

International competitiveness

Chapter 71 – March, 2017

COMPETITIVENESS

OVERVIEW

- ▶ *Measures* of international competitiveness:

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- ▶ Luxembourg: <https://www.gouvernement.lu/odc>

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 - ▶ Examples: commodities (oil, ...), exchange rate, ...
 - ▶ pound falls → import prices ↑ and export prices remain the same → foreign companies adapt their prices in order to keep UK market share

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- ▶ *taxation*: \downarrow taxes on profits \rightarrow intern. competitiveness \uparrow

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- ▶ *other costs* may also increase as countries get more developed
- ▶ current account surplus may lead to a *rise in exchange rate*

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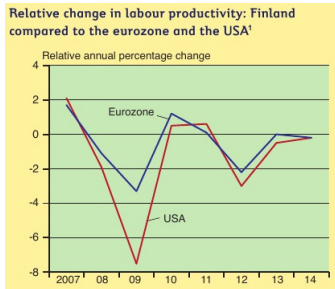
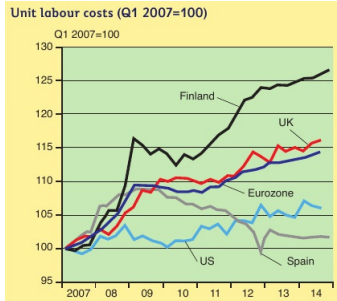
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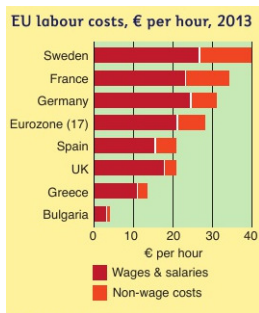
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- ▶ *control of inflation and macroeconomic stability*: high inflation → high export prices

EXTRACT 1: FINLAND



EXTRACT 2: HOURLY LABOUR COSTS IN THE UK



KEYTERMS



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REVISION (CHAPTER 21)

- ▶ government failure:

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- ▶ public choice theory:

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- ▶ government failure:
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REVISION (CHAPTER 23)

- ▶ aggregate:

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- ▶ aggregate:
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- ▶ aggregate demand curve:

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- ▶ average propensity to consume:

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- ▶ saving (personal):
- ▶ wealth effect:

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- ▶ accelerator coefficient:

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- ▶ net investment:
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- ▶ net exports or the net trade balance: