

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:

The Pros of fiscal policy is reactionary to the ever-changing economic conditions a country face, when fiscal policies are in place, then interest rate can be cut to encourage growth when needed. More money can move between social programs as population needs change. It can be used to limit negative community behaviors. The tax on cigarette in US is good example of this. The high tax discourage smoking. Positive effect happen quickly. People on food stamp

Extra:

get money to stop their hunger. Mental health care services can improve. Pot hole in road get fixed. Communities can quickly see the positive benefit of a good fiscal policy.

Briefly explain 2 cons:

The cons of fiscal policy is easy to create a budget deficit, gov. routinely spend more money than they get in taxes. Budget create projection and if incoming revenue don't meet these projection, eventually services need to be cut. Not all spending happen domestically, import are often the target of tax spending and this tend to limit the fiscal benefit that can be achieved.

Extra:

Changes can be politically or personally motivated. No one like rising tax. That's why specific group of people are generally targeted for more money when fiscal policies need it. This limit the political damage politician may face.

Monetary Policy

Briefly explain 2 pros:

It promote lowered interest rate, which also means lowered mortgage payment rate. With reduced mortgage fees, homeowner will be able to settle their monthly payments regularly and will have more money to spend on their important things, which is a win-win situation for all parties involved. It make it possible for more investment come in, with consumer spending more. When interest rate lowered the investment increase. In addition, commodity price go down, which mean consumer can buy more good.

Extra:

It allow the use of quantitative easing by the central bank. With this policy the Federal reserve will be able to print more money, enabling it to purchase gov. bonds from bank making cash reserve in bank raise this lead to more money for bank to lent.

Briefly explain 2 cons:

It is not proven to be useful during Global recession. Even when bank lower interest rate and consumer would spend more money, the export industry may suffer especially during a global crisis. It can discourage business from expanding. It posing a contractionary monetary policy, interest rate would increase, causing business to loose interest in expanding their operation, which lead to less production and higher price. It doesn't gurantee economy recovery, some economist think that not all consumer will have confidence

Extra:

to spend and take advantage of low interest rate during recession

Supply-Side Policy

Definition:

Supply side policy are government attempts to increase productivity and increase efficiency in the economy. If successful there will be higher economic growth in Long-run

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

1. Public sector investment
2. Education
3. Health spending

Briefly explain how "INTERVENTIONIST" supply-side policies work

Better education can improve labor productivity and increase AS.
Improved transport links can help reduce congestion and overcome market failure.
Health care spending can improve labor productivity.

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

Pro: Focus on industrial market the government can help the most promising industries for future profit, creating a better economy in the future.

Con: Government need high taxes and a large infrasture to effectively implement these policies.

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

1.) Privatisation

2.) Deregulation

3.) Income tax cut

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

Reduce government intervention and allowing free market to increase efficiency and improve incentive

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

Pro: Lower inflation. Making economy more efficient, supply-side policy will help reduce cost-push inflation.

Con: Productivity growth depends largely on private enterprise and trends in technological innovation. There is a limit to which the government can accelerate the growth of technology change and improvement in working practices.