

# THE NEWSTEAD ECONOMIST



Welcome to the Newstead Economist! Economics is a multidimensional subject which encompasses a range of topics relevant to the functioning of today's society. We hope that this edition sheds a light on the broad nature of this discipline by discussing issues relating to a myriad of subjects from global economies and current affairs to economic history.

Amelia Scicluna and Will Foxhall

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# United Kingdom



source : <https://www.drapersonline.com/news/coronavirus-government-extends-furlough-scheme>

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- The Future of the High Street
- The illicit drug market
- Double Jeopardy for the UK economy

## The Furlough Scheme - Nethra Abijith, Year 11

What is Furlough and how is it currently helping businesses in the UK?

The word “furlough” means to grant or give absence to, which is happening during this pandemic. During the start of the UK’s first national lockdown (March 2020), the Furlough scheme was introduced by Rishi Sunak as a means of helping companies to keep people employed and to help employers who were struggling, to pay their staff as a result of coronavirus.

Many businesses were affected financially by the pandemic due to slowed trade rate and cancelled orders, making it harder to pay employees. To help, the government is paying 80% of the employer’s normal salary up to £25,000. As a result, the employees cannot work but will be paid as normal by their businesses.

Businesses were getting affected by this pandemic a lot since there were safety rules

and regulations as well as national lockdowns. Many people were spending less time outside and therefore were spending less money on leisure activities. Since people were spending money on essential things, the income that businesses got plunged; becoming an issue.

Businesses would want to save more money, and so, some businesses may decide to dismiss some employees. The furlough scheme, however, prevents this from happening, as they would not have to make employees redundant and recruit after.

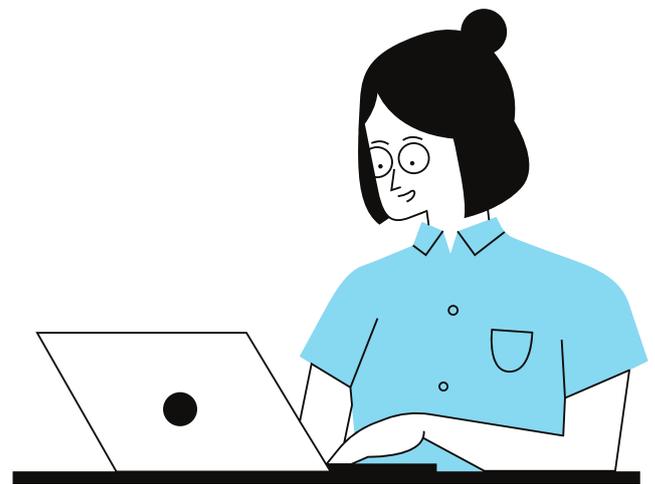
There will be more than one billion provided a month in cash grants available for these businesses. Around 90 percent of shops, gyms, cafés, and restaurants, and bars in England that closed during Covid-19-related restrictions will get up to £3,000 a month, principally aimed to cover rent. English local authorities will also

receive a one-off £1.1 billion to help support their local economies. Businesses in hospitality, leisure, and accommodation that suffered from tighter local restrictions between August and November can claim backdated grants of up to £2,100 a month for that time. According to data from HMRC, the number of jobs furloughed peaked at 8.9 million on 8th May. Data from the BCC's latest Coronavirus Business Impact Tracker revealed that 71% of firms have furloughed their employees, up from last week's figure of 66%. 30% of businesses have furloughed between 75% and 100% of their workforce, whilst 28% haven't furloughed any employees.

Rishi Sunak also announced a third installment of the Self-employed Income Support Scheme; self-employed workers can now claim up to 80% of lost earnings for November, December, and January. Earlier, the grant on offer was to cover 80% for November and 40% for December and January.

The main disadvantage of the furlough scheme is that it is very expensive. In the UK, the chancellor claims it is costing £8bn a month. There is a potential for fraud as due to the scale of the scheme, it could be easy for firms to claim benefits when the worker is still working.

Furlough payments have been crucial to millions, with the Government confirming around 10 million jobs were protected by the scheme.



## The Future of the High Street - Shreya Srinivasan, Year 12

Hearing our local bookstore or fish and chips shop shutting down may not be shocking news, however the past year has shown us just our high streets really are, with the collapse of many major chains, from Debenhams with its 240 year old history to well loved brands such as Topshop under the Arcadia Empire. Does this mean that brick and mortar stores are to be a thing of the past with an increasing amount of empty spaces on our high streets? Well, not necessarily, but COVID-19 may have accelerated a revolution that has been bubbling underneath the surface for a long time.

It is important to recognise that the pandemic is not the sole cause of these collapses, as we have had examples of many retailers such as BHS which shut shop in 2016. Rather, it has given us an opportunity to find out why this has occurred and what can be done to bring people back to the high street.

There have been years of mediocrity in several retail stores over the years, as consumers in a survey have said they are bored of the homogenous and general offering on the high street. Brick and mortar stores are truly only to last if they provide expert knowledge, amazing experience that can't be replicated online or a place where people like to get together due to the ambience and care provided. As the ease of online shopping increases, stores need to be more than glorified warehouses for holding stock but rather to create an in-store experience that can attract customers to local high streets.

It's also important to look beyond just solely what businesses can do to increase their revenue.

Local councils also play a big role in bringing consumers to the high street. Many people drive out to retail parks outside of town due to the variety of shops and activities on offer as well as the availability of parking spaces. If consumers are to be encouraged to shop local, then high streets need to have free and readily available parking spaces as well as a balance of retail, entertainment and leisure to keep people interested. Furthermore, landlords also play a key role in determining which stores are on the high street. Gone are the times when there were 10 years leases for spaces on the high street. One of the biggest reasons for the empty spaces we see on our High Streets is that the national chains over-expanded their store portfolios and were then too slow to respond to the migration or channel shift of around 30% or more of their customer base moving online. Companies pay high rents and taxes to keep these stores going, eventually leading to the collapse of many chains that we believed were incredibly stable. In addition, while these chains pay high levels of corporate taxes, there needs to be an adaptation of the core model with shorter leases so these spaces can be multi-purpose facilities, with a pop-up for a well-known brand one day and a yoga studio the next. This also reduces the amount of time, usually upto 6 months, to set up the store and allows for flexibility and reduces fixed costs for business who are just starting out.

A key issue to point out here when mentioning costs is on taxes paid by high street stores versus solely online retailers. Delivery giants such as Amazon pay virtually no taxes while they generate billions in profit as well as contributing to a rise in

CO2 emissions, due to the production and delivery of items. Online taxes need to be implemented to ensure that economic policies are aligned with where the maximum revenue is being made in the modern world.

In 2019 the government created a £95m fund to revive “historic high streets” across England. The scheme, which is being run by Historic England, identified 68 high streets that would be revitalised by the cash injection, but it focuses only on those in conservation areas. Although this is useful government expenditure, the modern-day, identikit every-town high streets blighted by boarded windows, betting shops and rundown discount outlets are also in need of attention. It is crucial for high streets across the country to have a mix of entertainment, retail and leisure in order to inject more life into several dull and empty high streets that discourage people from shopping. This may seem like it is designed for benefitting just millennials however it can truly benefit everyone. Who is going to refuse a lively and vibrant high street especially if they are part of the age bracket that still prefers shopping in-store, but has limited options on their run down local high street?

Looking at the actual content of what we buy, consumers are definitely moving towards the idea of ‘conscious consumption’. Of course, this doesn’t mean that fast fashion is leaving our markets, however there is definitely an emphasis on shopping more sustainably and buying items that will last for a long time, timeless classics as opposed to the latest trends. This can be highlighted in our high streets through the more independent retailers. A survey conducted globally showed

that 77% say they value business decency than price and convenience. This is much more of a focus for independent and local businesses who value their employees and are customer centric, therefore there it is a more personalized experience as opposed to being one of the many when shopping in a huge national chain, online or in-store. Throughout the pandemic, we have also seen campaigns by huge companies such as Google and American Express to encourage and support our local businesses. Stay local and shop local is definitely a mantra that is to be emphasized for Britain post-Covid.

Now this may paint a picture that even before the pandemic, all consumption had moved online. However, the reality is, that across all of retail, 80% – 82% of sales still take place in a store, according to the Office for National Statistics. And if you factor in the slow-down of ecommerce growth, to somewhere between 7% and 10% then you realise that the High Street is far from dead. The internet is not only an additional sales channel it is a driver of sales in-store. Approximately 65% of us start our journey online before deciding where to buy offline. The reality is we live in a multichannel world and we choose whichever channel is the most relevant and convenient for us.

In truth, while over the last decade and especially during the several lockdowns, we have been forced to shop online, our high streets are certainly not dissolving. They may just be disappearing as we know them, but this means it’s time to reinvent our high streets in order to provide valuable experiences and retail that cannot be replicated online. Let’s face it, meeting our friends for a day of shopping and dinner is still quite appealing as opposed to video chats right?

# How the illicit drug market benefits the economy - Katie Swindell, Year 12

Every year the UK government spends around £600 million trying to prevent the production and consumption of illicit drugs. However despite stricter legislations, the lucrative market continues to grow. In fact, every time drugs are intercepted by the police economic growth is negatively affected, as the selling of drugs boosts a country's GDP.

Whether it is a one-time thing, or a full addiction, drug consumption is notorious for being expensive. Every day over £8 million is spent in England on illicit drugs with 1 in 11 people (aged 16-59) having admitted to consuming a drug; ranging from marijuana to heroin in 2020. A market with such a high demand and price inelasticity, means that charging high prices for the product does not have much effect on the quantity demanded by consumers. When exported, the prices increase by around 1,300% causing the market to grow as a reported £9.4 billion was profited from sales last year (in England). Although the market is underground, illegal drug profits have been seen to benefit other people in society due to the trickle-down effect. It suggests that their profits were used to consume goods and services produced within different markets.

Drug money has also had a great influence in supporting economies all around the world during recessions, and times of financial crisis. The financial crisis of 2008 had devastating impacts all around the world leaving millions unemployed. However, during the crash the black market, (which includes the selling of illicit drugs), arguably helped keep the world economy

afloat. Banks all around the world had seen a fall in their liquidity (cash on hand) and decrease in value of their assets, leading to a large number of banks going bankrupt and many having to be bailed out. Evidence showed that lots of banks were bailed out by the laundered money funded by the illicit drugs trade, which provided \$352 billion. This was seen as the only liquid investment capital at the time. The banking system was paralyzed, as banks were unwilling to lend money to other banks, as they were all in the same desperate situations. The drugs trades offered actual cash, which was then invested into banks and helped pay inter bank loans (short term loans between banks to ensure they have enough immediate liquidity). This money was then absorbed into the economy and banks could eventually start operating normally.

Creating a drug free world has been a political goal for many leaders and organisations, such as the UN. However in reality, a market with such high demand is near impossible to eradicate. Top economists at LSE did a report showing how the global strategy of drug prohibition had "produced enormous negative outcomes and huge collateral damage". They go on to describe how government spending should be reviewed, as they are ultimately 'fighting a losing battle'. They discussed rather than stopping the production of illegal substances, money should be put towards public health-based schemes, that aim to reduce the harm of drugs and improve treatments. Millions are spent each year on healthcare towards drug victims, prosecution,

and incarceration. There is a large social cost to the economy and society, as thousands lose their lives to illicit drugs. However, if the market were moderated, more lives could be saved. The purity and mixture of many drugs caused almost 80% of drug-related fatalities in the US (2018), as people are often unaware of what is actually in the drug they consume. From potentially being a business owner, or even a low-skilled worker, these victims' contribution to society and the economy is lost due to asymmetric information. All of this has a negative effect on the economy. However, if governments intervened with the intentions of regulating the drugs, these negative social costs could be decreased leading to a safer market and a growing economy.

Ultimately the market for illicit drugs increases the consumption in an economy which is the main factor for the growth of a country's GDP. So arguably instead of trying to eliminate such a significant and potentially economically beneficial market, the aim should be to reduce the social cost.

# Double Jeopardy for the UK economy - BREXIT and COVID-19

## Bhavya Krishna, Year 10

At the start of 2020, the UK economy started on a fresh note. Finally, there was finally some clarity on BREXIT. The people of the country had spoken, through the December 2019 general election, it was clear that the majority wanted BREXIT. As a result, the UK left the European Union (EU) on 31st January 2020 and it had until end of the year 2020 to negotiate a comprehensive trade deal with EU. The economist estimated that the UK economy will go down 1.2% - 4.5% [1] under certain BREXIT scenario.

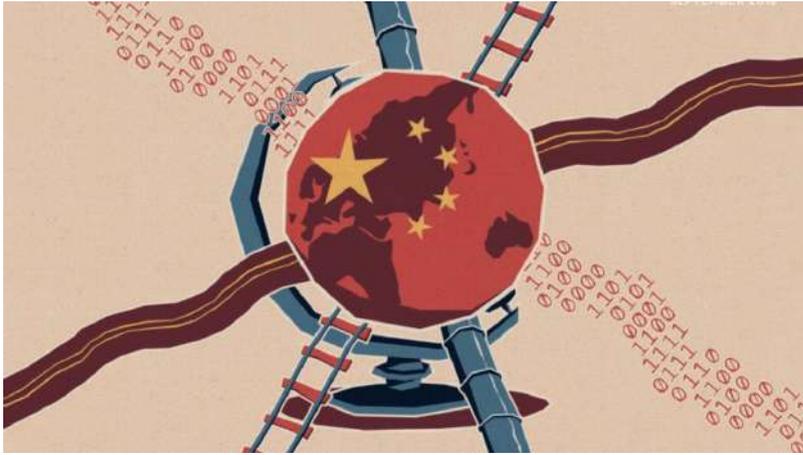
The government was under pressure to strike a comprehensive deal by the end of 2020, so that both UK and EU can have a golden handshake.

Meanwhile, something terrible was cooking in the background. In the Far East, in the Chinese Province of Wuhan, people started suffering some a viral disease, which no one has heard before, called COVID. The thought process in UK was that it was happening far away in China and the Britain was immune. One key thing that was forgotten that all economies across the world are intertwined; it is an integrated global economy. And unfortunately, the cases started appearing in UK by the end of January 2020 and within a short time frame, COVID has become a pandemic. Before anyone got a grip on things, on March 23rd, UK Government had to announce a complete lockdown of the country and the economy started to bleed from all sides. The businesses had to close, and government had to announce public support scheme like Furlough scheme to support people, who were laid off from their jobs. This in turn caused hundreds of

billions of pounds for the UK government, which had to be borrowed from the market. Whilst, economy was taking a free fall, UK saw many more lockdowns, since the March 23rd one. The economy shrunk by 9.6% [2] mostly in line with the other major world economies.

Currently in 2021, finally the vaccinations are out, and the people are being vaccinated across the globe. The economies around the world are now looking for a recovery from the pandemic-shock but UK still has a double jeopardy to repair (it must not only to recover from the COVID jolt but also from the fatalities of BREXIT). UK's COVID shock recovery might be in line with the Global recovery or may be even faster, as it has one of the most lucrative support schemes. Unfortunately, the BREXIT shock recovery may take longer than expected as the negotiation continued to the very last minute and it was not a comprehensive deal. Both UK & EU have so many open ends and given EU is UK's biggest trading partner, a complete recovery might take much longer than expected.

# Global



Source: <https://www.tradefinanceglobal.com/posts/guide-to-belt-and-road-initiative/>

## Also in this section:

- Trump vs Biden
- Single Currency
- The Real Economic Problem

## China's Belt and Road Initiative - a force for good in the global economy? Amelia Scicluna, Year 12

Since Deng Xiaoping started to open up the economy in the late 1970s, China has been consistently among the world's fastest-growing economies. By and large, that strong growth has continued since Xi Jinping assumed leadership early in the last decade. Despite the shock of COVID-19 which hit the economy earlier in 2020, in the final quarter China's GDP grew 6.5% compared to a year earlier, to be one of the few countries to register positive growth. Therefore, China remains firmly on track to overtake the US to become the world's largest economy before the end of the current decade, becoming a veritable economic superpower.

Alongside its own economic development, China has played an increasing role in the global economy through trade and investments, particularly since joining the WTO early this century. It has surpassed the US, Germany and Japan as the world's largest goods exporting nation. It has also played an increasing role in the economic development of other countries, supporting demand in China's economy and

promoting its strategic interests around the world. In this respect, one of Xi Jinping's landmark policies has been his Belt and Road Initiative (BRI), designed to extend the upward trend in China's GDP, extend China's dominant role in global markets and boost its foreign policy objectives too.

The World Bank defined the BRI as 'a development strategy focusing on connectivity and cooperation on a trans-continental scale'. Through large-scale investment projects in transport, energy and other infrastructure, the aim is to further enhance links between nations in Europe, Asia and Africa to economic centres in China. Xi's vision involved the development of new economic corridors over land and sea, echoing back to the ancient Silk Road that linked Western China and the Mediterranean. His aim was to reinforce China's eminence in global trade and boost China's potential to overtake the US in the race to be the greatest economic power. The "belt" represented the

new overland corridors. Confusingly, the “Road” represented maritime shipping lanes.

So far, China has spent hundreds of billions of US dollars on various projects in more than seventy countries – from Afghanistan to Zambia, Greece to Indonesia – accounting for about half of the world’s population and one quarter of global GDP. Although transparency is lacking, according to Morgan Stanley, China’s overall expenses could reach \$1.2-1.3trn by 2027. If it is to cost so much, how is the BRI expected to benefit China?

Projects under the BRI often require the use of Chinese companies, providing a direct source of near-term demand. Over the longer term, the BRI should increase China’s ability to trade with many parts of the world, including the EU single market, Africa and Southern and South East Asia. For example, China could develop new routes for shipping goods via Greece through the West Balkans into Europe’s market of over half a billion consumers. At the same time, while developing some of its poorest rural provinces, such as Xinjiang in the West of the country, the BRI aims to reduce economic inequality. Indeed, as measured by the Gini coefficient, China is one of the most unequal countries in the world and this reduction inequality could lead to greater and more sustainable prosperity for the country. The BRI could also secure long-term energy supplies for China from Central Asia and the Middle East, via routes beyond US influence. From an economic perspective, the development of both poorer provinces and engagement in trade with Western countries should increase aggregate demand in the economy on a lasting basis, while the sustainable provision of energy could help reduce

future constraints to aggregate supply.

Beyond the economic benefits, however, the BRI is undoubtedly aimed at boosting Chinese influence and power abroad. The US Council for Foreign Relations noted that the project might be “an unsettling extension of China’s rising power”, and perhaps a “Trojan horse for China-led regional development and military expansion”, countering US influence in Asia and elsewhere. BRI projects are typically financed by low-interest loans from China, rather than grants of aid. Through the conditions whereby those loans have been made, the loans can have lasting consequences for China’s presence in the countries concerns. A report by the Centre for Global Developments showed that the loans taken on via the BRI had left several countries vulnerable to a debt crisis. In Sri Lanka, the government’s struggle to meet debt interest payments meant that it had to give control of a port to China for 99 years, providing China with a strategically important asset in the country.

Therefore, there are concerns in many countries that the BRI is a form of economic imperialism, giving China new ways of gaining major leverage over countries involved in the scheme. There are also fears that China’s increased presence in business in BRI countries will be followed by an increased military presence. For example, the ports built in the scheme can be used for military means as well as commercial purposes, and the BRI appeared to lead to the opening of China’s first overseas military base (in Djibouti). In addition there are worries about other potential negative externalities from the projects, such as the

environmental costs of such developments. With some schemes also considered of highly questionable benefits (or even hare-brained), Adam Böhler, the head of the US International Development Financial Corporation, depicted the BRI as a 'house of cards' due to the risk of excess debt, corruption and poor transparency.

Since Covid-19 hit, countries' willingness and ability to take on plenty of more debt has shrunk as they struggle to meet payments on existing loans. So, for some governments, the appeal of BRI loans has diminished. However, for others there are still benefits to be gained. Moreover, recognising some of the criticisms and seeking to meet some of Xi's latest priorities, the BRI continues with extra new emphasis on green technology projects, healthcare initiatives and digitisation infrastructure investments.

So, will the BRI boost China's economy and also increase its strategic interests in the world? In short, yes, through greater investment, trade connections, and the enhanced productivity that might also result. But, the economic consequences for participating countries vary greatly. Despite the risk of high debt and sub-optimal infrastructure in some countries, for other developing nations the BRI could provide scope to participate in global trade just as effectively as other wealthier economies. In addition, countries such as the US that have traditionally dominated those markets could lose out, representing a blow to their economic and wider foreign policy interests.



# The differences between Biden and Trump's policies and what Biden can do for the US economy - Shresth Pasamolla, Year 12

The 2020 presidential race was undoubtedly one of the most interesting in history, setting records for voter participation and spending. Ultimately, the Democratic candidate Joseph Biden won and was sworn in as the 46th American President on the 20th of January. He is faced with the extremely unique situation of restoring a country extremely hard-hit by a pandemic, together with climate-change adaptations and police reform. Other issues Biden must address include trade with China, policing the tech industry, expanding economic opportunities for women and people of color and tax reform, along with returning the US economy back to where it used to be before the pandemic hit. How will Biden do this, and what would Donald Trump have done in his place?

Biden and Trump have very different ideologies, which can be reflected in their economic plans. As part of his campaign, Biden released a 10-year, \$1.3 trillion infrastructure plan (a plan relating to the physical systems in place in the country, e.g. transport and communication systems). In it, there was a large emphasis on action to tackle climate change - he aims to move the country to net-zero greenhouse gas emissions, as well as creating a new federal program for research and technology development into clean energy. The Trump administration's 2016 policy was very different to both Biden and Obama's - the US was to be energy independent based off fossil fuel usage and many environmental regulations were to be rescinded. Climate change was barely acted upon during Donald Trump's time in office (most likely stemming from that fact that he believes climate change is a 'hoax'). In fact, a few months into his

presidency, Trump announced that the US would be backing out of the momentous Paris Agreement, citing that it would put the country at a 'permanent disadvantage' and 'undermine the economy'. Trump has rolled back at least 64 environmental regulations and repealed the Clean Power Plan, an Obama-era legislation to cut pollution from coal-fired power plants. A particularly controversial decision his administration made just days before the end of his presidency (a decision later reversed by President Biden) was to secure oil drilling rights for companies in the Arctic refuge, a key wildlife habitat. Trump is a big supporter of the fossil fuel industry, and so not much was expected from his 2021 agenda in terms of tackling climate change; true to that, the only mention of the environment within it was to 'clean up the oceans' and 'maintain clean air and drinking water'.

Limiting the USA's impact on climate change is clearly an important part of Biden's agenda, but what will this mean for the US economy? Firstly, one way Biden aims to fund his plan is by raising corporation taxes (which were cut by 14% during Trump's term) - raising corporation tax raises billions of dollars for government spending, but it would also make investment in the US more costly, possibly limiting future economic growth. Higher taxes also mean that firms make less profit, which translates into lower wage-growth and employment (a study has found that for every 1% increase in corporate taxes, wages go down by 0.5%). Furthermore, tax increases in a time where firms are struggling with business may have the

unintended effect of taking them out of business completely. Lowering corporation tax can actually be beneficial in the sense that the extra money could be allocated and spent by business owners in the economy in ways that would be much more efficient than government spending - the US Congressional Budget Office estimated that Trump's 2017 tax cuts would increase the economy by \$330 billion over a 10 year period, although they also modeled that the policy would cost \$2.3 trillion over the same 10 year span, therefore the tax cuts may not have been worth their return. The current tax rate is also closer to average rates than it used to be, discouraging companies from moving profits to lower-tax nations and consequently increasing money in the circular flow.

Healthcare approaches also differ amongst the two administrations. Trump wanted to repeal Obama's Affordable Care Act (ACA), thus deregulating the government's control over the private healthcare system, with an aim to reform it (although he provided no details on what a reformed version would look like). He also proposed great healthcare spending cuts over the next 10 years in his budget plan, and aimed to lower drug prices by allowing cheaper, foreign drugs to be exported in. Biden would protect the ACA and wants to create a public option plan (similar to Medicare, the national health insurance program for people aged 65 and over) that would be available to all. Biden also wants to lower drug prices - one way of achieving this would be to repeal the law that bans Medicare from negotiating lower prices from manufacturers. Keeping the ACA in place, and potentially expanding its coverage as Biden wants to do, can have many positive economical effects such as:

- lower consumer spending on premiums and out-of-pocket payments, which would increase consumer spending in areas more beneficial in growing the economy
- more financial security for households (meaning they might save less and spend more)
- a healthier population, thus increasing productivity
- increased job mobility because more people have access to health insurance outside of their workplace

However, the ACA is an expensive program to run and several new taxes had to be passed into law to fund it (including taxes on pharmaceutical sales and increased taxes for high-income earners), asking the question if the wealthy should be helping to subsidise health insurance for the poor. Furthermore, businesses with 50 or more full-time employees had to offer health insurance/cover employee healthcare expenses and so some businesses cut down their work hours, allowing business to bypass the 30-hours-a-week definition of a full-time employee, leading to incomes and spending to fall.

In terms of dealing with coronavirus, both Biden and Trump have called for larger stimulus checks (the last checks were for \$600). A stimulus check is overdue and so will certainly pass, with figures between \$1400 and \$2000 per person in talks, and will aid in supporting families, protecting jobs, increasing consumer spending and giving the economy a slight boost. In terms of trade, although he said he wouldn't immediately make major changes to the trade policy with China, Biden is expected to dial back Chinese tariffs after Trump's

In terms of dealing with coronavirus, both Biden and Trump have called for larger stimulus checks (the last checks were for \$600). A stimulus check is overdue and so will certainly pass, with figures between \$1400 and \$2000 per person in talks, and will aid in supporting families, protecting jobs, increasing consumer spending and giving the economy a slight boost. In terms of trade, although he said he wouldn't immediately make major changes to the trade policy with China, Biden is expected to dial back Chinese tariffs after Trump's disastrous trade war with China that ended up slowing the USA's economic growth - it is estimated that lowering tariff rates to 12% from the current 19% could result in the US producing an extra \$160 billion in real GDP, consequently creating more jobs and income.

All in all it is clear that both candidates wanted a better America and had two, very different visions as to what this would look like. Statistically, stock markets have done better under Democratic rule than Republican, and stock markets were certainly happy after Biden won the election - the FTSE 100 index jumped 4.4% the Monday after the election and the Japanese stock market hit its highest level in almost 3 decades on the same day. Biden's presidency is thus clearly welcome by many after four years of Donald Trump, and American citizens have put their faith in him to restore broken systems and people's livelihoods after a difficult year. American citizens need change and Biden has many ambitious plans to help with this, but only time will tell if he can follow through with all he has promised.



## Should there be a single global currency? - Ray Gollapudy, Year 12

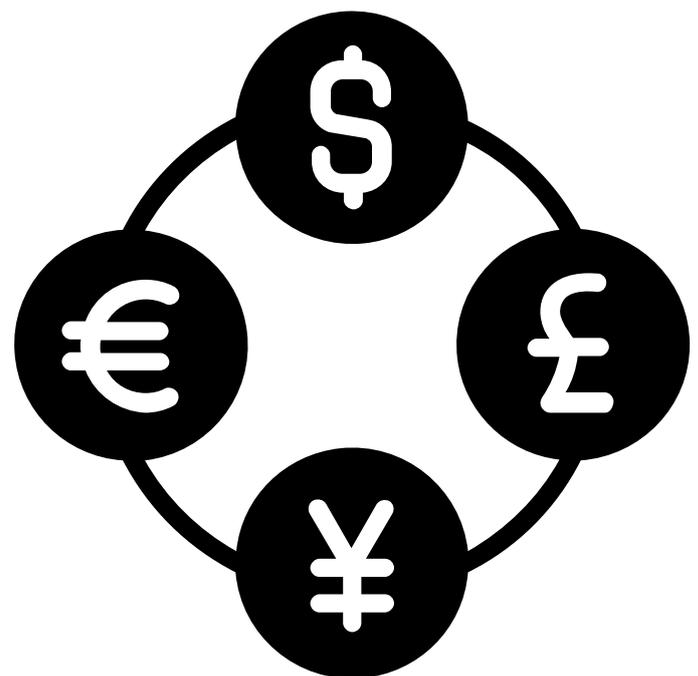
In the world today there are 190 countries and 180 currencies, this does not include cryptocurrencies such as Bitcoin. The purpose of a currency is to facilitate a medium of exchange. Previously, all goods and services were exchanged through bartering, a direct exchange of goods and services, instead of money. The idea of a global currency is not a new idea — for hundreds of years, gold was widely accepted as a medium of exchange. In the modern world, most of the European Union uses the 'Euro' and this has had varying degrees of success.

There are many advantages to having one global currency. For example, there would be no more currency exchange fees. If you want to exchange, one currency for another, banks charge for this service. A fee is also charged when you want to send a foreign currency abroad. With a global currency, these fees would be eliminated, and we would be able to travel anywhere in the world using the same currency. This leads to better utilisation of money. When the EU adopted the Euro currency it is estimated that they save between 13 billion and 20 billion every year in exchange fees. With a singular currency, there will be a free flow of trade and will therefore boost trade and transactions between countries. When the Euro was adopted, trade between members of the EU doubled.

Although there are advantages, there are also disadvantages. When a country controls its own currency, it allows that country to control its money supply. A country can raise its interest rates when inflation rises (when prices get too high too quickly) in hopes to make borrowing more expensive and saving cheaper to slow down

the economy. On the other hand, it can also lower interest rates to make borrowing cheaper and encourage more expenditure to boost the economy. It can also deflate its currency (like China) to make its exports more appealing to other countries. However, with one global currency, none of these options would exist, making it difficult for countries to control their own economy. For example, Greece was in major financial difficulties and as they had given up their own currency (the drachma) to take on the Euro, they were not able to control their currency. This financial crisis would occur on a global scale if we adopted a singular global currency.

Unfortunately, the cons weigh out the pros and it is unlikely that the world would adopt a singular currency in the near future.



## The real economic problem - Luiseach Divers, Year 12

We are taught that the economic problem is we have finite resources but infinite wants. The more the better, the bigger the better, the more profit the better. Clearly as a society we are just all indefinitely selfish, we weigh out the opportunity cost in buying that car or those sunglasses, because, how it benefits us is our top priority. We deplete the earth's resources at a faster rate than they can be replenished. But maybe the problem is not our infinite wants as a whole, but the fact that only some of the population are able to fulfil those wants. Perhaps the real economic problem is that not everyone's wants are acknowledged.

Poverty is not unheard-of news; in a privileged society we are educated on these issues so let's get straight to the facts: 689 million people, live in extreme poverty on \$1.90 or less, a day, according to the World Bank. That's £1.39, if you are a mother or father with (an average family size of 2.6) so 3 people, to provide breakfast, lunch and dinner (6 meals) averaging at £0.23 per meal. This is not accounting for other basic necessities such as running water for the day, electricity, transport. The difference is these are "needs", these families "wants" have not even been accounted for yet. Despite this, the average UK daily spending is £83, this is 59 days' worth of income for a person living in extreme poverty. Some say it's just fate, if you are lucky enough to be born into a well-developed country with a good education system and fair wages this shouldn't be a problem for you. Although deep rooted corruption is the most tangible reason, it's what is hidden from us that governments do not want us to know.

As President Barack Obama once pointed out, "the free market is the greatest producer of wealth in history — it has lifted billions of people out of poverty." The free market is something the

government yearn to control, so they tax, they regulate such as occupational licensing rules and minimum wage. As a society we think that the governments do this to improve equality such as having the minimum wage. What they truly want from doing this is to block the poor from these entrepreneurial opportunities as it is less likely they will be approved for licenses. Minimum-wage laws can block low-skilled workers from getting that first job and starting on the economic ladder. It seems to all come back down to what someone "wants" to do and that peripheral selfishness lurking when "selfless" decisions are supposed to be made.

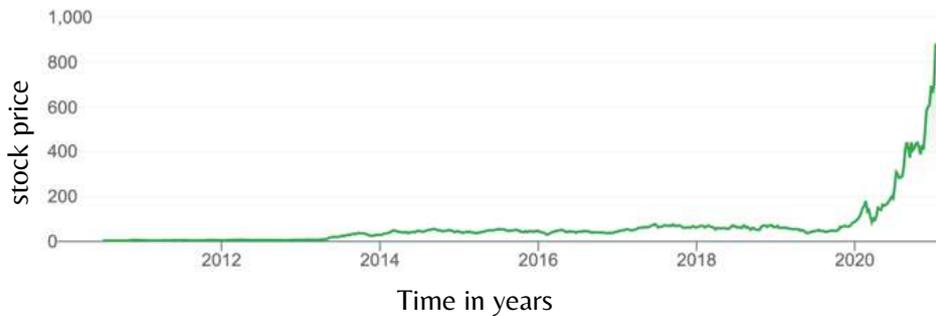
So, who gets to decide the "wants" that deserve to be fulfilled?

In truth the Government, the people given the power to decide what wants are acknowledged, fear equality. In every decision they make there is an underlying bias against the low-income families and this is masked by seemingly attacking high income families but that is only a façade. But why would they not want to live in a world of equality, eradicating poverty? The fear of loss of control. Once the distribution of incomes flattens out and the floor beneath the poorest paid and least secure is raised (as states in "the fear of equality" by Robert E Lane). Money no longer would have that strong power that it once had, like an oppression almost over those who needed it. People would no longer be able to be controlled, manipulated "Equality for the working classes, like freedom for the middle classes". Imagine a world where ALL 'wants' could be met, where equality means equally selfish with the same amount finite resources. That's what I would call the REAL economic problem.

# Finance and Business

## Also in this section:

- Amazon and its power
- Billionaires should not exist



## What does Tesla's hype mean for the future? Anvi Aggarwal, Year 11

As of January 7th 2021, Elon Musk overtook Jeff Bezos as the world's richest person with over \$185 billion and just in 2020, he added \$140 billion to his net worth while millions of people worldwide lost their jobs due to the pandemic. 'But what's so special about Tesla?' is the question that everyone has been asking.

Tesla, founded in 2003, has a mission to 'accelerate the world's transition to sustainable energy' while making innovative and high tech cars. Maybe that's what attracts consumers: the fact that for the first time, a car can travel from 0-60mph in only 2.28 seconds, or that along with making fully electric cars, they also manufacture renewable energy products for homes to reduce the impact on the exacerbated climate crisis. Whatever it may be that attracts tech lovers to the multi billion dollar company like a moth to a flame, it is doing more than enough to help grow Tesla from a tech startup to selling almost 500,000 cars in 2020 alone (a 36% increase in

sales from the previous year), and perhaps setting Musk on the path to becoming the world's first trillionaire. However many are convinced that this type of exponential growth is causing Tesla to be a bubble- a rapid inflation followed by a rapid decrease in value (a bubble that keeps growing larger inevitably bursts).

Even though it may be hard to believe that the first bubble that brought down a country's economy was due to tulips, this is exactly what happened in the Netherlands in the 17th century. Tulips were imported from Turkey at a high price, so were seen as a luxury item wanted by the wealthy, followed by the middle class who wanted to echo the wealthy and purchased the flower to flaunt in gardens. However this short supply of tulips contrasted with the high demand for it, driving the prices up to the point where bulbs were being sold in the range of £30,000 to £100,000 in today's

money. While the desire for tulips rose, many thought that the price would continue to increase, so sellers stockpiled tulips in hopes to earn thousands. This was true until some saw the market as unmanageable, so decided not to re-invest their money into tulips and others began to sell their tulips because they had decided that profit they had made from their purchase early on was enough. While more people started to sell their tulips for a high price, demand decreased until there were no buyers, therefore causing panicked sellers to quickly lower the price for their now worthless tulips they had stored. This rapid deflation caused the bubble to burst, leaving many poor and this craze is known as 'Tulip Mania'.

In 2020, Tesla's stock surged around 700% and is the world's most valuable car maker along with being the sixth largest company in the US based on market value, planning to deliver around 1 million cars in 2021. In spite of this, many are convinced that as the stock price is extremely high, it is unsuitable to continue investing in Tesla; some hedge funds that have invested are worried if the price suddenly drops, they will lose a large amount of money, others think that the stock price will not continue to rise significantly, so they will withdraw their investment, thus causing the bubble to burst soon. However, loyal fans think that Tesla is not in a bubble- they think that now the profit will continue to rise due to the insane hype around the car. In essence, it can be agreed that Tesla is the blueprint for the future of cars.



## Amazon and its power - Tia Bhatti, Year 12

One of the biggest household names in the 21st century, Amazon has grown its monopoly power exponentially on e-commerce, especially in the pandemic, by exploiting workers, suppliers, and small businesses. Jeff Bezos, the former Amazon CEO and founder, started his business in 1994 by only selling books but now the company sells items ranging from edible glitter to jacuzzies, all with the potential of being delivered in less than one day. Despite the conventionality of Amazon, it is not as good as it is initially portrayed to be due to several overlooked factors, so, indisputably, we should be shopping elsewhere.

Amazon captures more than 70% of all online transactions due to its ease of ordering from there; in fact, 60% of Americans go straight to Amazon when ordering something online. As a result, it only makes sense for small businesses to sell their goods on Amazon otherwise they would be missing out on 70% of possible business, and this could be detrimental to their company. However, the selling costs on Amazon are so insanely high that they make up 21% of Amazon's revenue; if truth be told, Amazon takes 30% of each sale made by a third party, therefore stripping them from a substantial part of their profit. Seeing as 51% of Amazon is made up of third-party sellers, Bezos clearly benefits through his ingeniously thought-out business model. These deplorable statistics evidently demonstrate the lengths at which Amazon exploits small businesses, but due to the large market share that Amazon holds, small businesses have no choice but to sell on the global e-commerce giant.

Further, large companies are similarly exploited through the artful algorithm that Amazon has developed. This is due to the fact that if Amazon finds out that a good is being sold cheaper on a

separate company's website, it lowers the visibility of the specific item on the Amazon website so that it is harder for consumers to find – this means that the good is lower down when a consumer searches for the product. Consequently, businesses are essentially “not allowed” to sell their own good on their website at a cheaper price if they want to make sales on Amazon, and this denotes the power that Amazon holds over companies such as Hotel Chocolat, ghd and Philips.

With help from accountants, Bezos avoids his company paying extensive amounts of tax every year by finding loopholes in the tax system – although this is all legal, it does not seem ethical. Businesses as big as Amazon bring in enough profit to pay off taxes without the need for finding ways out of it, but as Bezos wants incomprehensible amounts of money, he attempts to avoid paying as much tax as possible. Some small businesses are barely surviving off the money they earn and yet Amazon does not pay all their taxes – this does not seem moral. Yes, Bezos built a trailblazing business, but he now exploits other businesses, independent as well as large co-operations – it just does not sit right. Even Trump depicted his huge dislike for the company, and he criticised Amazon for avoiding paying tax through his beloved social media – Twitter! He concluded that 'Amazon is doing great damage to tax paying retailers. Towns, cities and states throughout the U.S. are being hurt' and this is an explicit portrayal of his hatred for the company. However, hypocritically, Trump lowered the maximum corporate tax percentage rate from 35% to 21% in 2018, implying his duplicitous nature and his lack of consistency, as now he is the one who wants to avoid paying

tax. With this in mind, it is apparent that certain wealthy men do not care about anyone else but themselves – they essentially just want the rich to get richer and the poor to get poorer!

Finally, it is important to note that Bezos topped the list of giving the biggest charitable contribution in 2020, donating a colossal \$10 billion to help fight climate change. Although this seems like a good deed, there is a protruding notion that he is perhaps craving good media coverage. Besides this, he also donated \$143 million to coronavirus relief in the U.S. – at first glance, this seems like a lot, but it is less than 0.1% of his entire net worth. It is crazy that Bezos even has the funds to even solve world hunger – twice a year – and yet he chooses not to. This set-to-become first trillionaire is earning unfathomable amounts of money every single day through his business due to ordinary people, like you and me, adding goods to our basket and investing in prime. It is arduous to say never to buy from Amazon again; nonetheless, just keep in mind how much this man is earning and how much you are contributing to his wealth every time you order from his website. To overcome this issue, find alternatives, like small businesses and local shops (once they open), to purchase from because they are struggling with the rise of online shopping, but also due to the pandemic. Sites such as Esty and eBay are a great start, but you can also try Better World Books for purchasing pre-loved books at affordable prices (the shipping is sometimes free!) and maybe check out A Good Company for sustainably ethical stationery, phone cases, and personal care. Just remember, Amazon is not the only online marketplace, it is just one of many.



## Billionaires should not exist - Charlotte Drnovsky, Year 12

The majority of the time we use the term billionaire without fully comprehending the sheer size of this number. Consider the CEO of Amazon, Jeff Bezos, who is the richest man in the world as he owns 196 billion, even if the average person worked for 2.5 million years, they still wouldn't reach the same amount he owns. While the lowest paid Amazon workers would have to work almost twice as long as that to earn as much as their boss owns. In fact, Bezos has probably accumulated over £20 000 just within the timespan it took you to read this far.

Some would argue that they deserve their wealth as they've worked for it and developed great ideas and whilst this is true to a certain extent, many overly benefit from favourable tax and loopholes in the system. This is displayed by the fact that 50% of billionaire wealth is inherited and another 15% is due of monopoly control. This is whereby a single company and its products dominate an entire sector or industry and therefore have control of the whole market, giving them the ability to set their own prices free of competition. Regardless, there's no justification as to why 8 million people, living in families where at least one person is employed, should be left living in poverty, 4 million of them being children! Whilst there's the wealthiest living off money they'll never be able to spend in their lifetime, the poor are left dying on the streets due to not being able to afford proper health-care or housing or finishing university with a mortgage worth of debt. Hoarding that much wealth in a society like ours, where so many people are suffering, is grotesque and immoral.

The issue isn't making money and becoming

wealthier, that's due to our capitalist society which has raised living standards quicker than at any other point in history. However, billionaires are the issue. They are the product of an awfully unequal economic system that the government decided we should have. It's this unregulated capitalism that has allowed a handful of people to amass wealth and power far beyond what they have fairly earned. Some may argue that the top 1% of earners pay around a quarter of the income tax, however this is not the case. A prime example of the inequality is Jeff Bezos, once again who, despite making \$11 billion in profits in 2016, still paid \$0 in federal income tax. The reason? Another billionaire gave him a tax cut. Similar situations have happened countless times; the government need the rich, not the other way round and therefore they're often willing to negotiate. If the billionaires move, the economy will be greatly impacted and therefore instead of the government taking a small percentage off their wealth, they encourage them to keep the 100% in the system. This further incentivises them to make that decision and this is what we call a tax loophole. So overall, the poorest quarter of society pay nearly twice as much of their disposable income to indirect taxes, including VAT and duties to the taxman, then the richest quarter do. This displays the sheer failure of the system.

A fair solution wouldn't be to get rid of capitalism but to install a fair and progressive tax rate as well as the government cutting down on their subsidies which would lessen the incentive to keep the wealth between

them. Moreover, it would be ideal for more billionaires to invest into various social causes; which could for example, help the poorer gain skills which would increase their attractiveness to potential employers etc. A billionaire is a policy failure and as for the rest of the population, we've failed to hold them accountable. Changes must be made to establish a fairer world, it's never too late.



# Economic Theory



source: <http://a2zinsights.com/the-rising-trend-of-sharing-economy/>

## Also in this section:

- To be a good loser is to learn how to win
- In Favour of Infringement
- Market Morals

## How to share - Mr Connolly

My first encounter with the discipline of economics, and one which has remained long with me is that of allocation; that is, the way we justly and fairly share society's resources. In my own case as a child, I remember how my mother would share out chocolate between me and my 3 brothers. What was perceived as one brother having more than another often led to some raised voices and unhappiness. The injustice of unfairness was felt in the distribution of bits of chocolate among a group of siblings. What is considered to be fair, and indeed unfair, is on the surface a simple question but all too often straight forward solutions are overlooked; the obvious becomes clouded by emotive perceptions of what is considered to be fair. Now as a parent I too have come across the same issue of fairness and it has led me to question how can a society ever make fair decisions when allocating resources if a parent struggles to do so the same thing!

How do we allocate resources in our society? There is the view that those who add the greatest value should get the greater rewards. For example, if Head Teacher organises the way a school is run, spearheads its goals and is responsible for the attainment of all the students

in a school. This responsibility is wide ranging and significant, and so in a well-run school, the Head Teacher's added value is greater than any one individual teacher. It can be argued therefore they should be rewarded appropriately and this would be greater than any other employee.

By contrast, let us consider the value of the Tax Accountant who works to save an individual from paying heavy tax bills; money which really should be going to the state to increase the overall welfare of society. Tax accounts as defined by resource allocation are one of the highest rewarded professions in society, but what value does their work return to the welfare of society? This is in stark relief to the return professions such as Social Workers receive. Their role is to improve people's life chances who might otherwise become caught up with detention authorities. And in doing so the Social Worker can save the country many thousands of pounds by keeping people in work and functioning as part of society. The reward for the Social Worker as compared to the Tax accountant is, I suggest unfair.

This value-based system ties in with the rise of meritocracy, that those with the highest levels of talent and ability to work hard should be rewarded most. This makes total sense; it creates incentive systems for people who will make the most of a particular situation to have access to more resources which in turn will benefit society most. To some extent we can see this with many of the technology companies, these businesses have created fantastic products that have made life better for the vast majority of people. We want the brightest and most conscientious doctor saving our loved ones, for this, I, along with society, will be happy to reward these people on the merit of their labour and talent. But the downsides are that it brings with it the idea of justifiable winners who are deserving of all the gains they get from the allocation game. It also reduces the losers to their fair share of the chocolate bar; their measly one square and they should be happy with that. As Michael Sandell of Harvard University discusses in his book on the Tyranny of Merit points out it creates winners and losers, and the losers' matter. This can partly explain the rise of the far right and the election of Brexit and Donald Trump. The affluent and college educated voted Remain and in America voted for Biden, but the people who have gained little wanted things to change, their share of economic growth has fallen. It was those who lost out that voted for these two extreme alternatives. For many the idea of merit has much to do with luck and geography than social mobility; there are simply too many obstacles to make merit work.

Furthermore, the winner takes all is more prevalent now than ever; if one can gain skills that can be scaled up, and rolled out globally, rather than just selling to the local Orpington

market, you are more likely to succeed. For those people who work in finance or software and are selling to global markets they have found their exclusive skills rewarded greatly. This contrasts with the Deliveroo person, low skilled and selling directly to one client at a time and getting no increase reward. How can we find a system that is fair; society needs everyone to improve the way we live. We all need the carer, the nurse, the supermarket worker; they are essential to society and this work is not easy, even if as a society their work is undervalued. I spent much of the Covid lock-down thinking about why the no nonsense approach of the supermarket workers who are on low pay and low protection are not getting their fair share of the chocolate. We really need to sort out what is fair and find a new way to reward all and not just the lucky few.

## To be a good loser is to learn how to win - Una Moyo, Year 12

Bridgerton (spoilers ahead!) has been one of Netflix's most successful series reaching over 82 million households around the world within its first 28 days of release. It is set in Regency Era Britain, when betting was a common and accepted pastime. We see this through the character of Lord Featherington, a breadwinner and serial gambling addict, who loses his household's wealth, including the dowries of his three daughters. In a desperate attempt to recover his finances, Lord Featherington comes to Will, a renowned boxer, and offers him a cut of the winnings if he throws the match. Initially Will declined; losing a match on purpose would not only damage his winning streak but if the truth was unveiled, his whole career would be on the line. However, with further consideration, the economic gain of this deal outweighed the loss of morality. By fixing the match, Will would have enough money to provide for his family, making it an honourable act in itself. But this had me thinking, could match fixing be more common than we think?

"There are three basic flavours of incentive: Economic, Social and Moral" - Freakonomics

It is important to realise that we all have incentives that we act on in everything we do. For example, the incentive to try hard in school is to get good grades; the incentive to perform well at work is receiving a raise. So, if the incentive for a sportsman to win is predominantly for wealth rather than for honour or recognition, their actions can easily be manipulated by another source of income. This lays the foundation for match fixing. Match fixing is the action or practice of dishonestly determining the

outcome of a match before it is played, usually so large bets can be placed with certainty. Often players in solo sports, such as tennis, or even goalkeepers for a football team, are approached by low profile 'contacts' who arrange for the player to purposefully lose a game. This contact now has a risk-free gamble on the outcome of the player's game and subsequently wins a large sum of money where a comparably small fraction goes to the player.

It was summer in 2007, when Russia's Nikolay Davydenko faced the Argentinian Martin Vassallo in a tennis match at the Poland Open. While Vassallo was ranked by the Association of Tennis Professionals (ATP) as 87th best in that tour, Davydenko held the position of 4th. The match started off as seemingly normal, with Davydenko winning the first set 6-2. However, on the internet something strange was going on. On Betfair.com, the day before the match, there were unusually high bets placed on the underdog. Over \$7 Million was placed on Vassello to win despite the odds and soon enough, Davydenko's performance suspiciously began to fall. He requested medical timeouts complaining of toe and ankle pain and by the third set, he withdrew from the match. As a result of this too-good-to-be-true coincidence, Betfair's anti-corruption team voided all bets and ATP began investigating a possible case of match fixing. Suspiciously, both Davydenko and Vassello were cleared of any accusations and faced no consequences. However, this incident sparked countless investigations worldwide unveiling other possible schemes and corruption. This led to associations being developed to detect and

regulate match fixing. But what steps could regulators take to tackle the problem of match fixing?

There are three main ways match fixing is being tackled: regulation, raising awareness and investigation. Regulation and the increase of awareness are preventative measures. ATP established the Tennis Integrity Unit (TIU) which is solely responsible for investigating match fixing in tennis. One of fundamental rules is that any player asked to fix a match must report it immediately or they face a lengthy ban from the sport. Theoretically, this rule would work as players have a moral obligation to report; however, this may not align with the social incentives of not saying anything rather than risk being alienated. Take Marco Trugelliti who came forward in 2015 to expose a match fixing scheme involving three other players. Although he did the morally correct thing, he was branded a snitch among fellow players and coaches and cut out of the social circle.

The secret circle of match fixing co-ordinators is extremely low profile and tends to infiltrate sports through other players who recruit others into the scheme and so on, creating an underground network of cheating. Some could argue these initial coordinators are the true perpetrators. They tend to prey on players of lower rankings as they would not be earning much money even if they played well so there is a strong economic incentive to lose. On the other hand, the sports players are acting on their own accord and therefore are fully responsible for match fixing. For that to work, the scouts would have to be astute at behavioural economics to target the safest of prospective sportspersons and the contributors to the whole organisational

structure. Either the player will accept the “generous” offer or they will not take the bait and will not spill the beans. It’s a business area for real risk takers.

While on the topic on the incentives, the economic, social and moral incentives for the crime and regulatory agencies to investigate is another whole arena to explore. It would not be too far removed to consider that, as with other criminal activities with high stacks, there are the big players involved at the top of the hierarchy pyramid. The small players are tasked with the challenge of ensuring absolute concealment of the activities, as one move could destabilise or even set forth a domino effect on the whole “business” model. The big players are meticulous enough to ensure that their plans and intentions are well hidden so that if ever any allegations are laid out, they are untouchable. The multi-national spread of the criminal activities offers loopholes, as Interpol is not so inter-policed. So next time you are watching a sports game and your favourite player unexpectedly loses, it might not be due to bad luck. Without losers, where would the winners be?



## In Favour of Infringement - Anne Song, Year 12

Recently, when I was chatting with one of my Chinese friends we were discussing over-priced branded fancy shoes. This reminds me of the recent criticism of fake shoe production that appeared in the news and other similar counterfeits selling everywhere and whether this was such a bad thing for society?

To begin a brief description of the difference between patent, copyright and trademark. Copyright is automatic and it happens once you produce any creative work of art or design; whereas patent covers inventions that are both physical that protect an idea or invention. A trademark is another form of protection which allows firms to protect a brand. In the case above, it is more relative to patents, which suppliers claim those are "AJ" shoes but they are actually not. Besides, copyright infringement takes place when a copyrighted work is duplicated, disseminated, or appropriated by others without the creator's permission. For example, downloading music or films from the internet without paying for their use. Both trademark and copyright infringement are illegal.

Are patent infringements that bad? Is fake Apple AirPods selling in eBay causing that much economic harm? When Apple Airpods first launched, people were excited as it completely revolutionised the earphone industry. Apple AirPods are not cheap but it definitely provides consumers with a utility and a sense of pride in owning such a desirable product (it does not mean it's the best!). We are faced with the choice of style and quality against that of cost. Today, more and more brands are releasing their own versions of alternatives to Apple's latest innovation. For example, the i9000 AirPods. They

look exactly the same as the original AirPods and have very similar sound quantity and even better battery lives. The counterfeits, which are priced cheaper, decreases the opportunity cost of buying a pair of AirPods, but with almost the same function, but increase the total utility to the population. This provides more choices for consumers who are struggling to pay the price and this satisfies their requirements of enjoying the high-tech. Moreover, because of its low price, the demanded quantity surges in a free market, which makes the market more competitive. In addition, this raises the employment rate as more products are needed and produced and a more democratic type of ownership. Lastly, the "fake AirPods" promoted the product itself. Whatever product you choose to buy, this in the end, boosts the economy (the real GDP) by increasing the aggregate supply.

Furthermore, in the fashion industry, designs are hard to be protected. If you go on a high street and you will find a lot of similar elements across all the clothes shops. For instance, comparing Louis Vuitton to ZARA, LV makes money by labelling its products as luxuries, whereas ZARA gets profits by selling all of their fashionable clothes in a short period of time. Out of curiosity, I researched how the owner of ZARA, Amancio Ortega, can make so much money, and surprisingly, they spend nearly 0% on advertisements. Zero advertisements reduce the cost sharply, when compared to 40% of what LV spent on advertisements (meaning you consume over £400 simply to buy the brand). The strategy is clever, ZARA spends

most of its money on opening new shops. It becomes a natural advertisement combining with its fast production, as people see a shop and know it has the latest trend and just want to go in to have a look. Research in Spain indicates that the public visits a normal brand 2-3 times a year, but that goes up to 17 times for ZARA. Why can you see so many similarities in different products of two different brands? And does the copyright law protect creative work? Probably not. For ZARA, it nearly spends “0%” of its profits on designing because it “steals” the ideas from other famous brands. This decreases the cost of production, which means they would produce more. As more products are created, the economy of the fashion industry grows.

In addition, there are more people downloading films from the internet illegally due to the pandemic since last April. “Visits to film-piracy sites in the UK are up 43% since before lockdown measures came into effect”, piracy-monitoring company Muso says. If we think about the advantages the copyright infringement brings to society, of course, it is illegal, films are much more accessible and they are just free (main cause)! Meantime, these ‘illegal movies’ promote the progress of knowledge and perhaps encourage customers to buy a CD or a ticket from cinemas as they are well equipped (although it is impossible during the lockdown). From a BBC report in 2011: the interviewee who looked to download pirated movies from the internet said the profits the movie industry lost from people downloading illegally, compared to their huge profits was just a drop of water in an ocean.

There are many ‘advantages’ to copyright infringement and it is definitely challenging for us to avoid any copyright infringements when everything from the internet is so accessible. However, there are some drawbacks behind this

illegal activity listed below:

1. Lack of a creative environment, where artists and creators no longer have the motivation to devote their time and resources; the original creator can not make progressive development as copying stops the innovations, this may also lead to lack of support to the creators.
2. Social conscience is lost in the way people are getting used to reap without sowing.
3. Less efficient: illegal file-sharing programs and sites often have malware that crashes the devices or dig for your personal information.
4. Illegal — worried about getting caught or penalties

“Copyright protects your work and stops others from using it without your permission.” You get copyright protection automatically - you don’t have to apply or pay a fee. There isn’t a register of copyright works in the UK.

You automatically get copyright protection when you create:

- original literary, dramatic, musical and artistic work, including illustration and photography
- original non-literary written work, such as software, web content and databases
- sound and music recordings
- film and television recordings
- broadcasts
- the layout of published editions of written, dramatic and musical works

You can mark your work with the copyright symbol (©), your name and the year of creation. Whether you mark the work or not doesn’t affect the level of protection you have.“

For more, please visit <https://www.gov.uk/copyright>

## Market Morals - Yasmin Collins, Year 12

Increasingly, as a society, we are evaluating the worth of goods and services with a monetary approximation, which may seem harmless and even beneficial in some cases, but in fact has severe consequences. There are two main problems that come from applying market-oriented thinking to previously social matters: inequality and corruption. Let's consider queueing – the age-old concept of waiting in line for something you really want – and the impact of selling the right to jump to the front.

### Inequality

The power that comes with having money at your disposal is growing at an exponential rate, meaning some of the goods we now purchase without second thoughts would baffle people from a few generations ago. One of these is paying to skip the queue; waiting your turn is historically a method of distribution which is meant to be completely fair and available to all. Whether in the form of a “fast-track pass” at a theme park, a waiting list for a doctor's attention or the opportunity to attend a mass from the pope, paying to jump the line only emphasizes the ever-widening wealth gap. In many ways, free markets encourage efficiency and being able to pay to upgrade to speedier service provides the supplier with more of an incentive to work productively and allows the consumer to be satisfied more quickly – what could be wrong with that? Problems arise, however, when this principle is applied to areas in society where fairness seems more important than economic growth. To show this in an example, not many people protest the introduction of “fast-track passes” at theme parks because it is a luxury to have access to the rides in the first place but lots of people find it unsettling

that if you are willing to pay, you can get treated for minor injuries in no time at all, preventing life-saving operations for those less affluent, who are ultimately left to die. Rather than rushing through twenty-five to thirty appointments per day, some doctors in America have decided to become “concierge doctors”, charging a small number of patients large annual fees for same-day appointments and in some cases, the mobile number of the doctor for around the clock service. This system means the physician is able to spend enough time with each patient in a relaxed environment, whilst earning a higher salary. The reduction in the number of patients seen, forces the excess onto other doctors' waiting lists, worsening the problem for everyone else. In this case, line-jumping results in a lack of medical care for those who cannot afford to compete for it.

### Corruption

When we allow something to be bought and sold, it becomes an instrument of profit which can be used however an individual sees fit. Putting a price on items changes their perception, degrading and demeaning the good and justifying the bad for trading. An inconsequential example is a program set up in Dallas, Texas to encourage children in the second grade (7-8 years old) to read a book and receive \$2 from their school. Although this seems like an effective way to incentivise pupils to read, it turns the act of reading into a chore, corrupting the value of it in the eyes of the children. A more recognizable case of corruption would be a bribe for a favourable verdict in court, which degrades the concept of justice just like the concept of reading from the previous

example. Ticket scalping is a form of line-standing, because the profit is made in being there to buy the tickets first. On Pope Benedict XVI's first visit to the US, free tickets were offered for his stadium masses through local parishes. These tickets were soon after on the market for more than \$200, which was condemned by church officials who claimed "you can't pay to celebrate a sacrament." The spirit of the mass was tainted – corrupted – by putting a price on the experience, which was intended to be offered freely as an invaluable opportunity. This may seem trivial but it is an instance which highlights how all aspects of life are slowly being quantified in terms of money, stripping any intrinsic value from religious, moral and societal views.

Based on these two key ideas of inequality and corruption, there are some questions about the reach of markets that we should be asking.

Some examples to think about are as follows:

- Should you be able to pay for a prison cell upgrade?
- Should we allow 'cash-for-sterilisation' schemes for drug-addicted women?
- See Project Prevention set up by Barbara Harris Should there be guidelines to how much money can be spent on electoral campaigns?
- Should companies be able to buy the right to pollute?
- Should we be able to pay for the right to shoot an endangered animal (e.g. black rhino)?
- Should fines be used as punishment for breaking the law?

# Economic History



source: History .com

## How did the Peloponnesian War affect borrowing in Athens? Margaret Fearnley, Year 12

Leading up to the Peloponnesian war (431-404 BC) Athens already had a history of defaulting on its debts. Less than a century after the widespread use and acceptance of the drachma in the 7th century, reckless borrowing had become so prevalent that Solon had to abolish debt slavery; the sheer number of citizens being enslaved after failing to repay loans had begun to contribute to Athens' economic decline.

Though the repayment of private debt was obviously shaky, how did the city state compare when repaying public debt? The Peloponnesian war had left the city's economy in a terrible state; the currency was downgraded to gold/silver plated base metals scraped from temples, the Spartans had cut off access to historically vital silver mines and huge military spending was becoming increasingly difficult as wealthy citizens fought harder and harder to dodge taxes. This ultimately led to Athens' loan of 100 talents from the Spartans after their military and financial destruction following the nearly three decade long conflict. Though it was loaned to a temporary, non-democratic government, it was

### Also in this section:

- What was Adam Smith's Impact?
- How the enslaved were used to build up the economy, and then save it again

repaid by a completely different democratic one reinstated after deep political unrest, marking it out as one of the first instances of sovereign debt in the ancient world.

Though Athens' initial public debt was repaid in a timely manner, they racked up massive debt from the sacred Treasury of Athena to finance 40% further public spending – this time the repayment was much less stable, and it ended up defaulting on its debt. The combination of insidious public debt and a generally weak economy contributed heavily to their defeat when faced with the financial and military empire of Rome. The Roman Republic avoided public debt, living off the spoils of war and acquiring budget surpluses saved to finance upcoming wars; how could the loosely allied city states of Greece suffocated by crippling public debt hope to compete with the financial giant that was the Roman Republic?

## What was Adam Smith's Impact? - Oluchi Ijeh, Year 12

Often referred to as “the father of modern economics”, Adam Smith (1723-1790) spent his early years in a small town called Kirkcaldy in Scotland. He soon rose to prominence as a result of his influential ideas and literary works including his most renowned ‘The Wealth of Nations’ which sparked future economic improvements on a global scale. One major aspect of the world that he was extremely interested in was how to create a more civilised capitalist society where both the people and nations were more content. The five major ideas that he expressed were the division of labour (specialisation), free trade, how to treat the wealthy, GDP (Gross Domestic Product) and educating consumers.

Firstly with division of labour, he was one of the first to acknowledge that if you split a large job into smaller and more manageable occupations for many people to do, it would increase the overall productivity of the workers and improve each person’s knowledge of their specific job. This is a key idea raised in his book ‘The Wealth of Nations’ and he also suggested that there was a direct proportion between specialised workforces and an economy’s wealth. Despite the book’s revolutionary ideas that came to pass in the future, some people argue that it did not highlight the importance of the entrepreneur to resolve problems and create markets.

In his first book, ‘The Theory of Moral Sentiments’, Smith demonstrated his belief that governments should have less power over markets (*laissez-faire*) and that markets can control themselves as well as alleviate poverty. He came up with the idea of an invisible hand which represents how free trade within markets would

be able to govern themselves through supply, demand and competition.

In addition, he argued that those who were wealthy were less interested in riches and more interested in being shown respect. This was proposed at a time where Christians believed that those who were affluent should be made to feel guilty and left-wingers believed in increasing taxation for the rich.

During the time he was writing, many people defined a country’s wealth by its abundance of gold and silver. They also thought that since you were spending money, importing goods was less favourable than exporting them (mercantilism). Smith disagreed with both notions arguing that a country’s wealth should be based on their levels of production. This idea impacted nations because it laid the foundation for the creation of the GDP to measure a country’s wealth.

Lastly, he maintained that instead of blaming companies for the conditions that they subject their workers to and the low-quality products that they produce, the blame should actually be placed on consumers and their personal preferences. Smith recommended that everyday consumers should be educated and steered towards having a greater preference for higher quality products produced by workers in suitable conditions.

Overall, Smith made many contributions towards philosophic and economic thought which have shaped the ways in which nations trade and interact with one another. His work and ideas have influenced philosophers like

Karl Marx continues to be studied by students till this day. He is a favourite amongst modern economists since his suggestions of free markets are becoming more essential in an ever-changing world.



## How the enslaved were used to build up the economy, then save it again - Molly Abai, Year 12

“Slavery has never been abolished from America's way of thinking.” - Nina Simone

Enslaved people treated as commodities made the rich rich, and the poor want to be rich. At the top of the hierarchy were those with expanding plantations, who seized most of the political and economic power. The torture to innocent which lead them to wishing they were dead became fundamental to many countries, as the world was a place where a person's life was attributed to growing economies. Slaves were legal property, a way of measuring someone's wealth, and could literally have been used in business transactions and to pay off debt. Taking away people's futures but looking forward to theirs, slave owners became millionaires as the South produced most of the world's cotton. After losing markets of previous goods enslaved people produced (e.g., sugar, tobacco) due to the American Revolution, the enslavers started to expand the cotton industry via the continued use of free human labour. By reason of a singular enslaved person's production capacity being prohibitively small, the “cotton gin” was invented, and through the use of three factors of production (land, labour, and capital), the economy started to rapidly grow as output was improved. The immense increase in supply increased the demand, directly causing an increase of exports; an increase in exports granted the country a trade surplus, which contributed to the growth of the economy.

Britain's industries started to boom as profits from slavery were made and they were provided with raw materials, for example in the textile industry cloth was made from the cheap cotton,

which mostly was sold to Africans in return for more enslaved people. This inhumane cycle continued, and banks even started investing in the slave trade. With Britain as one of the main consumers of the sugar produced through this system, Britain's demand for sugar increased due to the demand from its people (for items such as sweets and tea). New businesses built from profits off from slavery created new job opportunities; less unemployment increased consumer confidence and consumer spending, benefiting other businesses, and the economy as a whole.

With the “abolishment” of slavery via the 13th Amendment in America, the freedom of the enslaved threatened to crumble the American economy, as they were the backbone. To save the corrupted, Jim crow laws and black codes were enforced, which Floyd D. Weatherspoon rightfully comments that the goal of these was “to place the slave owners and the newly freed slaves in the same position as before the Civil War--in a system of free labor and bondage.” African American men were imprisoned for the pettiest crimes because of these laws, since the demand for cotton was increasing and the white man did not want to pick it. Prisons were the second system of exploitation of black people, and the free labour from the freed but really once again enslaved continued to support the American economy; “Jim Crow did save the American economy, but it was at the expense of those who never benefited from it.” - William Spivey. We can see that the past should not be treated as the past, as the US

Department of Justice reports that about 1 in 3 black males are expected to go to prison during their lifetime, and there are more black men in prisons than Universities leading to the ruin of communities. In the past, race could have been the sole factor for unemployment and poverty in black communities, as they were refused basic rights due to their skin; this led to high crime rates and majority of the population in prison being African Americans. However, now it is a combination of factors (including discrimination), such as poor-quality education and criminal records which keeps black communities in poverty and black people in prisons. Slavery and prisons are oppressive economic systems which have and continue to build the economics we live on.



# Essay Competition Winners

**On 31st December the Brexit transition period will come to an end. Explain how this is likely to affect the UK economy.**

## Dheepti Devasenapathy, Year 9

Brexit itself has proved that a trade-off between Britain's full sovereignty and the EU's emphasis on a level playing field will inevitably exist; much unlike the utopic trade agreement that Johnson had once promised. Although bringing to the table a zero-tariff, zero-quota, free trade agreement is a sizable breakthrough in what was a long chain of arguments between the two parties (and a better deal than what Canada negotiated with Europe), there are stricter obligations with keeping symmetry and compromising other luxuries.

For instance, the UK has had to give ground on its fishing waters - although the country will have independence over its fisheries, the two parties will jointly manage fish stocks for around 5 years. Whilst the fishing industry accounts for barely 0.1% of the national economy, it is rather esteemed for its political importance. Which is why Emmanuel Macron, the president of France, has held on strongly to Europe's access to its fisheries being a precondition to the Britain's wide trade agreement. After the half decade is up, the UK could stop or fine any EU vessels operating in its territory, and UK fleets can't easily export its fishing goods to the vast majority of the European market. Many seafood companies on either side will consequently suffer, such as Boulogne-sur-Mer, the largest fishing port in France, which depends solely on marine animals caught in UK waters. Another thing to consider is Northern Ireland, which

unlike Britain, will remain in the single market and customs union. As a result, border checks are likely to aggravate in the Irish Sea, as well as the unabating Scottish opposition to Brexit. Not only does this raise debate about the unity of UK, but today's frictionless trade is not securely stamped.

A bigger, more critical concern is how the deal neglects mentioning of financial services, which makes up for over 80% of the British economy. Similarly, the deal does not contain any EU data adequacy settlement to allow the free passage of data - a pivotal factor of modern cross-border business - neither does it have any recognition of professional-services qualifications. Despite the seemingly generous trade deal that has been made, the independent office for Budget Responsibility suggested that GDP could soon be reduced by as much as 4%.

But there is more to the UK than its financial services. Business is booming for its tech sector and is continually attractive for foreign investment - the fact that Google and Apple chose to base its European headquarters in London demonstrates the faith that businesses have in the country. Likewise, the legal sector is expanding as well, with more and more overseas companies and individuals choosing to handle disputes in the UK capital.

It is also worth to remember the equally prosperous times before the '70s, when the UK was not yet part of the EU. Although there is an arguably long road ahead to revive certain stability, Brexit could potentially be a major timestamp for the UK's economical evolution

## Safiyah Shamil, Year 10

Please note that this essay was written prior to the end of the Brexit transition period.

We left the EU on January 31st of this year but trading carried on as it did before. Imports from countries such as Spain and France came into the UK without any tariffs (import taxes). Inflation rates lowered to 0.3% during lockdown however this may change in the New Year depending on whether the UK can negotiate a deal with the EU or not.

Assuming the UK and the EU make the desired 'free trade deal', imports will continue without tariffs being paid. If there is no deal then countries have to follow rules set out by the World Trade Organisation (WTO), this is called the 'Australia- style deal'.

Under WTO rules cars made in the EU would have 10% tariffs, household items could be raised by 30% and meat and dairy products would have significant tariffs. London School of Economics say that some speciality cheeses such as halloumi could be 55% more expensive. Tesco said that prices could rise between 3%-5%. For a short period of time shops would be able to absorb the extra cost themselves but eventually they would have to pass the cost onto customers in the form of higher prices so that their businesses make profit. Around 55% of food eaten in the UK is produced locally with over 1/4 of food produced in the EU. Morrisons already source 2/3 of their supplies from the UK and if there is no deal then

sourcing food more locally could come as a problem due to our climate and the land we have available.

If there is a No-Deal Brexit, The Bank of England say they are ready to accept inflation above the UK target inflation of 2% due to import prices being pushed up. Inflation is the rate at which prices of goods and services increase. Low inflation contributes towards economic stability and growth. If inflation is too low then people may put off spending because they expect prices to fall, if everybody reduced they're spending then companies could fail and people may lose they're jobs. If inflation is too high, it's hard for businesses to set the right prices and for people to spend. It also disrupts economic stability and if wages cannot keep up with inflation living standards could fall effecting how people spend their money. Consumers may demand less of certain items or services and eventually the supplies will be significantly greater than the need for supplies and producers will have an excess of their product. Producers won't gain any profit and may lose money.

To conclude, when the Brexit transition comes to an end, it all comes down to

whether a deal is made or not. The 'free trade deal' may reduce or eliminate tariffs on goods, making them cheaper, trading could be made simpler too. A No-Deal Brexit may cause inflation rates to increase, disrupting the stability of the economy. Goods may be more expensive (due to increased tariffs), limiting people as to what they can buy.

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