

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) In expansionary policy, Government will increase their spending, there will be increase demand for good and services which will increase productivity and boost the economy.
- 2) Spending on Infrastructure can produce positive benefits besides economic growth, The stimulus program can reduce unemployment and poverty more than that, it can also have strong multipliers.

Extra:

Government can direct spending toward specific projects that perceived to be needed the most, not likely in monetary policy which is general in nature.

Briefly explain 2 cons:

- 1) Since the government need to use a lot of money to do all the spending they have to borrow money which mean that interest rate will rise and it is hard for small business to borrow the money this called crowding out effect.
- 2) A tax cut can affect only the middle class. In time of economic decline and rising taxation, the middle class may have to pay more taxes than the wealthier upper class. The policy may affect only a specific group.

Extra:

Even though Infrastructure projects like making roads and bridges can produce lots of positive benefits but it might take months or even years to complete.

Monetary Policy

Briefly explain 2 pros:

- 1) Easy and manageable, since only Central Bank conduct the monetary policy. If something starts going wrong on the economy, central Bank can do effective step to prevent that.
- 2) By using this policy, central Bank can lower interest rate or supply more money which can reduce local currency. Since currency are low it can increase in export because the product can be sold at lower price so foreigner will buy those product more.

Extra:

In monetary policy when banks are lower interest rate on loans are mortgages, business will be encouraged to expand their business which will lower unemployment and boost the economy.

Briefly explain 2 cons:

- 1) It take time to be implement, changes that are made for monetary policy might take years before it begin to take place, especially when it comes to inflation.
- 2) In contractionary monetary policy, It can increases Unemployment results from the slowing production and increase interest rate. Increase in unemployment reduce the demand of G&S which will make the economic contraction more severe.

Extra:

- If central bank increase money supply too much, it can lead to high inflation.
- If interest rate is high it will lead to decrease in investment. Firm will not hire or even lay off excess labour.

Supply-Side Policy

Definition:

A policy that increase aggregate supply appears to be overwhelmingly beneficial for a nation's economy.

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

- 1) Education and Training Programmes
- 2) Infrastructure Projects
- 3) Securing Intellectual Property Rights

Briefly explain how "INTERVENTIONIST" supply-side policies work

Policies that relate to a greater role of government which lead to greater productivity or lower costs, and also encouraging a higher level of production, economic growth and employment.
(Increase in AD, SRAS and LRAS)

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

PRO Help to lower unemployment since this policy will encouraging a higher level of production which creates more jobs, this lead unemployment rate to be decrease.

CON Government need a lot of money to complete this policy. For example infrastructure program. This are likely to add more in government spending which may lead to budget deficit.

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

- 1.) Reduction in Corporation Tax
- 2.) Deregulation
- 3.) Labour Market Reforms

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

Policies implement by government, aimed at Develop free and competitive markets that increase efficiency in production, Improve resource allocation and increase the economic growth. (Increase in SRAS and LRAS)

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

PRO Allow new firms to enter market from monopolies to competition this will improve in product quality since the increased in competition consumer will have more choices and lower price of goods

CON Cutting higher rate income taxes will lead to increase in income and wealth inequality