

Problem 1

1. GDP per capita is the measure of economic output of a country which is accounts for its entire population.
2. Because real gdp is use to represent the actual economic output in a year that is accounted for the inflation and changes in price.
3. Discouraged worker is the people who were looking for jobs but cannot get one simply because they have the thought that there aren't any available jobs for them. This does not affect the unemployment rate because they aren't looking for jobs anymore.
4. Transfer payment is payment or income that is distributed by the government without receiving anything in return. It is not included in the gdp because these payments don't use resource or contribute to the productivity of the economy.
5. By market exchange rate, per capita income of Switzerland is more than that of Canada because it is the measure of the pure value of currency which Swiss franc has more value than Canadian dollar. But the measure of ppp is dependant of the standard of living of the country, and goods in Switzerland are relatively more expensive than that of Canada, so we can infer that canada has more income per capita using ppp.

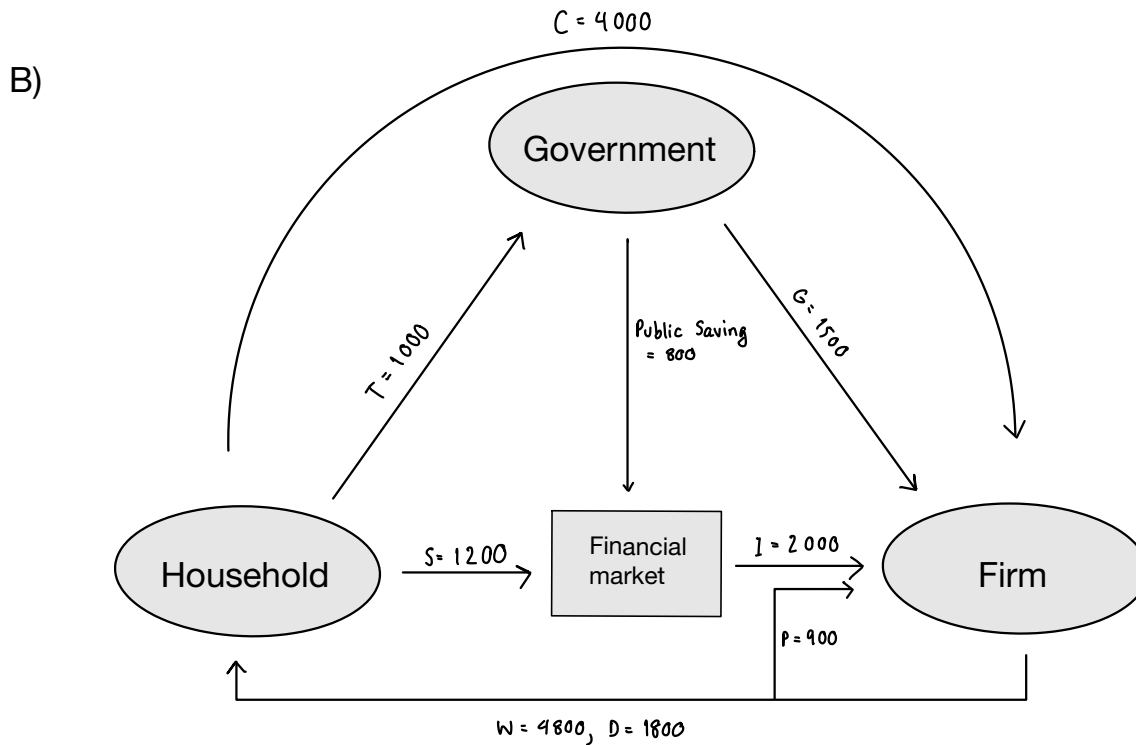
Problem 2

A) $T=1000$, $Y=7500$, $?=public\ borrowing=500$.

The market in the box is financial market.

Function of $GDP = C+G+I$ -> expenditure approach (no export of import in this flow)

$GDP = wage + interest + rent + profit$ -> income approach



$GDP = 7500$

$GDP = wage + dividend + profit, C + G + I$

Aggregate profit = 900

C) Using GDP expenditure formula

$$Y = C + G + I + (X - M)$$

$$8100 = 4000 + 1500 + 2000 + (1500 + M)$$

$$M = 900$$

$$\text{Household income} = C + T + S$$

$$8100 = 4000 + 1000 + S$$

$$S = 3100$$

$$G = T + ?$$

$$1500 = 1000 + ?$$

$$? = 500 \text{ (public borrowing)}$$

$$?? = 600 \text{ (foreign lending)}$$

The budget balance is difference between the income and spending of the govt

Budget balance = $T - G = 1000 - 1500 = -500$ thus it is a budget deficit.

The trade balance = export - import = $1500 - 900 = 600$ (surplus)

Aggregate saving = 2500

This situation is not sustainable because the government needs to borrow from the financial market which mean the government cannot sustain itself. Also I think it is condemnable because it is not a good act for the government to sustains itself by borrowing from public.

Problem 3

- 1) Base year = 2010 real GDP = nominal GDP / (deflator/base deflator)

$$\text{real GDP}(2000) = 80534 / (73.49/100) = 109584 \text{ baht}$$

$$\text{real GDP}(2018) = 235010 / (116.59/100) = 201569.6 \text{ baht}$$

$$\begin{aligned} \text{Inflation rate from 2000 to 2018} &= (116.59 - 73.49) / 73.49 \\ &= 0.59 = 59\% \end{aligned}$$

- 2) The reason behind both of the difference gaps between CPI and GDP deflator could be the oil crisis that happened in 1973 and 1979. The event made the oil prices which in turn, made price of everything rose too, including imported goods. The differences could be from that CPI measures all goods and services, including imported goods bought by consumer. CPI also is calculated by a fixed basket of goods. In times with expensive goods, consumer may have substitutes to buying cheaper ones so CPI wouldn't be very accurate. In contrast, GDP deflator measure goods and services domestically produced so it isn't affected by the risen prices of imported goods.
- 3) In the 1970s Thailand had many economic problem. The notable ones are the oil crisis in 1973 which made a huge inflation, the second oil shock also drive up the inflation rate. In this period Thailand also suffered from decreasing foreign investment and Vietnamese war which made the growth rate slow down. In the 1980s, Thailand shifted from import substitute industrialization to export oriented industrialization which made the growth rate go up as high as 13.6%. In 1997, as the result of the Asian crisis, Thai economy collapsed. The growth rate went down hill, unemployment rate went up a lot. In 2008, as a result of the us financial crisis and the political movement in Thailand, the economy became unstable and fluctuated in the following years.

Problem 4.1

Thailand's inequality among population and unemployment

Unemployment rate is the percentage of unemployed workers in the total labour force. Thailand is one of the countries with the lowest unemployment rate among the world at 1.2% in 2019 not because it has a different definition of unemployment.

Unemployment rate in Thailand has been decreasing after recovering from Asian crisis in 1997, which made unemployment increase by a lot. And in 2008, due to the Hamburger crisis, unemployment rate slowed its descent by a little bit. Overall, since 2001 Thailand's unemployment rate has continually been on a declining trend.

Thailand is a country with an abundance of labour, but it still has its problem with labour. I think a big problem in Thailand's labour market is the inequality of income. The majority of the population only holds a fraction of the nation's wealth. Those who are at the bottom of the wealth pool in Thailand are the main labour force of the industry. Also Thais who cannot find wage-paying jobs tend to become family-helpers, which they do not get paid like wage workers. They can merely afford a good standard of living.

A solution I purpose would be to educate these labour is specific skill areas. The government could provide basic courses to train them to specialize in a line of work. This could increase their income because better jobs that require specific skill sets would become available for them and generally these jobs would get them better wages than working for family-owned business such as agriculture as a large part of Thai population is doing, which would decrease the inequality at least by a little.

While Thailand is among the world's countries with the lowest unemployment rate, only a percentage of labour is counted as wage worker. A large part of labour is still counted as non-wage worker and that creates an inequality for the population, thus we should educate these people to make them able to find a better job with higher income.

Sources:

-Distribution of income, labour productivity and competitiveness by Bruno Jetin

-https://www.indexmundi.com/thailand/unemployment_rate.html

-<https://livingasean.com/explore/thailand-income-equality-wealth-report-2018-indonesia-economy/>

-<https://belonging.berkeley.edu/six-policies-reduce-economic-inequality>

Problem 4.2

The Theory of Economics

Economics is a science concerning how a society produces goods and consumes them. Many theories have been created as tools used to describe its nature and structure. But an American anthropologist by the name Graeber Graeber said, in his article "Against Economics", "Economic theory as it exists increasingly resembles a shed full of broken tools."

In the article, Graeber inferred that the economics theory of today was flawed. Not just on the grand scale, but also on the building blocks of the theory. The reason Graeber thought that, is because the building blocks or as he called "microfoundation" was not suited for use with the present. The microfoundation was created around the time of the Industrial revolution so it focuses mainly on pure economic growth, but the economic problems we are facing today are also concerned about the environment, new ideologies, social movements and so on, which did not exist back then. To create a new theory to solve these problems, the new foundations need to account for the recent changes and advancements of the society, but by the time insights are gathered to make new theory, the society would have changed so much that the theory would be, again, rendered unfit.

An example Graeber used to prove that any economics theory has flawed is the Quantitative Theory of Money, the theory of its time in the sixteenth century. It states that the general price level of any goods and services is directly proportional to the amount of money in circulation, or money supply. The QTM was used by a French lawyer named Jean Bodin in a debate concerning the price inflation that happened after the Iberian conquest of America. Bodin argued that the extracted gold and silver from Spanish colonies were cheapening the money value in Europe. In fact, the metals were not brought back to Europe but instead ended up in China and India to trade for goods. After some speculations, it is still not clear why there was an inflation in price. So it meant that QTM could not explain the situation and is obviously wrong, as explicitly stated by Graeber.

I agree with Graeber. The microfoundations that are being used as the base of economics theory today were most made in the late nineteenth century, with many assumptions of human behavior to simplify it, which is a long time ago compared to the pace of how human society and technology are advancing since the age of digital. Albeit it is not accurate, it is not useless, it still can be used to teach the basics of how the economy works.

Although many theories are a simplified version of many factors, it is not wrong to make a simplified model of economics. It would still provide us with some insight into economics. As it would be impossible to create a precise and accurate theory account for every factor that is involved to describe the way human and economy interact. Even if we could for now, at the pace society is evolving, the theory will be displayed inaccurate in a matter of decade.

Sources:

Against Economics by David Graeber

<https://www.investopedia.com/insights/what-is-the-quantity-theory-of-money/>