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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 Wedensday, 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:

• Can direct spending to specific purposes : a government can direct spending toward specific projects, sectors or regions to stimulate the economy where it is perceived to be need to most.

• Short time lag : The effect of fiscal policy tools can be seen much quicker than the effects of monetary tools.

Extra:

Fiscal policy can encourage a fairly quick increase or decrease in aggregate demand.

Briefly explain 2 cons:

• May be policitically motivated : Raising taxes can be unpopular and politically dangerous to implement.

• Can create budget deficits : A government budget deficit is when it spend more money annually than it takes in. If spending is high and taxes are low for too long.

Extra:

Fiscal policy can be very influenced by politics. It can involve a considerable time lag in implementation, as political parties are debating and arguing.

Monetary Policy

Briefly explain 2 pros:

• Can be implemented fairly easily : central banks can act quickly to use monetary tools. Often, just signaling their intentions to the market can yield results.
• Central banks are independent and politically neutral : If monetary policy action is unpopular , it can be undertaken before or during elections without the fear of political repercussions.

Extra:

Since it is not a political process, the time it takes to implement monetary policy is fairly minimal.

Briefly explain 2 cons:

• Effects have a time lag : The effects on an economy may take months or even years to materialize.
• Technical limitation : Interest rate can only be lowered norminally to 0%, which limits the bank's use of this policy tool when interest rates are already low.

Extra:

Although it does not take long to implement monetary policy, there can be a significant amount of time for consumers to see the intended effects of that monetary policy.

Supply-Side Policy

Definition:

Supply-side policy include a range of policies designed to reduce costs, improve efficiency, productivity, and international competiveness so that the economy can grow without experiencing inflation.

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

- Public sector investment
- increased education
- Vocational training

Briefly explain how “INTERVENTIONIST” supply-side policies work

Interventionist supply-side policies involve government intervention to overcome market failure.

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

Pro: It may be targeted at particular sections of the economy raising efficiency there.

Con: Productivity growth depends largly on private enterprise and trends in technological innovation.

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

- encouraging free trades
- reforming the benefits system to encourage workers to take available jobs
- reducing or abolishing the national minimum wage and trade union power

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

Market-based policies focus on the power of the free market, or allowing the forces of supply and demand to eliminate equilibria imbalances.

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

Pro: Market economies are based on the concept that people are free to make their own choices about what services or products to purchaces.

Con: The downward of a market economy is that costs associated with production are not always paid by the supplier.