

Question 1:

Economics, Macroeconomics



Question 1: Provide detailed and clear explanation on the relevant macroeconomic/microeconomic variable from the article. Graduate unemployment

The article said: " The institute's report comes a day after a research body warned graduate unemployment could hit record levels as a result of planned public spending cuts. The Higher Education Careers Service said that because so many college leavers join the public sector, they were especially vulnerable to cuts. " Graduate unemployment is unemployment among people with an academic degree. Research undertaken proved that the unemployment, and much more so, the underemployment of graduates, are devastating phenomena in the lives of graduates and a high incidence of either, are definite indicators of institutional ineffectiveness and inefficiency. Since the start of the economic recession in the US economy in 2007, increasing numbers of graduates have been unable to find permanent positions in their chosen field. Underemployment among graduates is high. Educated unemployment or underemployment is due to a mismatch between the aspirations of graduates and employment opportunities available to them. It was found that two factors are important regarding graduate unemployment or underemployment, namely incidence and duration. The duration of graduate unemployment in particular, appears to be a sharply declining function of age. It is principally a youth problem, most graduates find a job after some time, and once they have work experience in their chosen field, find subsequent job search efforts relatively easier. Given the effects of the current economic recession in the US, some graduates have gone more than a year since graduation without finding work in their chosen field, and have had to rely on odd jobs or work in the service

industry, along with living with room-mates or moving back in with their parents to keep themselves current on their substantial student loan payments. High levels of long term graduate unemployment represent a massive threat to institutions of higher education within the US, which stand to lose a significant degree of social relevancy if the job market for graduates does not improve within the near future. Macroeconomics: Unemployment Labor is a driving force in every economy — wages paid for labor fuel consumer spending, and the output of labor is essential for companies. Likewise, unemployed workers represent wasted potential production within an economy. Consequently, unemployment is a significant concern within macroeconomics. " Official" unemployment refers to the number of civilian workers who are actively looking for work and not currently receiving wages. Given that official unemployment statistics specifically exclude those who would like to work but have become discouraged and ceased looking for employment, the true unemployment rate is always higher than the official rate. Within the unemployment number are several sub-types of unemployment. - Frictional unemployment results from imperfect information and the difficulties in matching qualified workers with jobs. A college graduate who is actively looking for work is one example. Frictional unemployment is almost impossible to avoid, as neither job-seekers nor employers can have perfect information or act instantaneously, and it is generally not seen as problematic to an economy. - Cyclical unemployment refers to unemployment that is a product of the business cycle. During recessions, for instance, there is often inadequate demand for labor and wages are typically slow to fall to a point where the demand and

supply of labor are back in balance. - Structural employment refers to unemployment that occurs when workers are not qualified for the jobs that are available. Workers in this case are often out of work for much longer periods of time and often require retraining. Structural unemployment can be a serious problem within an economy, particularly in cases where entire sectors (manufacturing, for instance) become obsolete. While high unemployment is undesirable, full employment (meaning zero unemployment) is neither practical nor desirable. When economists talk about full employment, frictional unemployment and some small percentage of structural unemployment are excluded. Economists do not generally believe it is practical or desirable to have 100% employment in an economy.

Question 2: Describe and explain in detail the changes (variable) and its impact (economic). Macroeconomics goal The article said: " This inequality in pay levels among young graduates has persisted despite women generally performing better than men at university". Equity in economics hinges on the " fair" distribution of income and wealth in a society and is an objective in that it serves as a measure and guideline for economic performance.

Effectiveness may be viewed in light of who gains and who loses. Aiming for equity, however, calls into question standards, as what may be considered fair may be subject to debate: one person's idea of fair distribution may be based on equal income and wealth for everyone; another's might conceive of income and wealth that is commensurate with the value of their production as fair; and others may believe what is fair is the wealth and income that one needs. If equity based on equality is the standard, then equality of opportunity should be distinguished from equality of results. Most of the

nations try to narrow the gap between the higher income and the lower income groups. This is to ensure that all people are equal in terms of standard of living. Disparities in income will create social friction and bring about many problems. Conflicts between macroeconomic goals - Conflict between unemployment and the balance of payments: If the government increases aggregate demand to reduce unemployment, the increase in national income and the general price level will lead to a decrease in net exports. If the economy initially has balance of payments equilibrium, the balance of payments will move into a deficit. Under the fixed exchange rate system, the balance of payments deficit will be persistent. - Conflict between the balance of payments and unemployment: If the government decreases aggregate demand to correct a persistent balance of payments deficit, unemployment will rise. - Conflict between unemployment and economic growth: Under the flexible exchange rate system, although the resultant depreciation of domestic currency will correct the balance of payments deficit, it may induce people to sell it in anticipation of further falls in the exchange rate which may lead to currency instability. If this happens, inward foreign direct investments and hence economic growth will fall. - Conflict between economic growth and unemployment: If the government increases productivity growth to increase economic growth by increasing expenditure on research and development, skills and knowledge will become obsolete at a faster pace which will lead to a rise in structural unemployment.