

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:

- The benefit of expansionary fiscal policy is boosting economy during recession, when gov. spend money, it will provide a good welfare to the society, also reduce tax will reduce people burden that make people spend more.
- The benefit of contractionary fiscal policy is slowdown the economy during expansion, when gov. cut spending, this policy can avoid inflation in the country.

Extra:

Expansionary fiscal policy → increase government spending and cut tax

Contractionary fiscal policy → reduce government spending and increase tax

Government use fiscal policy to stabilize economy

Briefly explain 2 cons:

- Negative impact of expansionary fiscal policy is crowding-out effect, when government spending increase, it make AE₁ and output₁, so money demand in economy increase that make interest rate increase follow. When interest rate is high, people will issue bond that reduce investment (private sector)
- Some theory said that the good economy is the economy that gov. sector should less intervene because economy can adjust by it self, when government use fiscal policy it make economy not organically.

Extra:

To avoid crowding out effect government need to use monetary policy to solve this problem.

Monetary Policy

Briefly explain 2 pros:

- Directly control inflation rate due to monetary policy is control money supply in the economy.

- The policy can adjust the economy quickly because when government set a new interest rate that make people immediately change their financial behavior.

Extra:

Expansionary monetary policy will boost economy because reducing interest rate will induce people to invest in economy.

Briefly explain 2 cons:

- The monetary policy has a chance to cause inflation and speculative bubble if the government decided to use wrong policy at that time.

- Liquidity trap, government need to set the lower interest rate to boost economy, but when the interest rate was nearly 0% that mean fiscal policy that lowering interest rate will no longer effective.

Extra:

The effect of monetary will affect the whole country, when monetary policy launched to solve the problem for some area, some part of the country may get trouble.

Supply-Side Policy

Definition:

Government want to increase aggregate supply by improving productivity and efficiency of economy for higher economic growth

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

- Improve transport and infrastructure

- Increase education and training

- Improve healthcare

Briefly explain how "INTERVENTIONIST" supply-side policies work

Interventionist supply-side policy is the policy that government giving an intervention to people to get a good welfare and well-being. After they gain a well-being, people can work more efficient and productive.

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

- PRO → People will gain more benefits that increase their quality of life from the intervention that government provide.

- CON → The interventionist take long time to have an effect for example improve education for people take long time for the successful result, maybe it have risk to fail.

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

- Cut the income tax

- Reduce unemployment benefits

- Anti-monopoly regulation

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

The market-base supply-side policy is the policy that induce people to work because the policy will set the environment for work harder.

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

- PRO → The market-base supply-side policy will set the environment to encourage people for work such as encourage competition and making labor market more flexible that increase efficiency of people, and induce people want to work.

- CON → Some policy like encourage competition will cause high unemployment because inefficient workers will be fired due to the firm want only good worker