

MICRO

Concept	RWE
Importance of PED for firms and governments	<p>Indonesia palm oil producers (El Nino 2024 poses risk to yield), prices were raised to protect (primary commodity so inelastic PED)</p> <p>Daraprim (medication) price raised 50 times by Turing Pharmaceuticals in 2015 (necessity so demand unchanged)</p> <p>Indonesia government raises tobacco tax in 2022</p>
Price ceiling	Indonesia sets 900,000 Rp price ceiling on covid swab tests in October 2020
Price floor Minimum wage	<p>India central govt sets price floor on sugarcane in June 2023 to ensure good returns at 315 Rs per quintal</p> <p>Nurses in Thrissur, Kerala assured a 50% hike in minimum wages</p>
Indirect tax	Canada's 6.3% federal tax on alcohol
Subsidies Subsidies for merit goods	<p>China subsidises solar panel production, and provision of wind/solar power increased production by 25% in 2022</p> <p>Singapore 2023 subsidised vaccine list - vaccines made cheaper</p>
Direct provision	New Zealand national immunisation schedule Te Whata Ora widened in 2023 to include more vaccines
Tax to fight negative consumption externality	<p>Canada 6.3% alcohol tax in 2023</p> <p>Indonesia 10% cigarette tax in 2023</p>

Carbon tax	<p>Sweden \$126 carbon tax per metric tonne in 2022</p> <p>Singapore carbon tax of \$5 SGD</p>
Tradeable permits	European Union Emission Trading System
Legislation/Regulation	<p>Vaccinations in Australia - making it mandatory for children to get vaccine to enroll in school - done through legislation</p> <p>University students have to undergo vaccines to enroll at universities in the US</p> <p>Singapore raised smoking age from 18-19</p>
Provision of public goods and contracting out to the public sector	<p>Thames flood barrier</p> <p>Built in 1974 by British government; maintenance contracted out to private sector American firm (british jobs lost)</p> <p>Mumbai Coastal Road- contracted out to private firms like L&T</p>

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Using GDP vs GNI to measure economic wellbeing	<p>GDP not measuring true output:</p> <p>Hong Kong has a high service sector so GDP of 369.2 billion in 2021 doesn't reflect their development</p> <p>Manufacturing smaller sector, associated with low YED products so better for low-income developing countries (long term development of service sector stagnates GDP, loss of investor confidence?)</p> <p>GNI not measuring true income:</p> <p>Ireland GNI of 382 billion in 2021, has a lot of US and European subsidiaries which repatriate profits, reduce GNI but high GDP</p> <p>Workers gain employment, gain better income but low overall GNI as most repatriated</p> <p>Irish government benefits from tax revenue but</p>
<p>Unemployment vs Inflation</p> <p>Look at cyclical vs structural, (graph of unemployment draw deflationary gap and structural unemployment, inflation draw inflationary gap); talk about costs of each and then synthesise, type of unemployment and inflation (DP vs CP), duration, other aspects govt budget</p>	<p>Argentina 2013-2021, high unemployment causes low GNI, labour participation rate low at 68% as opposed to developed country 75%</p> <p>Only 37% of working youth part of workforce, 56.6% in other countries (loss of human capital)</p>

	<p>Inflation is a problem if stagflation, outpaces income growth and inflation elsewhere</p> <p>Argentina Cost-push inflation caused by depreciation of peso from 361/\$ to 808/\$</p>
Economic growth	<p>India, referred to as the world's fastest growing major economy, around 7%. Growing population, privatisation of oil, coal and airline, tax reform, all helped increase growth</p>
Taxation for inequality (lorenz curve is the graph)	<p>Argentina wealth tax in 2021 up to 1.75%. Gini coefficient decreased by 0.71%; Assumes Argentinians comply</p> <p>Discourages wealthy people emigrating, discourages investment, FDI, tax issued on firms</p> <p>US 1991 indirect taxes on luxury goods like watches and yachts, gini coefficient decreased by 0.78%</p>
Expansionary monetary policy	<p>Reduced interest rates to encourage spending (lost generation Japan)- combined initiative by Govt of Japan and Bank of Japan</p>
Contractionary monetary policy	<p>Sweden raises interest rates by 2.5% to combat cost-push inflation created by Russia-Ukraine war resulting in high energy prices in 2022</p> <p>India's Response to Inflation in 2018 - faced a period of high inflation. - Increased Repo Rate: The RBI raised the repo rate, the rate at which it lends money to commercial banks. This makes it more expensive for banks to borrow from the central bank, which in turn discourages them from lending freely to businesses</p>

	<p>and individuals.</p> <p>Open Market Operations: The RBI also conducted open market operations where they sold government securities. This absorbs money from the banking system, reducing liquidity and making it harder for banks to lend freely.</p>
Expansionary fiscal policy	<p>Hong Kong govt 2020-2022 reduced taxes and increased govt spending to boost GDP when high proportionality of saving existed</p> <p>Transfer payments, significant training programs, adapt to change in job market after lockdown</p> <p>Economic growth, higher inflation, more employment, job training has supply side effects, bring FDI and investment</p> <p>Cons: Inflationary pressure, strain on budget govt alr in deficit</p> <p>The New Deal- a series of programs, public work projects, financial reforms, and regulations enacted by President Franklin D. Roosevelt in the United States between 1933 and 1938. - aftermath of 1929 stock exchange crash and subsequent Great Depression</p> <p>Japan's "Abenomics"</p>
Contractionary fiscal policy	<p>IMF in 2018 tells Argentina to increase taxes and lower government spending to fight debt - caused by rising interest rates in US which decrease demand for peso</p> <p>European Austerity Measures (2010s)-</p>

	<p>Following the 2008 financial crisis, several European countries adopted austerity measures in response to high budget deficits. These measures often involved significant government spending cuts, aimed at reducing the overall size of the government and its borrowing needs. While these policies helped to stabilize public finances in some countries, they also led to slower economic growth and increased unemployment in others</p>
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Global:

Appreciation: US currency appreciates 2018 following higher interest rates

Depreciation: Argentina peso depreciation due to higher interest rates in the US in 2018