EZY ECONOMICS

THE WEEKLY 5

23/03/18

Here are the five economic stories which have caught our eye this week:

Tech. Tax:

The pressure being imposed on some of the largest tech firms around the world intensified this week after the European Commission confirmed plans to introduce a tax on revenue rather than profits.

The tax proposal is set to introduce a 3% tax on turnover firms make through advertising revenue and other online services. The Commission believes that this move will help close some of the tax loopholes that the largest firms have been able to exploit to reduce their average tax liability to 10% instead of the EU-firm average of 24%.

The Commission are now trying to encourage EU member states to adopt similar tax laws to ensure the tax change is robust and effective.

Discuss how large MNC corporations can use their scale and influence to reduce the size of their tax liabilities.

Using the concept of the Laffer Curve, evaluate the impact of this policy change on the tax revenue collected from these firms.

The Row over Intellectual Property:

Trade tensions between the US and China threatened to boil over this week as the US stepped up their efforts to clamp down on the transfer of US intellectual property rights to Chinese businesses.

The US administration has accused Chinese companies of copying US production methods and ideas to help make their goods more competitive and of a higher quality. This is a trade practice which the US perceives as unfair, unjust and has contributed to the widening trade deficit between the two nations.

The US has threatened to impose $80bn of import tariffs on a range of different household goods produced by Chinese businesses to curb this trade practice.

Explain how intellectual property rights affect the competitiveness of producers in a saturated market.

Discuss the reasons why this trade practice from China has contributed to a wider trade imbalance between the two countries.

EZY ECONOMICS

23/03/18

Economics of Happiness:

United Nations World Happiness Report

Self-Reported Measure of How People Feel and Why

	Happiest Nations
1	Finland
2	Norway
3	Denmark
4	Iceland
5	Switzerland
6	The Netherlands
7	Canada

The United Nations produced their annual report on the state of global happiness this week. In 2018, Finland ranked highest on the list of 156 different countries, whilst Burundi was reportedly the most unhappy nation.

The report attempts to measure a broad range of different variables to provide a complete picture of the average level of wellbeing in each country. Variables such as real GDP per capita, social support, healthy life expectancy, freedom of choices, generosity and perceptions of corruption are all effectively measured.

An overall score is reached by the citizens of each country responding to a series of questions in a global survey. This population-weighted average score ranges from 0-10 and as the same methodology is used each year, useful comparisons can be made with the data.

Discuss why happiness and economic wellbeing can often provide greater insights in to the development rate of a country compared to more traditional measures such as GDP.

What are the limitations of using this self-reported data to assess economic progress?

Giving Britain a Pay Rise:

NHS

NHS Pay Deal

The government confirmed their proposals this week to introduce an overdue pay rise to 1.3m of the lowest paid nurses, midwives, physiotherapists and radiographers working in the NHS.

The pay deal is structured so that 50% of the staff covered by this agreement will receive a pay rise of 6.5% over the next three years. The other 50% (the lowest paid) will receive a pay increase of somewhere between 9 and 29 per cent over the same period of time.

The £4.2bn policy is set to end the pay squeeze in the NHS and help attract and retain workers.

Using an AD-AS diagram, discuss the consequences of this NHS pay deal for the UK economy.

To what extent do you agree with the view that the pay freeze held across the public sector should end.

One Shop Too Far:

NEW LOOK

The clothing retailer New Look became the latest firm to fall victim to the problems circulating in the UK high-street.

The firm announced that within the next trading year, 60 stores will be closed down and 1,000 jobs will be cut in a drastic effort to help the company reduce its rent costs, manage its debts and ultimately help the firm return to profitability.

Firms such as Toy R Us, Maplin and Prezzo have all had similar problems in thriving in a more competitive landscape, as well as domestic cost pressures coming from a weaker pound, higher business rates and an increasing national living wage.

Using an appropriate diagram, show the impact that a reduction in rent costs will have on the performance of a retailer such as New Look.