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### ECON4903 - Economics in Practice

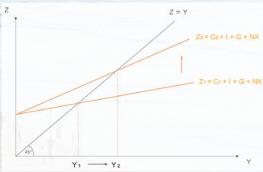
# Evaluation of the Hong Kong Government Financial Assistance Policy



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

 Only CSSA has a significant effect on the economic aspects while others didn't \* Statistical Significance

#### KEYNESIAN MODEL

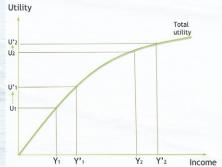


- Consumption raise
- Output will increase
- One-off policy is difficult to sustain the output growth
- Recurrent policy can sustain the output growth

### CONCLUSION

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

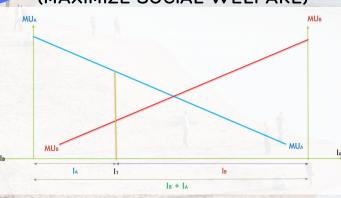
### LAW OF DIMINISHING MARGINAL UTILITY



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

THEORY MODEL

## UTILITARIANISM (MAXIMIZE SOCIAL WELFARE)



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