

# Research Project 2

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## 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, 19<sup>th</sup> 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:

- Reducing unemployment - In expansionary fiscal, when government cut tax, people will have more income. It lead to increased demand for goods and service. Firms will increase production so business will create more job opportunities.
- Fiscal policy can directly increase or decrease interest rate by government spending and tax.

Extra:

- This policy can use taxation to discourage negative externalities.  
→ Taxing polluters or those that overuse limited resources can help remove the negative effects they cause while generating government revenue.

Briefly explain 2 cons:

- When the government cut taxes, the government will borrow money. It means they increase demand for loanable funds and cause interest rates to rise. It affects to private business to borrow money when they need to borrow to help grow. This calls "crowding out effect".
- Time lag because there are many process which are debate and committee before legislative. This is administrative lag.

Extra:

- Politically motivated policy → the government control fiscal policy. Therefore, this policy can drive elected officials to use incorrect fiscal policy.

Briefly explain 2 pros:

- Interest rates can be set every month. Thus, Monetary policy is faster to implement.
- Political freedom → there is no political considerations to contend with because this policy isn't depend on government.

Extra:

- monetary policy is effective in slowing AD  
→ increase interest rates → people with floating rate will have to pay way to prepend.

Briefly explain 2 cons:

- Central bank can help to stimulate economy, which is lowering interest rates by increasing money supply (Ms).  
But, they can't control people to borrow and spend.
- It could discourage business to expand → This policy will help economic growth but there is no guarantee to help society.

Extra:

In Contractionary monetary policy makes increasing unemployment from slowing production and increasing interest rates.

Definition:

The government attempts to increase output and increase efficiency in the economy. (LRAs curve shift right)

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

- 1) Public sector investment
- 2) Housing supply
- 3) Health spending

Briefly explain how "INTERVENTIONIST" supply-side policies work

The government invests to overcome market failure.

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

**Pro** Improved economic growth → they will raise the sustainable rate of economic growth by increasing LRAs, allowing for better economic growth without causing inflation.

**CON** Time lags - It takes a long time to take effect.

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

1) Income tax cuts

2) Reduce welfare benefits

3) Free-trade agreements

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

The government attempt to use policies to increase competitiveness and free-market efficiency.

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

**Pro** Reducing unemployment benefits - reducing welfare benefits can stimulate unemployed to seek employment. Reduced means-tested benefits for those working may increase the incentive to work longer hours.

**Con** Lower taxes don't always increase work incentives.