increased productivity and innovation, so revenue maximization

will be advantages for shareholders and companies.

Cons - the infrastructure may not be constructed up to the standards governments will, so there will be market failures

in goods and services.