

Course: ib economics (hl)

Finance, Financial Analysis



Course: IB Economics (HL) Commentary #: 3 School name: Colegio

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Syllabus to which the commentary relates: Unemployment Word Count: 634

Source of Extract: "Idle Hands." The Economist. The Economist Newspaper,

12 May 2012. Web. 24 May 2012. . First of all for this economic commentary

about this article, we need to clarify, what is the problem in the world, and

what are they trying to explain to us in this article. The world Economy is

confronting a recession right now or a "double dip", Which has affected the

economy of almost all countries in the world. Britain the country we are

analyzing has been affected in a great scale by this downturn. What seems

great, but at the same time confusing is that Britain's unemployment levels

didn't increase in comparison with other countries, which were affected

equally by the recession. Britain unemployment level is around 8.3% when

other countries like Spain, and Ireland are both near the 20% as shown in the

graph. "Idle Hands." The Economist. The Economist Newspaper, 12 May

2012. Web. 24 May 2012. . So now the question is why Britain didn't increase

its unemployment numbers? well as we can read on the article we can see

that Britain's economy was not based in jobs-intensive house-building, mean

while the other countries' economies did based their economy in housing. So

since their economy, was based on housing, when the countries' economies

were doing well they had a lot of production and they created a big amount

of jobs for people, and there was a period of time where there was this Boom

of construction, and they demand even more workers. When the recession

occur what happen was that there was no money in the banks to finance

more construction, this made the construction companies to fire all their workers, (creating structural unemployment) and increasing the unemployment rate. Which also affects that since more people has no jobs, the banks will receive less money from the people creating a cyclical problem. What happen in Britain is that since they had rigid planning laws, when the recession affected the countries, they didn't have to fire big amounts of workers. A big amount of people that is working is creating frictional unemployment, because they are young adults seeking for a good jobs, that matches their abilities, but we also have 20% of those 8.3% of unemployment people, which are young adults that are not educated, they have no jobs, so this divides the young adults, (under the 25s) in two groups the ones that are consider as frictional unemployment, and the ones that are part of structural unemployment. Young people are one of the variables that mostly affects unemployment since we know that they are the less experiences and they are the first ones to be fired, increasing the unemployment level. Then we reach the point: "The corollary of sluggish GDP and a fairly stable jobs market is stagnant productivity, which itself is a puzzle." (paragraph 5) Where we can see, that the job market is doing great, but we need to increase the GDP in order to improve the economy of the country, but how are you going to increase your GDP when you have such a low percentage of unemployment? Well there is the easiest way will be to increase productivity, but due to the fact that firms are carrying extra workers to avoid increasing unemployment they made productivity a cyclical problem. The only solution to increase GDP at a higher rate will be having some kind of Government injection, which will help the firms, to use this

extra workers and increase productivity which will increase GDP, and will make all the economy to work again.