Nanticha Chintawinit 6304640664

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) If use government spending, can direct spending towards areas in need (e.g. infrastructure, education, etc.), and make investments for the future.
2) Using a balance budget can provide a stimulus without adding to the government budget deficit.

Extra:

While fiscal policy may lead to government deficits/debt, we should look at debt/GDP ratio. As only as GDP grows, it can bring down the debt/GDP ratio.

Briefly explain 2 cons:

1) Knowledge problems (regarding the current state of the economy; regarding the amount of an expansion or contraction needed, etc.)
2) Government budget deficits (though there's disagreement regarding the extent to which deficits are a problem)

Extra:

Growing the GDP to bring down the debt/GDP ratio can compromise environmental sustainability.

Monetary Policy

Briefly explain 2 pros:

1) Expansionary policy leading to depreciating currency can stimulate exports (at least for businesses that do not rely on importing their inputs).
2) The Fed is theoretically instead from the political process.

Extra:

No government budget deficits.

Briefly explain 2 cons:

1) Knowledge problems (regarding the current state of the economy; regarding the amount of an expansion or contraction needed, etc.)
2) Fed's change in interest rate is applied nationally - some areas in the country might not need the stimulus, while states with high unemployment might need the stimulus.

Extra:

While government doesn't incur debt, the private sector is encouraged to borrow and take on debt.

Supply-Side Policy

Definition:

Supply-side policies are government attempts to increase productivity and increase efficiency in the economy. If successful, they will shift aggregate supply (AS) to the right and enable higher economic growth in the long run.

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

1) Public sector investment
2) Education
3) Vocational training

Briefly explain how "INTERVENTIONIST" supply-side policies work

Interventionist supply-side policies involve government intervention to overcome market failure.

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

Pro of Interventionist
- Reduce inequality and poverty through tax and benefit system
Con of Interventionist
- Lack of incentives to be efficient in the public sector

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

1) Privatisation
2) Deregulation
3) Income tax cuts

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

Free-market supply-side policies involve policies to increase competitiveness and free-market efficiency.

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

Pro of Market-based
- Lower business taxes to stimlate capital investment spending
Con of Market-based
- Reduction in progressive direct taxes might lead to an increase in income and wealth inequality