

# 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, 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.

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## Fiscal Policy

Briefly explain 2 pros:

- The benefit of fiscal policy is to stimulate economy when it has a deflation. To keep the business flow when the amount of spending from consumer goods decrease. (we call this expansionary fiscal policy).
- When it has an inflation, government would increase tax and decrease government spending, so that the money in the circular flow would be decrease and it can reduce inflation. (we call this contractionary fiscal policy).

Extra:

Briefly explain 2 cons:

- When government stimulate economy, a stimulus spending from government can cause inflation, where salary increase lead price of consumer goods increase to absorb the extra money.
- Economic lost stability, when government spending more than income (tax) so there is no money left in the budget to manage country.

Extra:

# Monetary Policy

Briefly explain 2 pros:

- It encourage people to invest more due to expansionary monetary policy. In this case, bank will be lower the interest rate on loan, so that it would encourage business man to expand their business.
- It can maintain country's economic growth to be stabilize as the government have plamed.

Extra:

Briefly explain 2 cons:

- The most problem of this policy is time lag. It can lead to inflation due to time lag of the process. So they need to predict very careful because it is fluctuated and it can lead to making a wrong decision. (Inflation targeting.)
- In No Announce Target, there are corruption in the process. Central Bank have to be reliable.

Extra:

## Supply-Side Policy

Definition:

It is a government duty to lower the cost or cut cost and bring up the full employment level of commodities

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

- Public sector investment
- Education
- Health spending

Briefly explain how "INTERVENTIONIST" supply-side policies work

About government working to prevent market failure such as, increasing spending on education, transportation and communication.

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

Pro - increase the amount of aggregate supply and have a competition with international market, this make real GDP of the country increase and in show that, people in the country have more income.

Con - In recession time, this policy doesn't work at all because it couldn't prevent fundamental problem which is a low amount of aggregate demand.

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

- Income tax cuts
- Deregulation
- Privatisation

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

It is consider on the power of the free market or accepting the number of demand and supply to get rid of imbalance equilibrium.

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

Pro - It can boost labour supply by cutting income tax rates. it can stimulus economic growth because people have propensity to use money

Con - Although many people agree with cutting income tax, it doesn't work that well. In fact, it doesn't always increase work, persuasive for people to work, so government lost their income.