Research Project 2

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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 Wedensday, 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:

- Can direct spending to specific purposes - Unlike monetary policy tools, which are general in nature, a government can direct spending toward specific projects, sectors or regions to stimulate the economy where it is perceived to be needed to most.
- Short time lag - The effects of fiscal policy tools can be seen much quicker than the effects of monetary tools.

Extra:

Briefly explain 2 cons:

- Can create budget deficits - A 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.
- May be politically motivated - Raising taxes can be unpopular and politically dangerous to implement.

Extra:

Monetary Policy

Briefly explain 2 pros:

- Central banks are independent and politically neutral - Even if monetary policy action is unpopular, it can be undertaken before or during elections without the fear of political repercussions.
- Can be implemented fairly easily - Central banks can act quickly to use monetary policy tools. Often, just signaling their intentions to the market can yield results.

Extra:

Briefly explain 2 cons:

- Effects have a time lag - Even if implemented quickly, the macro effects of monetary policy generally occur after some time has passed. The effects on an economy may take months or even years to materialize.
- The risk of hyperinflation - When interest rates are set too low, over borrowing at artificially cheap rates can occur. This can then cause a speculative bubble, whereby prices increase too quickly and to absurdly high levels.

Extra:

Supply-Side Policy

Definition:

Government attempts to increase productivity and increase efficiency in the economy. If successful, they will shift AS to right and enable higher economic growth in the long run.

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

- Increased education and training
- Improving transport and infrastructure
- Improved healthcare

Briefly explain how "INTERVENTIONIST" supply-side policies work

Interventionist supply-side policies involve government intervention to overcome market failure. For example, higher government spending on transport, education and communication.

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

PRO - Talking about "increased education and training" policy, better education can improve labour productivity and increase AS. Often there is under-provision of education in a free market, leading to market failure.

CON - Government intervention will cost money and require higher taxes, it will take time to have an effect and the government may subsidise the wrong types of training.

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

- Lower taxes on businesses and households
- Welfare reform
- Trade liberalisation

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

Free the markets to compete to increase potential output.

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

PRO - Improvements in international competitiveness may help improve the balance of payments.

CON - Some of the changes to the tax and benefits system have contributed to the widening of inequality. Tax cuts have benefited shareholders and high earners much more than low paid workers.