

# 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.

Briefly explain 2 pros:

- short time lag

The effects of fiscal policy tools can be seen much quicker than the effects of monetary tools.

- can direct spending to specific purposes

unlike monetary policy tools, which are general in nature, a government can direct spending toward specific projects,

Extra:

sectors or regions to stimulate the economy where it is perceived to be needed to most.

Briefly explain 2 cons:

- May be politically motivated

Raising taxes can be unpopular and politically dangerous to implement.

- 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.

Extra:

- tax incentives may be spent

the effect of fiscal stimulus is muted when the money put into the economy through tax savings or government spending is spent on imports.

Briefly explain 2 pros:

- 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.

- 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.

Extra:

- Controlled Inflation

If the monetary policy gets well managed, then we can expect a low amount of inflation.

Briefly explain 2 cons:

- Lag can happen

Although, after acting quickly the results might not show instantly. The macro effects can become time lagged behind the monetary policy. It can cost months or maybe even years to take effects on an economy.

- Limitations

Despite being independent central bank sometimes can also hold technical margins.

Extra:

They have certain limits on setting interest rates. They cannot go beyond of that limit. However, placing interest rate at the lowest point for a long time can lead an economy to a liquidity trap.

Definition:

Supply-side policies are government attempts to increase productivity and increase efficiency in the economy.

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

1. Increased education and training
2. Improving transport and infrastructure
3. Build more affordable homes.

Briefly explain how "INTERVENTIONIST" supply-side policies work

Policies that involve a greater role of government but lead to greater productivity or lower costs, encouraging a higher level of production and economic growth and employment.

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

**PRO** : lower inflation  
shifting AS to the right will cause a lower price level. By making the economy more efficient

**CON** : timing  
take a long time to work its way through the economy.

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

1. Reducing power of trades unions
2. Reducing minimum wages
3. Reducing income/corporation taxes

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

policies that involve policies to increase competitiveness and free-market efficiency. For example, privatisation, deregulation

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

**PRO**: Deregulate financial market  
For example, building societies were allowed to become profit-making banks. Also, should be allowed more competition.

**CON**: environment damage results with no government regulations because it's usually more expensive to produce in an environmentally sound manner which reduces profits.