

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.

Briefly explain 2 pros:

① Can direct spending to specific purpose. The government can direct spending toward specific projects.

② 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.

Extra:

③ Short time lag. It can be seen much quicker than the effects of monetary tools.

Briefly explain 2 cons:

① May be politically motivated. Raising taxes can be unpopular and politically dangerous to implement.

② Can create budget deficits. The government budget deficit is when it spends more money annually than it takes in. If spending is high and taxes are low for too long, such a deficit can continue to widen to dangerous levels.

Extra:

③ Tax incentives may be spent on import. It is muted when the money put into the economy through tax saving or government spending on import, sending that money abroad instead of keeping it in the local economy.

Briefly explain 2 pros:

- ① Interest rate targeting controls inflation. A small amount inflation is healthy for growing economy as it encourages investment in the future and allows workers to expect higher wages.
- ② Can be implemented fairly easily. Central bank can act quickly to use monetary policy tools. Often, just signaling their intentions to the market can yield results.

Extra:

- ③ Central Banks are independent and politically neutral. Even if its action is unpopular, it can be undertaken before or during elections without the fear of political repercussion.

Briefly explain 2 cons:

- ① Effects have a time lag. The effects on economy may take months or even years to materialize. An economy in the short-run, it has no long-run effects expect for raising the general level of price without boosting real output.
- ② The risk of hyperinflation. When interest rates are set too low and price increase too quickly and too high level. Adding more money to the economy can also run the risk of causing out-of-control inflation due to the promise of supply and demand.

Extra:

- ③ Monetary tools are general and affect an entire country. such as states with high unemployment might need the stimulus more. So, the monetary tools can't be directed to solve a specific problem or boost a specific industry or region.

Supply-Side Policy

Definition:

It includes a range of policies designed to reduce costs, improve efficiency, productivity, and international competitiveness so that the economy can grow without experiencing inflation.

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

- ① Public sector investment
- ② Education
- ③ Housing supply

Briefly explain how "INTERVENTIONIST" supply-side policies work

It involves government intervention to overcome market failure.

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

Pro: Investment in human capital → the people's skills improve and the productivity will increase.

Con: Disincentive effect of higher taxes and welfare programs

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

- ① Income tax cuts
- ② Flexible labor markets
- ③ Free-trade agreement

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

It is involve policies to increase competitiveness and free-market efficiency.

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

Pro: Labor market reforms → make the labor market more flexible and lower unemployment.

Con: Policy encourage competition → some types are strongly resisted as reduce the power of interest group
ex. Trade liberalisation