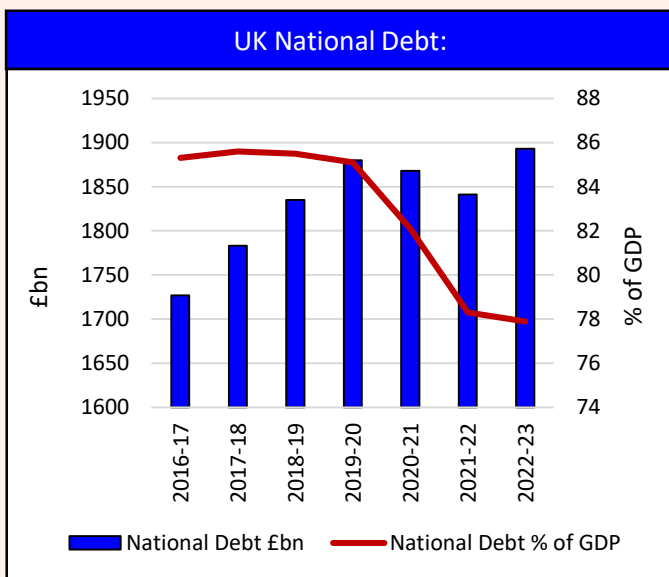


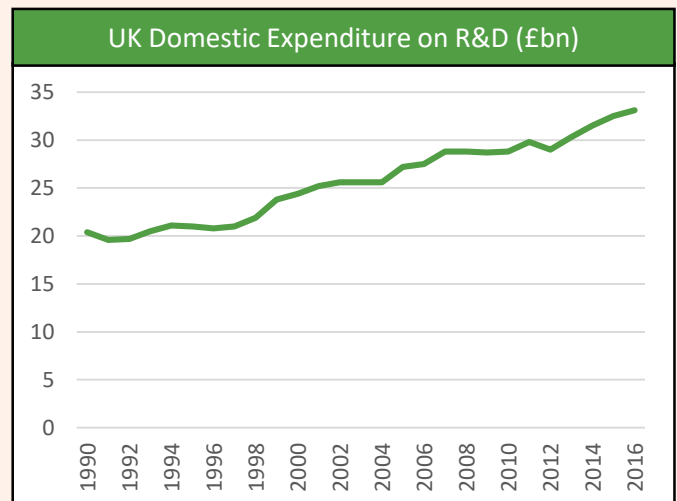
Here are the five economic stories which have caught our eye this week:



Spring Statement:



UK R&D Expenditure:



This week the UK Chancellor of the Exchequer presented his Spring Statement to Parliament. The 26 minute speech did not include any details of significant tax and spending plan changes, but did provide an update on the performance of the UK economy and the government’s public finances.

The Chancellor confidently claimed that there is now “light at the end of the tunnel” for the UK’s fiscal finances and the OBR predicts that the UK’s £1.8tn of national debt will begin to fall as a percentage of GDP from 2017-18.

Data released this week by the ONS provided updated figures in relation to the commitment of UK institutions and businesses to investing in research and development (R&D). In 2016, R&D expenditure grew by 4.3% to £33bn. A total of 67% of this expenditure came from private sector businesses and organisations. However, the UK stills lags behind other developed economies – standing only 11th out of 28 in the European Union.

Discuss why economists benchmark large economic figures such as national debt against the value of the country’s GDP.

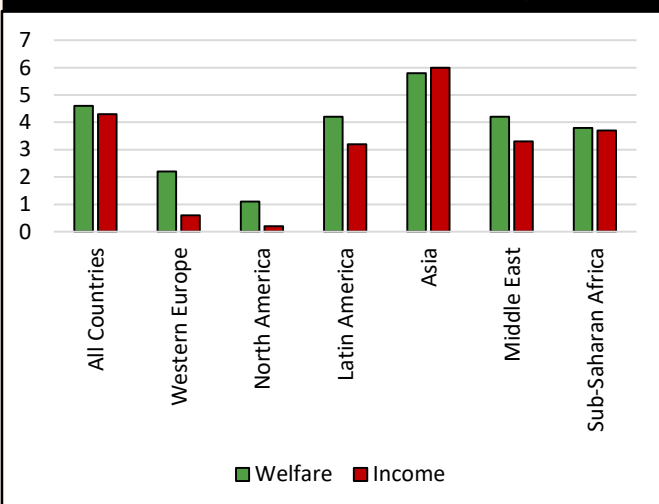
Using the concept of dynamic efficiency, explain the impact that increased expenditure on R&D has upon the LRAC curve of a firm.

Explain how faster than expected economic growth can contribute to an improved debt picture for the UK government.

Discuss some of the most significant barriers to encouraging R&D and innovation within firms.

Are we all better off?

Growth in Income vs. Growth in Welfare (2007-14)



The IMF produced a paper in the last week that attempted to measure the most influential factors behind the happiness of a nation. The origins of the report looked at the impact that GDP and some non-market factors (leisure, inequality and mortality) have on the economic wellbeing of a country. Since then the report has been updated to include further factors such as resource sustainability and environmental effects. The report's main conclusion was that even though income (and more specifically GDP) has an impact on economic wellbeing, factors such as health outcomes are more influential.

Evaluate the pros and cons of using GDP and GDP per capita to measure the level of economic wellbeing in a country.

Discuss the economic implications of low health standards and outcomes.

Identify and explain some of the policies which can be used to improve health standards in a developing economy.

UK CPI Inflation Basket:



UK CPI Inflation Basket Annual Changes

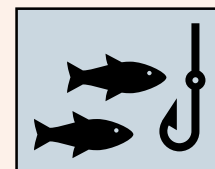
Number of Household Items	700
Prices Collected for Basket Items	100,000
Items Taken Out	Items Brought In
Pork Pies	Quiche
Camcorders	Action Cameras
Leg Waxing	Exercise Leggings

This week the ONS released their annual March revisions to the composition of the CPI and CPIH inflation baskets. In order to get a representative inflation measure, statisticians each year identify changes in the buying habits of households across the UK and remove items that are "out-of-fashion" and include items that are popular.

Using the information provided, explain the steps involved in calculating the UK CPI basket.

Discuss the reasons why the CPI may not provide an accurate reflection of changes in the cost of living in the UK.

A Tragedy of the Commons:



UK Overfishing Problem

The Governor of the Bank of England Mark Carney spoke in an interview this week about the growing problem of fish stocks depleting around the world.

He outlined that developments in the level of sophistication of techniques used to fish by fleets was the biggest cause of this 'market failure'. He warned that without quotas and restrictions being put in place this would produce natural and financial risks to the global economy.

Explain how this provides a real-life application of the Tragedy of the Commons.

Discuss some of the solutions that can be used to reduce this form of market failure.