

Candidate 5 evidence

13. a	<p>Being a member of the EU brings many benefits to an economy. There are several costs and benefits from being a member of the EU, and the UK has been benefiting from its policies and membership.</p> <p>It makes the UK a more diverse country both culturally and economically. By being member of the EU, the UK has free movement of labour within the UK which means that many people from abroad come to the UK looking for work or other reasons. This makes the UK culturally diverse which can increase the creativity of the country. By living in a diverse country, the country shows that it is open and dynamic.</p> <p>Also, by being a member of the EU, free movement of labour brings advantages such as the ability of the UK firms to employ people from abroad. People from abroad would occupy the jobs that British people do not necessarily want to occupy, such as low paid manual jobs. However, those people coming from abroad, especially parts of undeveloped Eastern Europe are willing to work for lower wages, because those lower wages still bring them economic advantages from sending that money to their families back home, or saving to spend when they go back. Therefore, it is mutually beneficial to the UK economy and to individuals who come looking for work.</p> <p>By being a member, the UK experiences no trade barriers, and enjoys complete free trade with the rest of the EU. EU is the largest and richest market in the world, and the UK can therefore enjoy selling its products (most notably financial services or cars) and enjoy high returns and high demand. If it was not a member, it would be difficult for the UK to have a good trade</p>
-------	---

B	<p>balance, and would experience difficulties in exporting goods.</p> <p>EU membership gives the ability of the UK economy to borrow money and enjoy European funds which can be used to develop and invest into the local economy. This can be beneficial to the overall budget and FDI rates.</p> <p>By being a member of the EU, the UK can experience the increase in its productivity as those workers who come to work in the UK are highly motivated and work really hard, maybe even harder than the UK residents, as their work placements depend on their willingness to adjust to the working conditions. Also, they pay taxes in the UK which contributes to the budget pool and can contribute to the reduction of the budget deficit.</p> <p>Some disadvantages of being a member of the EU, explained by eurosceptics is that people who come to work in the UK occupy and take away jobs from the locals, meaning that this would lead to rise in unemployment in the country. However, this has not been proven economically.</p> <p>Also, one of the arguments for not being a member is not having the ability to influence the economic policies such as the fiscal policy, as most of the legislation is made in Brussels. However, the UK does not have the Euro which gives the UK more independence in making its own economic policies.</p> <p>There is also an argument that members of the EU have to pay for their membership by investing money in european funds and aid funds. For example the UK pays about 1% of its GDP to several different European funds. However, there hasn't been proof that this damages the UK economy in any considerable way.</p> <p>There are several reasons for low economic growth in the Eurozone, and most notably is the difference in development between different parts of the EU.</p> <p>Because some countries are experiencing high recession from the 2008 crash, and are still struggling to recover, it affects the overall performance of the Eurozone, as those countries require financial assistance, loans and credits which they cannot necessarily pay back. For example Greece, and the crash of its economy, led to the lowering of the overall performance of the EU, as many countries had to give money to Greece in order to save its economy.</p>	
---	---	--

However, all that money did not save the Greek economy and was practically waste in reforms which did not bring economic recovery, thus slowing the economic growth of the whole Eurozone.

Another reason is that some parts of the Eurozone have high rates of unemployment, such as the Eastern European countries. For example Croatia or Spain are experiencing high levels of unemployment (up to 35%) which decreases the country's economic performances and leads to reduction in productivity. Because they are parts of the Eurozone, it affects the Eurozone economy as well because those countries would have lower contributions to the EU's GDP and economic performance and economic growth.

The reduction in the overall demand within the Eurozone because of the recession led to a slower post-recession economic growth. Because many were left unemployed after 2008, they were unable to spend money and thus the effectiveness of the multiplier effect was reduced. Because many were left unemployed it led to series of saving schemes which advocated that people should not spend their money around. This effectively reduced the the agregat monetary demand of the whole Eurozone which resulted in a low rate of economic growth which can still be felt today in 2016.

The Euro currency has been losing its value to both dollar and other main world currencies, which means that exports from withing the Eurozone to other parts of the world are reduced in value. This means that there is a wider gap in the current account, as trade balance is lower than it used to be. Therefore, the economic growth in the Eurozone is reduce and is low in 2016 because other parts of the world are enjoying a more contestable currencies.

The decrease in the world demand for goods and services left the Eurozone, one of the main exporters in the world, in a crisis of unproductivity. Because there is not sufficient demand, the production of goods and services slowed down meaning that the Eurozone is having difficulties with things such as unemployment and low productivity. Because the global demand for high quality goods from the Eurozone is low, the economic recovery of the Eurozone is slowed, thus unabling the Eurozone to have high rates of economic growth.

C	<p>The ECB (European Central Bank) is in control of the Eurozone's economy and its policies. Therefore, the decisions that the ECB makes impact many member countries.</p> <p>Quantitative easing is a policy used by the ECB until recently and it involved increasing the aggregate monetary demand by issuing large amounts of money which were used to buy commercial bank assets and take pressure off the banks which were impacted by the 2008 recession. By buying assets it issued yields which could later be returned for exchange of money which can be used to reinvest into the European economy. Quantitative easing was introduced by Mario Draghi, head of the ECB, in order to boost the economic performances of the EU, however its efficiency is debatable, as the economic performance has not been much better since the crisis. Hundreds of billions were put into the Eurozone, however, aggregate demand has only increased to an extent.</p> <p>Helicopter money is another policy that is being discussed in the EU. It is a policy by which the ECB would introduce "free money" into the economy, targeting those who are not well off, and allowing them to use that money in order to spend it into the economy and to trigger rise in aggregate demand, which would, through the multiplier effect increase the overall performance of the Eurozone. However, this policy might be dangerous because it can lead to a short term inflation which would currently have negative effects on the Eurozone as the Eurozone is experiencing its currency being weaker than competitive currencies.</p> <p>Monetary policy can be also used, and is used to an extent in the Eurozone. It is the set of policies which try and influence the aggregate monetary demand by increasing the money supply into the economy. Therefore, the ECB can use this policy to boost the consumer spending and the overall demand which can later have effects on other parts of the economic mechanism.</p> <p>Forward guidance can be used in the Eurozone by the ECB, as it was used effectively (to an extent) in the UK until recently. Forward guidance is a set of policies which are issued in order to give more confidence and assurances to those involved in borrowing and investing. For</p>	
---	---	--

example in the UK forward guidance was issued by the Central Bank in order to reassure that the interest rates will not go up until unemployment went down below 7%. However, Mark Carney did not live up to his promise as the unemployment went down below 7%, but the interest rates remained on historic low. Therefore, the ECB can introduce forward guidance in order to reassure investors and commercial banks about the future status of the interest rates of the ECB which can help firms or banks make long term stable policies which can affect the overall security of the future economic growth in the UK.

The ECB can also introduce debt relief to the countries that are struggling to cope with foreign debts to the Eurozone banks. For example Greece is unable to improve its economic indicators because it is completely in debt to foreign banks mainly, German ones. If the Eurozone let Greece write off its debt and start over, Greece would be able to recover much faster thus contribute to the overall economic improvement of the Eurozone performance. This also applies to other countries which struggle such as Spain, Portugal and Ireland, countries which have high proportions of their GDP in debt, some even exceed 100% which prevents them to make any economic improvements.