

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:

- ① The use of government spending, can directly spending towards area in need and make investment for the future.
- ② Can use taxation to discourage negative externalities. For example, taxing polluters or overuse limited resources can help remove the negative effects they cause and generate government revenue.

Extra:

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

Briefly explain 2 cons:

- ① Can create budget deficit (spends more money than annually than it take in). If spending is high and taxes are low for too long, deficit can continue to widen to dangerous level.
- ② Raising tax can be unpopular and politically dangerous to implement.

Extra:

Fiscal policy can be influence by political. It involve a considerable time lag in implementation.

Monetary Policy

Briefly explain 2 pros:

- ① Interest rate targeting can control inflation. A small amount of inflation encourage investment and allows workers to expect higher wage. By raising interest rate, investment become more expensive and works to slow economic growth a bit.
- ② It promotes transparency and predictability. It can make announcement that are believable to consumer and investment.

Extra:

Monetary policy can be implemented fairly easily because CB can act quickly to use monetary policy tools.

Briefly explain 2 cons:

- ① The risk of hyperinflation can be occurs. Adding more money to the economy can run the risk of causing out of control inflation due to the promise of supply and demand.
- ② Monetary policy does not guarantee economy recovery. During recessions, not all consumers would have the confidence to spend and take advantage of low interest rate.

Extra:

It could discourage business to expand. Interest rate can still increase making businesses not willing to expand their operations, resulting to less production and higher price.

Supply-Side Policy

Definition:

Supply policy are government attempts to increase productivity and efficiency in the economy.

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

- Higher government spending on transport
- Increase funding to schools and universities
- Public sector investment in infrastructure

Briefly explain how "INTERVENTIONIST" supply-side policies work

Interventionist supply side policies involve government intervention to overcome market failure. Such as intervention to reduce poverty.

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

Pro

- Reduce inequality and poverty through tax and benefit system.

Con

- Lack of incentives to be efficient in the public sector.

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

- Income tax cuts
- Free-trade agreements
- Flexible labour market → reduce power of trade unions, min wage.

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

Free-market approaches favour giving a larger role to private sector enterprises with the liberalisation of markets, structural economic reforms to raise market incentives for people and businesses.

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

Pro

- Lower business taxes to stimulate capital investment spending.

Con

- Reduction in progressive direct taxes might lead to an increase in income and wealth inequality.