ECONTAX Final Paper

Issue: Lack of Experience of graduating IT students

Effect of the Issue on consumption (Answer questions 1 - 3)

The issue stated above can branch out to a wider scope new issues such as increase in unemployment rate, and lesser profit of the different government or private agencies and corporations

Scoping the main effect of the issue in the economy, which is the increase in unemployment rate, can affect the consumption of households as well as the firms in the industry. Analyzing the effect of the problem on the household’s perspective, once a graduated IT student was not hired because of lack of experience, that student will not be able to earn a profit by applying to a legitimate job, as a result, the family income of their household will also decrease. As the prices of goods and services fluctuates depending on the demand and supply, the quantity of products that a household can buy will also depend on the price. Assuming that the price is high, all factors in consumption will decrease like the goods and services and also the purchasing power of their money to buy their needs and wants. Redirecting this effect on the firm’s as well as the government’s perspective, if the household’s consumption would decrease, the production of those firms would also decrease which would mean lesser profit for their company. In the government’s perspective, once the unemployment rate increases, the tax that the government agencies will be collecting, most commonly income tax, will decrease, therefore, the budget of the government for infrastructure development will also decrease which therefore leads to the decrease of government consumption in terms of building infrastructures, etc.