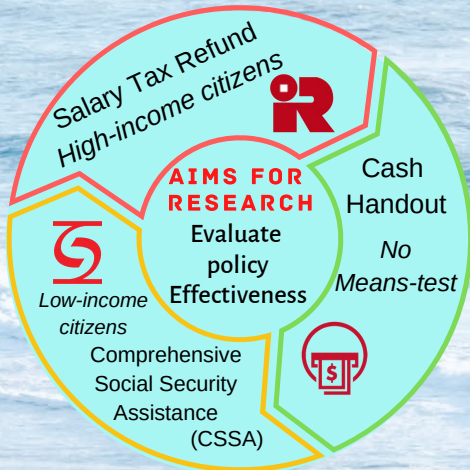




ECON4903 - Economics in Practice

Evaluation of the Hong Kong Government Financial Assistance Policy

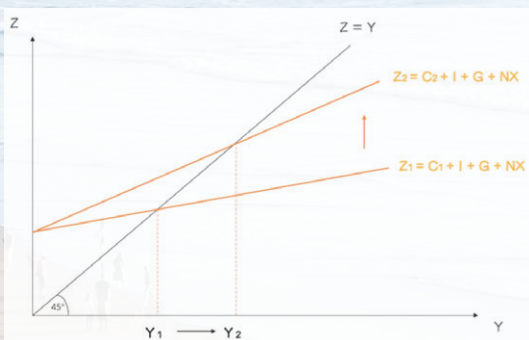


Economic aspects	Tax Refund	CSSA	Cash Handout
CPI	0.0000397	0.0391 *	-0.0000479
%Δ GDP (million)	2.21%	7.07% *	0.207%
%Δ Consumption (million)	2.01%	7.02% *	0.986%
%Δ Saving	3.77%	9.37% *	-1.98%
%Δ Monetary base	-0.554%	7.65% *	1.68%
%Δ Household income	-4.35%	2.44% *	-3.46%
%Δ Personal income	-3.89%	2.00% *	-1.20%

- Only CSSA has a significant effect on the economic aspects while others didn't

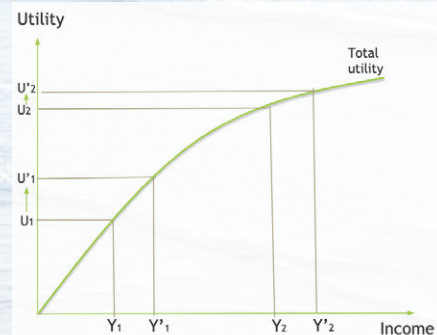
* Statistical Significance

KEYNESIAN MODEL



- Consumption raise
- Output will increase
- One-off policy is difficult to sustain the output growth
- Recurrent policy can sustain the output growth

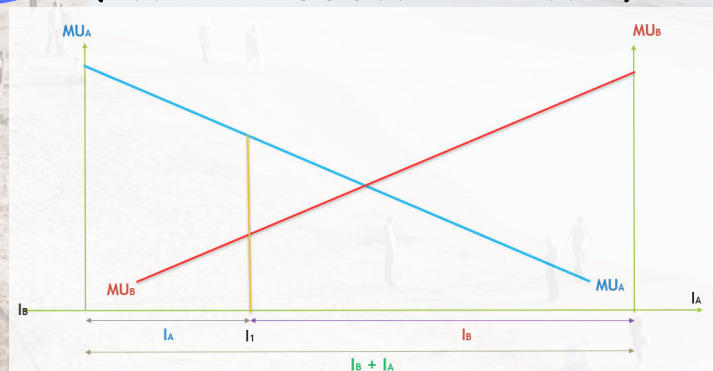
LAW OF DIMINISHING MARGINAL UTILITY



- Given same amount of financial assistance
- Poor will gain higher marginal utility than the richer → CSSA is better out of three policy

THEORY MODEL

UTILITARIANISM (MAXIMIZE SOCIAL WELFARE)



CONCLUSION

- CSSA is the most effective policy
- Positive significant effect to the economy
- long-term policy is better than a one-off policy
- HK government should increase expenditure on CSSA

- Only CSSA can improve income distribution
- Poor marginal utility > richer marginal utility
- Social utility maximized