

A. ASSIGNMENT RECAP

- Write a **1200-word report** on one economic policy relevant to Vietnam and take a position on it.
- Include a **2-page newsletter** presenting your position with pros/cons, costs, data, theory, and models.
- Also provide a **technical document** detailing your rationale, models, and additional data.

Suggested Structure:

1. Part 1: Newsletter
 - a. Introduction (Suggested 100 words)
 - b. Explanation of the policy. (Suggested 100 words)
 - c. Potential impact on the economy (Suggested 300 words)
 - d. Benefits of the policy(Suggested 100 words)
 - e. Barriers and cost of the policy(Suggested 100 words)
 - f. Final Statement (Suggested 100 words)
 - g. Page 2: Technical companion document
2. Page 2: Technical companion document
 - a. Introduction (Suggested 100 words)
 - b. Theoretical Framework (Suggested 100 words)
 - c. Data analysis (Suggested 200 words)

B. KEYWORD EXPLANATION

1. Government Spending:

- Government spending refers to public expenditure on goods, services, and transfer payments by federal, state, and local entities.
- As a component of aggregate demand, increased government spending can stimulate economic activity and employment, but risks crowding out private investment or causing inflation if near full employment.

2. Carbon Pricing:

- Carbon pricing refers to government policies that put an explicit price on greenhouse gas emissions, usually in the form of a carbon tax or emissions trading system (cap-and-trade).

- By raising the costs associated with carbon emissions, carbon pricing creates incentives for households and firms to reduce energy consumption, shift toward cleaner options, and invest in efficiency, thereby helping address climate change but potentially slowing economic growth in carbon-intensive sectors.

3. Nationalization of all private transport:

- Nationalizing private transport refers to a government takeover of privately owned transportation companies and assets, like taxis, rideshares, buses, rail, airlines, etc.
- By transferring these companies to state ownership and control, nationalization can aim to improve coordination, equity, and accountability, but risks reducing competition, innovation, and efficiency in the transport sector, leading to higher costs, reduced quality of service, and wider economic impacts.

4. Budget Deficit

- A budget deficit occurs when a government's expenditures exceed its revenues in a given fiscal year, requiring it to finance the gap through borrowing.
- Persistent and large budget deficits can raise interest rates, crowd out private investment, lead to higher inflation, and constrain a government's ability to use fiscal policy to stabilize the macroeconomy and promote growth.

5. Exchange rate:

- The exchange rate is the price of one currency expressed in terms of another currency. It determines how much a unit of one currency can be converted to in another currency.
- Movements in exchange rates affect international trade, capital flows, and economic activity between countries with different currencies.

6. Interest Rate:

- The interest rate refers to the amount charged by a lender to a borrower for the use of its money. Interest rates affect the cost of borrowing and the incentives for saving and investment in an economy.

7. Income Tax:

- Income tax is money paid to the government based on how much income a person or business earns.

- Higher-income tax rates mean people and companies keep less of their income, which can discourage them from working, saving, and investing more. But income tax also provides governments money to spend on things like roads, schools, and benefits for the poor.

8. Inflation target:

- Inflation targeting is when a central bank announces a target for inflation and uses interest rates to try to keep actual inflation near that target.
- Having an inflation target can help keep prices stable and manage people's expectations about inflation. But it may sometimes require the central bank to focus too much on inflation and not enough on keeping employment and growth high.

9. Technical Companion Document:

- A technical companion document provides more detailed analysis and evidence to support a main policy document meant for general audiences.
- It expands on economic models used, presents more data and research, and offers in-depth technical information. The goal is to showcase the thorough, rigorous analysis performed to establish credibility with specialized readers seeking a deeper understanding. It demonstrates the full analytical foundations behind policy recommendations aimed at laypersons.