New welfare reforms proposed by the Conservative Government have made it possible for housing benefits to be slashed, by about £40-£80 a month, if families are given council houses considered as too large for their family to live in.

Research suggests that this is one of the most hated policies proposed since David Cameron became Prime minister as it could affect up to 95,000 people in the UK and force them into considerable debt. The justification for this new tax is that the Government do not think it is right for the taxpayer to pay for people's houses if they are not fully using them and it will also stop a single person being given a 2-3 bed-roomed house. Furthermore, it means that anybody who lives in social housing, with a spare room will lose 14% of their housing benefit or 25% if they have two spare rooms. It is said that the North of the country will be hit worse as with a higher unemployment rate and lower wages, a cut in any housing benefit will either make them force to move house or to be in debt.

With many saying that it is almost impossible for those affected to move and find smaller council properties. This would make many people fall further into poverty, causing relative poverty to increase in the UK. A disadvantage to this policy is that it does not distinguish between family circumstances. The same rules apply to all families living in social housing even if their child is disabled and requires their own room. They will still have the same amount of benefit taken away from them, which could subsequently cause the health of a child to suffer, due to a reduction in disposable income. Also, by law, a girl and a boy are not allowed to share a room after the age of ten, so therefore some families may be forced to move out of social housing now as they have an "extra bedroom" but once their children reach ten they will be put straight back into the same type of housing they once had. This may be considered as a waste of time and resources and critics say that the Office for Housing should consider each case as an individual because this policy could end up wasting money in the long run. It is said that this policy will increase work incentives for those of working age so that they will be able to provide for themselves. This will also lend itself to decreasing the countries national debt and help boost the economy by getting people into work and increasing production. Critics say that this new policy is a mess of contradiction and impossibility and the true outcomes will only be seen once the policy is set in place in April.
Is the increase in progressive taxation the right decision for the UK?

A progressive tax increase has been announced, which will hit the rich more than the poor. The country is desperate to reduce its deficit, and this measure has relatively little political cost. The aim of this change is to tax the rich people within society, and use the government revenue gained to benefit the poorer with society by increasing benefits. Therefore, this increase in progressive taxation initially seems like a good idea as the poor are able to get more money from society. This will help them to gain a better quality of life through being able to afford more luxury goods. However, this change could have an extremely negative impact and is seen by many economists to be a bad idea. This is because the rich within society are losing out and so it may actually create an incentive for them to cap their income in order to not move up into the next tax bracket. Therefore this will not be creating extra income for the government, instead the rich will be earning less, and so their spending will be likely to decrease which in the long-run could have an extremely detrimental impact on economic growth. Consequently this will not cause an increase to benefits received by the poor as the government will be using their revenue elsewhere in areas of higher priority such as reducing the budget deficit. Also this increase in progressive taxation may worsen the poverty trap, as an increasing number of people are on a low wage yet they are having to pay income tax, and so are going to lose out in this situation.

By Sian Lucas
The coalition’s economic policy, the triple dip and the threat of Depression

Depression - a term expressing sustained, long-term downturn in economic activity in one or more economy. It is a more severe downturn than a recession, which is seen by some economists as part of the modern business cycle. The shrinking experienced by the UK economy during the final quarter of 2012 has sparked fears of a possible depression in the UK, with Britain currently on course for a third recession in four years.

According to the Office for National Statistics (ONS) the fall in output was largely due to a drop in mining and quarrying, after maintenance delays at the UK’s largest North Sea oil field. This comes as a huge disappointment after positive growth of 0.9% in the previous quarter, making total growth for 2012 flat. Manufacturing again let the economy down, falling by 1.5%, and counteracting a 0.3% rise in construction. Sterling dived on the news, reflecting fears the UK will lose its AAA credit rating and status as a haven economy, though the stock market shrugged off the news, remaining at a four-year high. Experts at the Royal Bank of Scotland said the last four years have produced the worst economic performance in a non-post-war period since records started being collected in the 1830s. This fluctuation at the end of 2012 reflects both the general pattern of the UK economy since downturn in 2008 and Stephanie Flanders’ comment “The broad sense is of an economy that is treading water - not one that is about to drown”, suggesting that the economy is not in turmoil but instead is somewhat stagnant. These figures suggest obvious recovery from the chaos of 2008 (Q3 and Q4) and 2009 (Q1). However, this recovery remains limited and inconsistent rather than sustained economic growth. Fears of a depression are mounting, especially with the deep recession in the Eurozone, as well as varying opinions on the policies pursued by Chancellor George Osborne, including conflicts from within the coalition, and worries of when the economy will show true signs of recovery.

The coalition’s original plans were huge reductions in the deficit to an extent that by 2015-16, the total public debt would be falling as a fraction of GDP via cuts in public and capita spending. Originally such plans were heavily backed by major British CEOs as well as the IMF, however following the figures released for Quarter 4 of 2012, the IMF’s chief economist Olivier Blanchard has recommended that this is an opportunity to “take stock” and re-evaluate the government’s austerity policy due to the adverse effects on growth. The ‘austerity debate’ has been furthered by recent comments made by Deputy Prime Minister von…
Nick Clegg who believes that investment in infrastructure and capital spending projects were vital in stimulating growth.

When asked about Mr Clegg’s views, Mr Osborne responded: “What Nick Clegg has said is that capital investment is important and I agree with that, which is why we have added £20 billion of capital investment to our plans over the last couple of years.

“But you can only do that if you have convinced the world that you can pay your way - that investors have confidence in the UK. We’ve got that confidence.”

What Mr Osborne says is certainly true; confidence in the UK is paramount to achieving the economic recovery desired, however it should be noted that this is a worldwide depression and thus confidence is low everywhere. RBS’ Stephen Boyle has said there are “limited options” for the Chancellor to “let up on austerity”, thus extrapolating the need for the Chancellor’s austerity measures.

Moreover criticisms from the left are largely unjustified. Ed Balls’ criticisms are in some ways accurate; yes, the government’s plans have, so far, failed to alleviate the economic problem significantly. However Labour’s economic (and general) intentions are very unclear and largely generic ‘point-scoring’ jargon. Furthermore, as heretofore stated, the coalition is currently facing a ‘world’ crisis and thus recovery shall not be easy or quick. Finally the chronic overspending by “New Labour” was reminiscent of a child in a sweet shop. Whilst those on the right who label the ‘global’ downturn as wholly Labour’s fault are inherently wrong, the overspending has worsened the deficit that Osborne must reduce. And further let us not forget that unemployment is falling and jobs are being created, further the deficit has been reduced.

The International Monetary Fund (IMF) cut its growth forecast for the UK to 1% from 1.1%, but this is a rosier picture compared with its outlook for the Eurozone, which it expects to shrink by 0.1% this year.

2013 UK growth forecasts:
- Office for Budget Responsibility: 1.2%
- National Institute for Economic and Social Research: 1.1%
- International Monetary Fund: 1%
- Organisation for Economic Cooperation and Development: 0.9%

It remains imperative then to maintain a balanced and unbiased view of the current situation and it is important to note that for every critic of the government’s policy there is a supporter. What is certainly clear is that currently the UK faces stagnation, imbalance and debt and that there appears to be no immediate solution and path to recovery. Whilst the coalition’s actions have reduced the deficit there has been little to no stimulation of economic growth.

Future Bank of England governor, Mark Carney, has labelled the next two years “decisive”. The 2008 crisis would be repeated if unregulated financial activities - blamed for amplifying the meltdown - went unchallenged, he said.

His presence may provide some momentum for our economy but what the UK needs is growth and a sharp stimulation of aggregate demand; two things that Osborne has yet to deliver. However it should be remembered that there was never to be a ‘quick fix’ to the problems we face and perhaps we should be thankful that our chancellor remains “determined to confront” our problems.

By Elliot Handler
Is the EU worth the hassle for the UK?

The EU has always been a hot topic for UK politicians, economists and even the general public. Recently we have seen political parties divided between whether the UK should remain in the EU or not. Political parties have used their view on this as a main bargaining tool for voters to select them in elections with the Liberal Democrats and Conservatives saying they want to stay within the EU whilst the British Nationalist Party and UKIP both say they want no extra part in the organisation. Due to this colossal split in beliefs, I have provided an article to show my own personal views on the EU and its effect of the UK. First of all, I would like to state I am strictly anti-EU. For many years we have been asked to provide financial support for struggling countries. The most recent examples of this would be Greece and Spain. One could argue that their behaviour was irresponsible and yet because of the EU, they do not feel the full force of their idiotic decisions because stronger countries such as the UK, France and Germany have to dig deep into their own debt riddled pockets just to try and keep them afloat. Recent statistics show that the EU costs the UK £6.4bn a year which we could be spending on strengthening our own economy or reducing the amount of cuts in vital services such as the NHS. Another complete failure caused by our decision to remain in the EU is a flood of unskilled workers. The free movement of labour has made UK cities overcrowded and as a consequence, house prices have risen significantly meaning original UK citizens are finding increasingly harder to own a home, especially first time buyers. The UK population is set to rise to 70 million over the next ten years which will create even further problems such as road congestion and a rise in welfare benefits for foreign workers who have come to the UK but do not possess basic skills such as the ability to speak English.

In conclusion I feel that the EU is a failing system that is only useful for the weaker members because they can take economic risks knowing an active safety net in the form of the UK is there to bail them out. This political weakness allows the members to abuse the policies in place at the cost of our economy and long term wellbeing. I think it’s time that the UK grew a back bone and stood up to this bureaucracy, as I’m more than certain that if we were to leave, the trade agreements in place would not vary by a great deal simply because the more influential countries such as Germany and France cannot obtain such service of their less reliable counterparts such as Poland, Romania and Greece.

By Scott Charlesworth

University fees

Students put off university after being 'confused' by tuition fees

Young people considering applying to university are deterred from doing so as they have been “left in the dark” over tuition fees. Just imagine the impact this will have on the economy in years to come when there aren’t enough people qualified for essential jobs i.e. Doctors, nurses and teachers. Is it reasonable to expect our most gifted students to shoulder an immediate debt to a minimum of £27,000 for tuition fees alone without living fees on top of that? Given that opportunities in this country would appear to be greatly reduced by government economic policy to reduce expenditure and reduce national debt. With the economy in a double dip recession and all major economies in a position of little or negative growth, there are not even the opportunities abroad that where once available to the ‘adventurous student’.

Will we be left with expensive education for the privileged few rather than the free and open ideal of education which was taken for granted little more than a decade ago, which could well lead to increased opportunities for those from wealthy backgrounds but a criminal waste of talent amongst the starters of society who don’t have the economic status to risk this high level of investment in a uncertain future.

But as good Christians of Carmel College should we not heed the words of Jesus on the cross?

‘Forgive them Father, for they know not what they do’.

Who’s sorry now?

The Liberal Democrats should have fought harder to keep their election promise not to increase fees, the party’s president, Tim Farron, said on Sunday.

I couldn't agree more, these are the people we look to in the belief that they can provide hope, encouragement and most importantly, do everything in their power to provide a good and equal education for the students of today regardless of their economic stability.

However we must give them credit for one thing. They have been incredibly successful at one thing, making students feel alone, failed and forgotten.

By Shannon Mulligan
Why are businesses closing stores across the UK?

UK businesses have been shutting down some of their shops across the country, leaving many people redundant. Businesses have been forced to close due to a decrease in sales and profits. This is consequent of the recession that hit the UK in 2008. This recession has meant that customers that usually go into a shop and buy whatever they want, are now having to watch what they spend and are less likely to buy something that they know they can wait for and get another time when they are able to afford it. This affects many businesses as it means they will experience a fall in sales, which will result in decreased profits and eventually they will be forced to close down as they will no longer be able to afford to stay in business. Some of the high street retailers that have been forced to close a lot of their stores includes; JJB Sport, Clinton Cards, Aquascutum, Ellie Louise, Game, Peacocks, Pumpkin Patch, Past Times, Black Leisure, Hawkin's Bazzar, D2 Jeans, Barratt's, La Senza, Jane Norman, Habitat, Carpet Right, HMV, Focus DIY, Homeform, TJ Hughes and Thorntons.

Businesses have been closing down due to their significant lack of revenue, and there is furthermore a difficulty in borrowing money from banks in order to help their businesses to survive. This suggests that banks are reluctant to lend money to a business. Other businesses are also having money problems within their company and UK retail chains have been closing down at least 20 stores a day this year. Also, new and upcoming small businesses have been getting closed down by chain retailers within the first 5 months of opening.

This time last year, TJ Hughes was in the black. The chain made profits of £6.8m and sales of £267m in the year 2010. Documents show the business agreed a new £10m loan facility with Lloyds TSB Banking last year, with a £3m debt that was supposed to be paid in January 2012. This suggests that this is why banks are reluctant to lend money to businesses as they are likely to be unable to repay the debt.

How to get through university without debt

As the university fees for 2012 have gone even higher this year, more people are starting to doubt whether they should bother going to university if they’re going to get into so much debt. This is a quick guide to show how you can still go, and not get into debt. English students in 2012 are paying up to £9000 for their tuition for university. As this is a lot of money, it puts most people off. However, you can do numerous things to help your finance through your university years, this can include things like student loans, scholarships, bursaries and the thing about the latter two is that you don’t even have to pay them back!

Even if you do take out a student loan, you don’t start paying it back until you’re earning over £21,000 a year, or it gets wiped off after 30 years.

A job, anybody?

In order to actually have income, you have to work for it. So why not get a part-time job to help you through your time at university, it will give you more money for the things that you want!

Don’t want to stay at home?

That’s okay too! You get money from the government to help you if you plan on living somewhere else during your time at university, for example halls. How much money you receive is dependent on how far away from home your university is. Even if it’s out of the country!

How do I manage my money?

Even though you have to pay for university, and your supplies doesn’t mean that you have to give up spending your money on you all together. You can still indulge every now and again, just not all the time. Because there really isn’t any point in spending money on things you don’t actually need, your money will run out quicker than you know. You just have to learn the difference between knowing what you’re spending and splurging every time you see a nice new dress in Topshop or those pretty shoes in river island!

Tip: Make a list of everything that you really do need for university, like books, food, travel etc... Then make a list of the things you want, total all of it together, and if you can’t afford it for your monthly income, limit the things what you want.
The Eurozone crisis

The current exchange rate for the Euro is 1.35€ to $1. If this were to rise even more to 1.37€ it could be a huge cause for concern. One key issue is that as the euro becomes stronger it could damage the competitiveness of Europe especially in terms of exports. Such issues have become the result of the Eurozone debt crisis. The single currency (euro) has had many policymakers attracting more and more investors. In the past 6 months the Euro has improved by nearly 7% against the US dollar, this is the result of the European Central Banks doing all that is needed to reach their goal of saving the Euro. Countries such as Japan have also played an important role in the saving of the Euro, by increasing its attractiveness through reducing the value of the Yen at 1¥ for 0.01€. Overall worries are still present despite the positive signs for potential change or even if a recovery is on the horizon.

We are constantly being reminded of issues that may come by a decrease in consumer confidence as well as a decrease in bank lending. Countries such as Germany are said to have a higher ‘pain threshold’ as they have good labour, off shore plants combined with low labour costs. These make Germany more and more immune from the problems caused by the crisis. Spain also has shown signs of an ability to survive issues linked to a strong Euro. Setting Spain and Germany aside, the continuous rise in the Euro will soon become a topic of major concern as policymakers try and unscramble the mess that has been left behind by the Eurozone crisis.

By Charlotte Foster

Economic growth in Australia

The Australian economy has experienced steady growth for many years. Since 1959 until 2012, it has averaged a 0.9% annual increase in GDP. The Australian economy has an incredibly large services sector, yet the latest contributor to its economic success is its abundance of agricultural and mineral resources.

The growth that Australia has experienced predominantly in recent years has been greatly aided by China as due to their rapid growth, their demand for Australian raw material such as coal, gold and iron ore have surged. Australian sales of gold to China have rocketed 905.4% and also, during 2012, gold became Australia’s second most valuable tangible export to China having a total value of AUD$4.2 billion. However, Australia’s most valuable export to the emerging Asian giant is that of iron ore and concentrates worth a stunning AUD$26.9 billion for the period from January to August of 2012. Australia’s exports to China make up 27% of total exports along with Japan and South Korea being the 2nd and 3rd largest export markets making up 17% and 7%.

By Adam Stringer
China: Heading for the top or heading for a crash?

Over the past two decades China’s economic growth has not dropped below 5% GDP (annual %), a feat that puts the growths of countries such as the UK and USA, who have not exceeded 3% in recent years, to shame. This has led to speculation that, any time from 4 to 30 years from now, China will overtake the USA as the world’s leading economy. This growth is helped significantly by the extremely low unemployment figures from China, with an average only 4.15% of the population unemployed between 2003 and 2013. However, this large growth has its downsides as there are arguments to suggest that, in fact it is not sustainable in the long run. The high growth over the past years has led to great fluctuations in the inflation rates of the country, from 5.9% in 2008, to -0.7% in 2009, back up to 3.3% in 2010. These fluctuations in the price level are bad as they will lead to uncertainty in the economy, which could in turn cause growth to slow. A slowdown in the economy can already be seen to have begun to an extent. Since peaking at 14.2% in 2007, its highest point in the past two decades, the economy has shrunk over the following years, down to a point of 7.4% by the last quarter of 2012, its lowest point since the late 1990’s. Although this does not provide conclusive evidence that China has hit its peak and its growth is heading for a crash, it does hint at a cool down in the growth for the first time in a number of years and limits the chances of them overtaking the US economy any time soon.

With its high exports, China can be seen to be safe for the time being, however, if something were to change in the global market that meant they could not export to the extent that they are now, they would suffer some serious consequences to the growth of their economy.

By Matthew Houghton

Following the “Shenzhen Model”

The collapse of communist governments around the world has forced the North Korean economy to realign its foreign economic relations; exchanges with South Korea and China for example have become increasingly important for the North Korean economy. North Korean economic zones, run jointly with the nation’s main ally, China, are wooing investors by promising low taxes and high returns as the totalitarian North seeks to salvage an impoverished economy.

An area at the new Rason city will become “North Korea’s Shenzhen,” hoping to mirror the success of China’s first attempt at market liberalisation via their system of ‘Special Economic Zones’, Shenzhen being the principal example. However tensions between the North Korean state and their foreign investors have already been brewing in two other ‘Special industrial regions’ as a recent iron-ore venture collapsed after North Korea violated a contract. The lack of an independent system of law and justice means that the firms are often reliant on the good will of the North Korean government, making their investments in the industrial zones notoriously risky. Success in expanding the zones would help Kim Jong Un develop a nation that struggles to feed a population of 24 million amid international isolation stemming from its nuclear program. The southern export hub of Shenzhen was China’s first special economic zone, growing from a fishing village into a trade centre after former leader Deng Xiaoping allowed foreign investment.

China is North Korea’s main benefactor, accounting for 89 percent of the nation’s foreign trade. China pledged increased support for trade between the countries after the uncle of North Korea’s leader met with Chinese Commerce Minister Chen Deming in Beijing last month.

Rason is being developed into a hub for foreign trade and offers landlocked Chinese provinces in the region access to ports. Other regional trading partners however have not been as enthusiastic in increasing investment into the state’s economic zones. Companies in the South have been accused of exploiting cheap labour that is “educated, skilled and speaks Korean” and has suffered from bad publicity for its associations with the pariah state. Another pressing issue are the U.S. economic sanctions against the North prohibiting imports of key technologies and goods, such as computers, limiting the production ability of high-tech South Korean manufacturing firms like Samsung and Hyundai.

About 16 million of North Korea’s 24 million people suffer from chronic food insecurity, high malnutrition rates, and deep-rooted economic challenges, and it remains to be seen whether the economic zones might improve the economic situation for the general public.

Kim Jong Un oversaw the launching of a long-range rocket on April 13 that deepened North Korea’s isolation and led to the U.S. cancelling a deal for 240,000 metric tons of food aid.

The United Nations Security Council also widened existing sanctions. Under this blanket of increasing international isolation it remains to be seen how much the new Economic Zones will help the nation rebuild its economy and improve its reputation internationally.

By Liam Matthews
The case for the legalisation of drugs

Politicians and the public express concern about the debt, but standard proposals for expenditure cuts or tax increases garner little support. Understandably, therefore, some politicians, interest groups, and citizens have embraced unconventional approaches to closing fiscal gaps, such as legalising drugs. Legalisation would reduce deficits by eliminating expenditure on prohibition enforcement, arrests, prosecutions, and incarceration and allowing governments to collect tax revenue on legalised sales. Fortunately, we have a real-world example of the actual effects of ending the violent, expensive War on Drugs and replacing it with a system of treatment for problem users and addicts. Ten years ago, Portugal decriminalised all drugs. One decade after this unprecedented experiment, drug abuse is down by half. They hospitalised rather than arrested; drug use has fallen by 50% as a result.

At present, the UK spends around £16bn per year in crime, policing, health and policies to reduce the illegal trade. Legalisation would leave the sale and consumption of drugs up to the free market, but it would be naive to think that negative externalities would disappear alongside it. Therefore, the government could implement the same level of heavy taxation and regulation that cigarettes have seen. This would be a revenue raising measure that would allow the government to treat the remaining social costs, like addiction, in Colorado, taxation on Marijuana alone raises revenues of $10bn.

The policy, if adopted by MPs, would see less health implications felt by users, as drugs would be produced properly as they were in the past, without the deadly chemicals that drug lords use to cut costs, perpetuate addiction and raise profits. There would also be a lower contraction rate of HIV/AIDS due to the provision of clean needles for users, which would not just benefit them, but also other individuals who would be at risk of contracting the disease. This radical approach would see the consumption of drugs to be legal, and would raise revenues that would see any addiction program to be self-sufficient, whilst reducing overall expenditure by the state and perhaps more importantly, reduce the 30,000 deaths caused by the Mexican drug cartels since 2006.

In summary, it is my view that drug users will take drugs whether they are legal or not, by legalising, or at least decriminalising, we can tap into a new market that would see effective deficit reductions, less violence across the globe and the development of emerging agrarian

This would see the correction of the government's failure regarding the vast misallocation of resources and the cause of much of the crime associated with drug consumption, which stems from the artificially high price of drugs because of the lack of supply (due to its illegality). So a new free market equilibrium price would see lower prices leading to not only fiscal benefits, but social ones too as the rate of crime would fall accordingly, other addictive substances like cigarettes and alcohol have less violence associated with them because they are cheaper and more accessible. Each year 75,000 young Britons have their futures ruined by receiving criminal records for minor drug offences. We should therefore seek to reeducate, not hand out custodial sentences, thereby reducing the prevalence of poverty in the long term (via the employment trap) and therefore reducing expenditure on handouts and housing costs.

Developing economies would also see the benefits of legalisation, with countries like Afghanistan being the largest Opium producer in the world, it would allow them to greatly increase their exports and therefore invest in their domestic economy, stimulating growth. Therefore, it would make clear economics sense to reform the 40 year old Misuse of Drugs Act to allow them to be treated like cigarettes, heavily taxed and with appropriate warning labels.

This is in addition to the reduced health and policing costs (20% of all police time is devoted to arresting drug users and sellers) as people will be less inclined to steal in order to fund their addiction. I also believe another factor in support of the policy would be the nature and extent of the government's control in society; do we favour autonomy, which grants greater freedoms but comes with larger risks? Or paternalism, where the state makes the decisions for us? I believe that with proper education and treatment, society will function, just as it has done in the past, but with less resources being squandered funding an unwinnable and inexplicable Drug War, which presents an unnecessary opportunity cost to other state services; notably Health, Education and Policing. All of which have seen dramatic cuts in funding.

By Tom Lavan
Starbucks scandal

In recent news there has been an increase in stories of tax avoidance amongst popular figure heads, such as individuals like Jimmy Carr and even large, well renowned businesses like The Ritz. The most recent organisation to be accused of this is Starbucks. It has been brought to the public’s attention that Starbucks has paid a mere £8.6 million in corporation tax in the 14 years of its existence in the UK and nothing at all in the last 3 years. To put this into context, over the next 2 years they are expected to paying around £20 million. These sums are further contextualised by comparing them to figures taken from McDonalds, who reported a tax bill of over £80 million (£3.6 million in the UK) in 3 years. In 2011 the company had a revenue of £400 million in the UK alone, but has reported a taxable profit only once in 15 years. In result the amount of government revenue has decreased thus causing a reduction in government spending which could be used to enhance economic growth.

Starbucks has avoided paying corporation tax through complex international payments within the company, this is known as transfer pricing. The chain is currently making a loss due to a 4.7% premium paid to the Netherlands division where the coffee beans are roasted, moreover a 20% premium to Switzerland to buy the coffee beans. Starbucks said it would not claim deductions on these payments, or against intercompany loans. Starbucks demanded talks with David Cameron after he commented on tax-avoiding companies, specifically saying that they needed to ‘wake up and smell the coffee’. The multi-national corporation felt that this quote singled them out from the other companies and have now threatened to revoke their potential investment of £100 million in new UK business branches, meaning that fewer jobs will be created (the firm currently employs 9000 staff).

By Ashlea Williamson

Economics of the music industry

The music industry is changing at a rapid pace and therefore the economics of this industry are changing with it. The main change in the music industry is that barriers to entry have been drastically reduced over the past decade with the increased usage of the internet which enables people to listen to music for free and in many cases illegally. As barriers to entry of the music industry have been reduced, more people are able to sell and make money off their music which they were unable to do before. People are now also able to become noticed as an artist through video websites such as Youtube which allows people to watch videos and listen to music for free. Newer stations such as Spotify have allowed people to stream music for free and still been able to make the artist money at the same time. This is done as the many people who use Spotify must pay to become a member. Once an artist’s song is streamed 60 times then the record label, the recording artist and the songwriter get a set amount of money.

In recent news

People now buy songs and albums from Amazon and iTunes as they are easier to purchase. Downloaded music is now the most popular form of purchased music compared to twenty years ago when purchasing albums on the high street was the most common way. This has been made apparent recently with the closure of high street chain HMV. HMV was priced out of the market as they were unable to keep their prices low enough to compete with the likes of the online retailer Amazon.

By David Kelly
HMV goes into administration

Ninety-two years after its first store appeared, HMV, Britain’s last major music and entertainment chain, has gone into administration. The reasoning behind HMV’s administration is supposedly due to the expansion of its target market. By attempting to sell to a wider range of people in the entertainment supermarket, this greatly lowered the availability of its original products, like records, to its original consumers, as a result of this HMV lost its loyal customers who would usually go in the shop to buy vinyl’s and other records. However, many fans still hold a soft spot for record shops and HMV accounted for 22% of music and video sales in 2012, according to Verdict Research.

However, administration may not necessarily be a bad thing for HMV; it could provide a fresh start for the former popular record store. The brand is very powerful, so really the question now is how bad the news will be for the music and DVD industries, who have bailed HMV out in the past and are keen for a high street chain to remain. HMV currently has 239 stores nationwide and employs around 4,350 people, although these figures are likely to fall dramatically in the near future.

The future of advertising

Nobody likes adverts, whether they’re every 5 minutes on the TV or after every other song on the radio, but, are they really necessary? Advertising is a huge aspect of business, and, over the past few decades, the methods of delivery have been slowly changing. Where once you would see leaflets or posters, you now see TV ads and billboards and in the future, who knows what companies will use? Some of the new, more innovative ideas include the TshirtOS, a normal T-shirt effectively run by a computer that can display anything you want it to, from pictures to adverts.

Advertising can help to improve a company’s ability to succeed in a market. Advertising plays a key role in a dynamic economy, successful companies will create more jobs, pay more tax and contribute directly to economic growth. The advertising industry is a major part of the UK economy, employing thousands directly, generating revenues and jobs for thousands more all around the creative services and beyond, advertising is clearly a dynamo of the UK’s world-leading ‘creative economy with £2.6bn spent on mobile ad spending alone in 2011. Competition is fundamental to an open and thriving economy. It forces innovation, product and service improvements, better deals and lower prices. Advertising is fundamental to competition. Without its incessant promotion of alternatives, companies lack the spur of challenge and markets drift toward monopolies, complacency over product quality and service levels, predatory pricing and a lack of accountability to customers.

So, it’s not that companies – or small businesses or governments – want to spend money on advertising. Competing uses for their funds are plentiful, but in an open market, a competitive market, communication is crucial. No advertising, no real competition; no competition, no change; no change, economic failure.

So, even though nobody likes advertising, it really is necessary to keep the economy going especially in difficult times like these.
Can piracy ever be a good thing?

Be honest, have you ever ‘illegally’ downloaded anything? Chances are that the majority of people reading this have. In 2012, the UK ranked 2nd (behind USA) in the list of most active file-sharers. Even as acts like SOPA and ACTA are introduced, the amount of content being pirated seems to grow at an endless rate. It appears that just about anything you can pay for on iTunes can also be found on ThePirateBay for no cost. But are the best things in life really free?

To begin, I’ll address the question, Is Piracy Theft? Imagine you go into a record store; take a pile of CDs, then simply walk out without paying. The items are now in your possession and out of someone else’s. This would be theft. If you now take a file-sharer’s approach, what would happen is once you had gone home and burned said CD’s into your media library, you would then return them to the store, thus leaving the business with no lost items and you with the desired content. Making everyone happy, right? Thankfully we can just use the power of the internet for this process.

If, like me, music plays an important role in your life, then it is always important to keep a fresh flow available. But a problem faced by many is the cost of all this. If the average person buys 2 new albums a week for £7.99 it can set them back over £800 over the course of a year; so it is obvious that investing in the artist doesn’t always leave everyone a winner. Even with services like Spotify allowing the free streaming of music, there is still heavy advertising and many drawbacks to non-paying customers; leaving people with no choice but to acquire what they desire elsewhere by other frowned upon means. Now, it seems very unlikely that Axl Rose is waking up in his mansion in a cold sweat knowing he didn’t get his 8p royalties when I torrented ‘Welcome to the Jungle’. But obviously for larger bands like Guns & Roses who receive masses of revenue from merch and ticket sales alone it seems to pose the attitude ‘it’s not like they need the money’ which seems to be used as an acceptable excuse by many people. On the other side of the scale though, we have new up-and-coming artist’s eager to break into the music industry; many working extra jobs just to fund their work. For them the 8p royalty they receive can go a long way. It can be the deciding factor of whether they can afford to continue doing what they are doing. Thankfully many people, like myself, do realise this and try to support them as much as possible; even if it is through shirts or tickets, which now seems is getting even more important. As the years go on it seems that the music industry is getting less and less dependent on the actual sale of music and bands are gaining much more from the live shows and merchandise tables. Fortunately what is now emerging are new websites such as BandCamp which allows bands to let their fans decide how much they pay for their music. Even if they decide not to pay, this process is still very much legal. With the artist’s attitude that they are ‘not about money’ then surely they would rather gain a fan than force a quick sale out of someone. What seems to be the common attitude of new bands today is that what they do today will reward them tomorrow. So giving the fans a free EP or allowing the torrenting of their content will keep them loyal; increasing the fan base to help them reach the big leagues where they can go get radio-plays and more publicity. Unfortunately this only works in a small number of cases, leaving many artists out of pocket and with no desire to continue with their work. I’ll leave you to think about this scenario. If I illegally download a band’s album to see if I like it, but this leads to me becoming a fan and spending money on them in the long-term, was it really stealing? That’s up to you and the band to decide.
What’s your dream job?

People today gain GCSE’s, A levels and degrees aiming to get their dream job. However because of the recession money has been short and the competition for dream jobs has increased. With this, people with lots of qualifications are being forced to do any type of job because they need money.

Some dream jobs today include:

- Lawyers
- Doctors
- Surgeons
- Actor/Actress

Instead people are paying up to £9,000 a year in university only to be left looking for a job at the end of the course and in competition with everyone else. Once you have got your qualifications and are aiming for a career, for example, in medicine there are no jobs available. So what next?

The only jobs that are available are ones where your qualifications are not needed. This means people have spent thousands of pounds on an education which they no longer need.

So for this generation paying £9,000 a year for an education at degree level with no job at the end of it is what is happening.

Oil prices

The price of fuels such as diesel, petrol and kerosene are all derived from crude oil, and as crude oil is a fossil fuel the more we use, the less that remains. Due to many factors the price of fuels have always risen and fallen due to the concept of supply on demand. This concept means if there is more demand than supply then the price of oil will rise until less people can afford it so the price will reduce once again. As crude oil is running out we can estimate that the amount of demand will keep getting higher as less resources are left to be supplied leading to a continuous rise in the cost of our everyday fuels.

Emissions trading scheme

The emissions trading scheme is a plan by many governments and has been placed upon BP to reduce the amounts of greenhouse gases being released into the atmosphere. The scheme has made the price of fuels increase. Out of a an estimated 2 trillion barrels of oil that are available it is suggested that only about half of that amount is left.

As shown below the price of petrol has made a rapid increase by just under a pound per litre in 30 years , the diagram also shows that the price of petrol has always fluctuated through the years but an overall increase has been shown and it is clear that fuel prices with always increase until ever drop of crude oil is used up.

<table>
<thead>
<tr>
<th>Year</th>
<th>Price per Litre (p)</th>
<th>Price per Gallon (£)</th>
<th>Retail Prices Index</th>
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<td>1.670</td>
<td>83.1</td>
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<td>1998</td>
<td>60.9</td>
<td>2.769</td>
<td>160.8</td>
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<td>2006</td>
<td>88.9</td>
<td>4.041</td>
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<td>2008</td>
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<td>89.9</td>
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<tr>
<td>2012</td>
<td>134.1</td>
<td>6.096</td>
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Why do cars lose value?

With people now realising that when buying brand new cars you are constantly losing money, it is making them less willing to go out and buy new cars. This is having a real impact on the car industry, with people buying less and less each day this is resulting in a loss of jobs and work for people in that specific line of work.

When cars lose money the term depreciation is usually the term used which means that the car has lost value. A car is a depreciable asset and people foolishly buy cars as an investment or an asset but they are quite the opposite, in fact a car should NEVER be seen as an asset or an investment because they lose money very quickly and you will lose half the price that you paid for the car in the long run. There are a number of reasons that cars lose value and most of them are due to the fact that the same company will bring out a car that has got better features or aesthetics and new body styles. This is done so that people feel like they have the old version and are behind. This is not the case!

Do not be fooled by clever mind-controlling techniques. A pre-owned car is just as good as a brand new one and in fact it makes more financial sense. The director and senior economist at Econometrix explains the depreciation term in words that we can all understand: “During the first year, the value of the car decreases at a steep rate. For the next four years, the car depreciates at a gentler, slower pace, with a further step down in value in the sixth year. Beyond this, the value of the rate of depreciation flattens out”. The life of a car is not very long and certainly not worth the money that thousands of people spend on a day to day basis! The average life span of a car is 7-8 years so car buyers need to really consider their financial situations before getting involved in a long commitment.

Why is insurance getting increasingly high?

With car insurance becoming increasingly high, less and less young people are becoming willing to start to drive.

Cars and driving lessons are not the problem anymore but insuring yourself to drive them is! This has become a huge problem within this country. Car insurance companies see young teen driver as being less aware at the wheel of a car but that isn’t always the case. Some teens are responsible when driving a car. They say that if you are under twenty years of age you are less responsible than if you are over the age of twenty! This is obviously a load of nonsense because for a start if you have just recently just passed your driver’s licence then you are therefore more aware of how to drive and what precautions you need to take on the road. We are said to be ten times more likely to be involved in a car accident. Statistically we are poor drivers!

Not to worry! There are alternatives; we can be added onto our parents policy but there are still downsides to this as their insurance will increase as well and they are at risk bringing up their insurance premiums for everyone who is listed on the policy! We don’t have to settle for our first quote. Some insurance companies offer education courses where you will be able to get discounts for good grades and passing your licence. These discounts are becoming increasingly popular within young adults.

We could stop these ridiculous prices and bad publicity that we are terrible drivers by teens acting as a WHOLE and become more responsible when driving a car. If this is done then insurance companies would see us as less of a risk and consequently bring down their prices.

By Adam Cosgrove
AS students’ career ambitions

We asked the AS students what their careers goals and ambitions where and how studying economics would help them to achieve these goals. Here are some of their Responses.

My career goal is to become a quantity surveyor. Studying economics will help me because we have studied the housing market and how supply and demand varies in a market. In economics we also learn about what changes the prices of goods so I will have an idea if the cost of a project may change half way through or when it may be cheapest to do the project—Carl Addison

My initial career goal as to the cause of me choosing Economics was to take a career relating to banking. Economics would help in this career because banking (or relating careers) contains a lot of knowledge that is taught in Economics. Though, as I have been thinking about my career aspects, I want to pursue a career that relates to art, since I thoroughly enjoy the subject and I think that taking a career in art could open a lot doors for me because art can take various forms, this can be ranging from Architect, art therapist or an animator—Leah Chen

I want to be an Entrepreneur in my adult years, this means starting my own business. Economics will help me in this because, without knowing the market my business is in how will I make it successful? While Economics will only really affect a business directly, when it is international, well, you never know... Look me up sometime, you might be able to brag "I knew that guy back in College" - Francis Whitehead
My career ambition is to be a chartered accountant. Studying A-level economics will help me by providing me with knowledge about the economy. Also, it gives me new skills that I can use. These skills involve interpreting data from graphs, analysing, applying and evaluating information and also organising skills that is key in being a chartered accountant. In addition to this, economics will help me to work with people with different types of personalities which is a key factor in any job. Exams help me to manage time and help to plan my work properly—Anju Varughese

After I have finished studying BTEC Level 3 sport, Economics, Business Studies and Psychology I would like to study Culinary Arts at University to enable me to pursue a career as a Chef. Economics will have an influence on my career choice as the opportunities I require will depend on things such as employment rates which is very linked with economics. The job I want will depend on the demand of the foods as well as the demand by employers. The salaries customers have will have a major influence on how much is demanded as well as my salary, their salary will depend on the infrastructure of the economy. Finally the university will have a major element on my career as I will require financial support to pay off my university fees, and the economy has an influence as the cost to go university may increase as the recession gets worse—Takudwa Mbondiah
In the future I would like to get a Law degree and work as a solicitor. After this I would either stay in this country and practice or I plan to take the New York Bar Exam and practice over in America. My ultimate goal in Law would be to become a Commodities and Shares Solicitor, dealing with high end companies and their monetary issues. This would be my ambition and I think that Economics would help with this ambition both in this country and abroad because having an economics qualification would stand me in good stead with future employers because I then know what I am talking about regarding the best course of action to save a company or person money—Liam Hall

In the future, I don't know exactly what I would like to do but I think I would like to have a career based around finance. I think economics will help with this area as you study the global financial state and find solutions to different problems and the potential problems that come with those solutions—Connor Kavanagh

My main career goals are to first finish college with the right A levels I need to get to my chosen university, and then study business at university. I then hope to maybe go onto having roles in business management. Economics will be useful in helping me achieve this as it links in very well with business studies and universities will recognise that. Also, I can use a lot of my economic knowledge in my business work as they both have a relation—Benjamin Jackson
My career goals are to hopefully run a successful business therefore I chose to study economics at Camel College. It is important when running a business to understand the value of resources and the correct way in which to allocate them properly. This is the fundamental underlay of economics. I will need to use PPF curves in order to evaluate the opportunity cost for producing and manufacturing goods, I will need to understand the different types of supply and demand such as joint and derived in order to correctly determine prices for products. I will also need to evaluate the market failures which may occur and account for these while producing products. Without economics I would not understand any of these terms and know how to utilise them in my best interest. Thanks Economics—Niamh Scotland

In the future I hope to be a chartered accountant. Chartered accountants are responsible for many things such as: management of financial systems and budgets; undertaking financial audits and providing financial advice to clients. They work in many different settings including public practice firms, industry and commerce, as well as in the not-for-profit and public sectors. Studying economics will help me in the future as it will help me understand how markets work and the current economic situation—Louise O’Neill

My career ambition is to work in banking on an international scale with my Spanish, Maths and Economics. I’m not entirely sure exactly what position I would like to work in just yet but I have been looking into jobs such as a Foreign Exchange Trader, Investment Banker, Risk Analyst and International Business Development Manager. I think that economics is key for these jobs because it will allow me to understand and be able to interpret the current market situation & predict what may happen next and therefore know the best thing to do for a business—Chelsea Jarvis