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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 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:

① the government can directly use the fiscal policy to the specific purpose such as sectors and the area that is perceived to need the most in order to stimulate economy

② The governments can use tax to slove some negative effect. For example if there are overused of cars causing pollution and traffic jam, the government can impost more tax in buying cars to decrease the demand of cars

Extra:

The fiscal policy is the policy that is implemented by the government such as increasing in government spending. It can also use to stimulate or slow down the economy.

Briefly explain 2 cons:

① In the bad economy, if the government use fiscal policy to stimulate the economy by increasing the government spending, it can cause money deficit which is not good for the economy for the furture

② By using fiscal policy to stimulate economy, it will cause the inflation. Using expantional fiscal policy will make AD shift to the right, making price and outputs increase.

Extra:

money deficit is when the government has more spending than incomes.

Monetary Policy

Briefly explain 2 pros:

① Using monetary policy can effectively control inflation rate. By rising interest rate, The investment will become more expensive. As a result, that can use to slow down the economy.

② By increasing money supply or decreasing interest rate, that will make the local currency weaker, which makes the exports more cheaper. When the exports is less expensive, the foreigners will tend to purchase more.

Extra:

- small inflation can make economy growth since workers can ask for more wage and people tend to make more investment.

Briefly explain 2 cons:

① the effect of monitary policy take too much time to activate and work. Sometimes it takes months or a year. In bad economy, it is not fast enough to stimulate.

② Sometimes monitary policy is more effective during economic expansion more than recession. Since the center bank cannot set the interest rat 0%, that will limit the center banks to use the policy to boost the economy when the economy is still bad but interest is too low.

Extra:

When the monitary policy is uneffective to stimulate the economy, that call liquidity traps.

Supply-Side Policy

Definition:

The policies that involve a greater role of government but lead to greater productivity or lower costs

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

① the government increases funding to schools and universities to improve productivity
② improve in transportation and reduce cost.
③ the government provide more skills to the people who lose the job

Briefly explain how "INTERVENTIONIST" supply-side policies work

When the government use supply-side policy to improve productivity, the aggregate supply (AS) will increase, which means AS will shift to the right. As a result, the price will be lower and the productivity will be higher.

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

Con: The government may need high tax and a lot of infrastucture to effectively implement supply-side policies, which some cantries cannot affort and these policies take a long time to have an effect and to allocate.

Pro: Supply side policies can effectively reduce unemployment rate and stimulate the economy. For example, by improving education, the price will be lower, which makes nominal wage decrease. As a result, the firms can hire more workers and product more outputs.

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

① Reducing labour market protection
② Income tax cuts
③ selling state owned assets to private sector

Briefly explain how “MARKET-BASED” supply-side policies work

If the government use deregulation of industry, the industry will have lower costs, which encourages the firm to product more outputs and hire more workers. As a result SRAS will shift to the right, making price lower and more outputs

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

Con: By using deregulate labour Market, the workers may have less incentive to work. As a result, Flexible labour market can increase uncertainty in productivity.

Pro: Market-based supply side policy can increase competitiveness, which lead to increasing in productivity and new innovation. As a result, that can lead to more profits and the growth of economy.