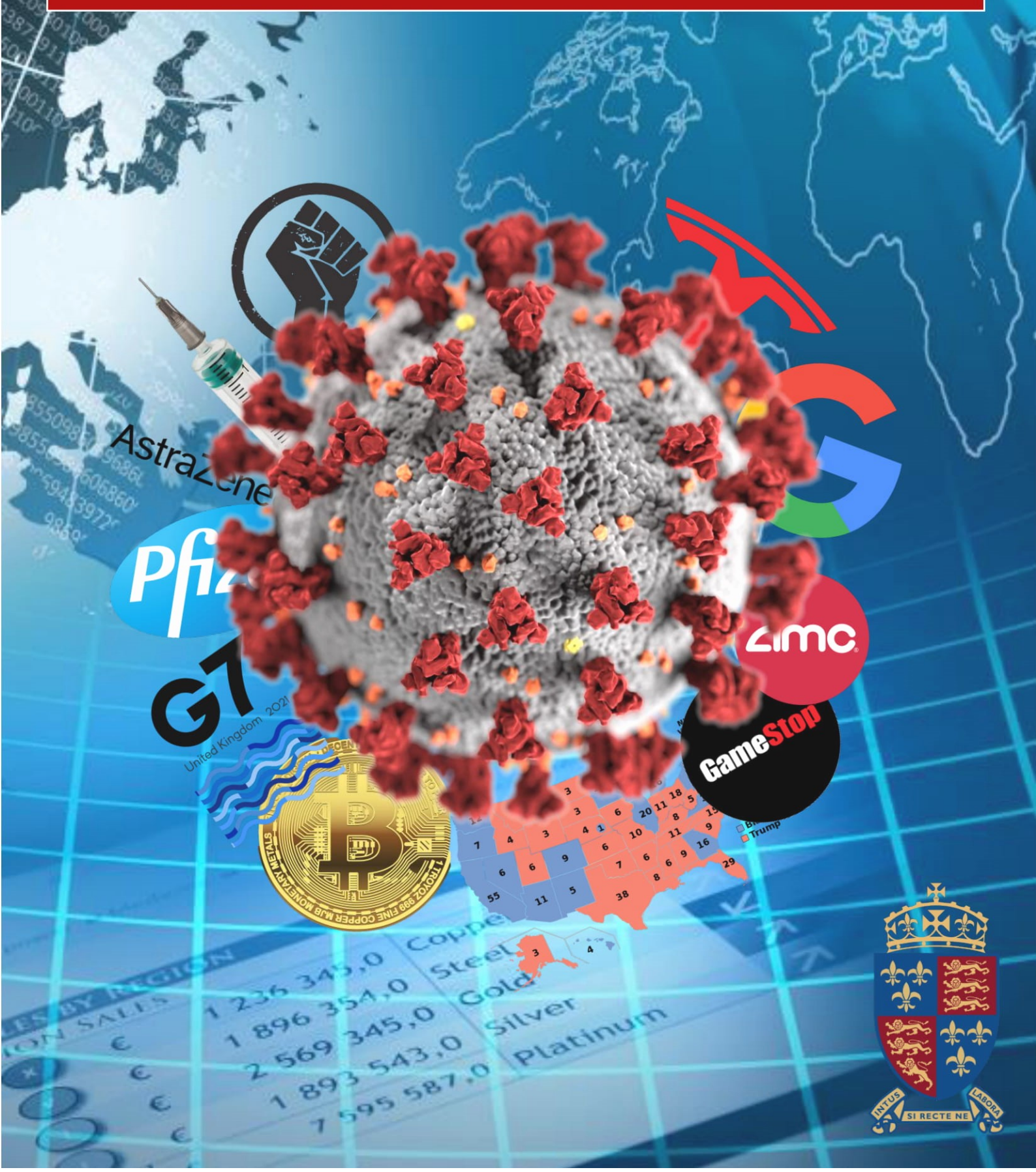


# SHREWSBURY ECONOMISTS 2021

- COVID-19
- US Voting Systems
- The E-sports Industry
- Religion and Economics
- War in Wall Street
- Mexican Cartels



AstraZeneca

Pfizer

G7  
United Kingdom 2021



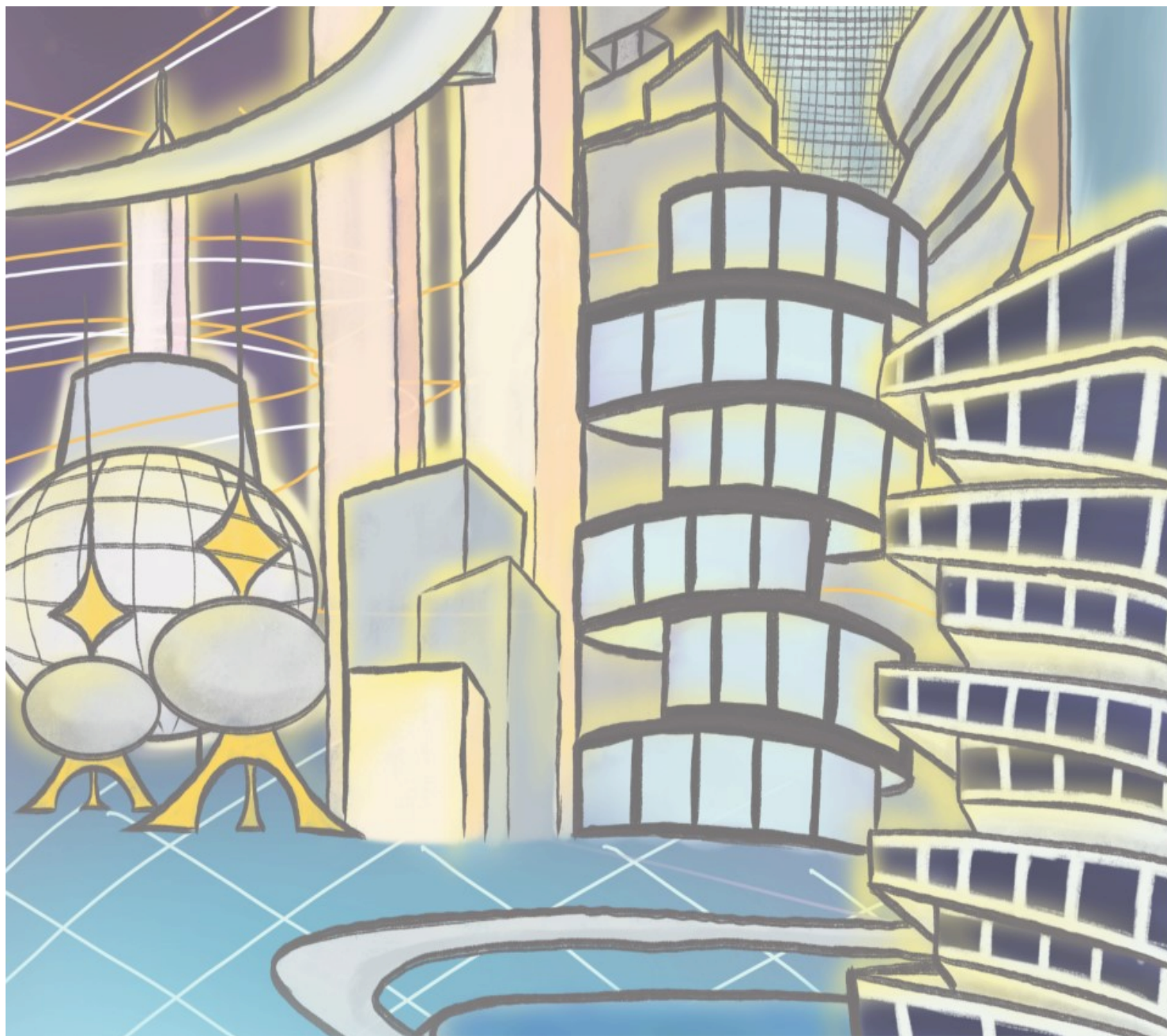
Zimco

GameStop

COMMODITY	PRICE
Copper	1 236 345,0
Steel	1 896 354,0
Gold	2 569 345,0
Silver	1 893 543,0
Platinum	7 595 587,0







Dear Readers,

Welcome to our latest edition of *Shrewsbury Economists*, a magazine designed and produced by pupils with a common enthusiasm, to explore economic affairs in an informative and unbiased way and with global insight. Covering themes from finance to culture to the 'black market', the articles are extensively researched and thoughtfully illustrated. We aim to present the economy's intimate connection with daily decisions, to encourage you to see the world with fresh eyes.

I would like to thank everyone involved in its production including the 23 writers who submitted articles, the designers and editors.

the Economics Society present to you – *The Shrewsbury Economists 2021!* Enjoy!

Steven Brakespeare,  
Chief Editor

# Contents

## The Shrewsbury Economist 2021

### Covid-19

#### 1. Economic effect of COVID-19 on Shropshire.

Pages 16-18

By Isabelle Urquhart

#### 2. COVID-19 and its impact on the tourism industry in the UK.

Pages 22-26

By Nathan Chow

#### 3. Did China start the Corona Virus?

Pages 33-35

By Henry Lees

#### 4. Is the Pandemic the Perpetrator of Proliferating Property Prices?

Pages 57-59

By James Mainwaring

### Financial Market

#### 1. GameStop stock – “David vs Goliath” in Wall Street

Pages 7-10

By Gordon So

#### 2. Hedge funds

Pages 26-28

By Ivan Ivanov

#### 3. A “Grey Rhino” - The property bubble in China

Pages 29-31

By Annie Fan

#### 4. Financial Management to its finest.

Pages 38-40

By Matt Chan

#### 5. The Failure of Ant Group’s IPO: Risks and Monopoly.

Pages 42-45

By Anna Duan

#### 6. 1MBD Scandal

Pages 53-57

By Timothy Zhang

### ‘Black Market’

#### 1. Mexico Drug Trafficking

Pages 22-24

By Lem Mandara

#### 2. The Pirate economy

Pages 31-33

By Isabelle Urquhart and Lily Rogstad

### Environment

#### 1. Lettuce Discuss

##### Vertical Farming!

Pages 4-5

By Faye Monk

#### 2. Carbon Permits and the problem of Carbon Pricing

Pages 46-47

By Lewis Gray

### Politics

#### 1. Overlooked: How Voting Systems Affect the Economy

Pages 5-7

By George Collings

#### 2. How corruption worsens poverty in Africa.

Pages 35-38

By Lem Mandara

#### 3. Is the Aging Population a Financial Burden?

Pages 40-42

By Ella Biggs

#### 4. Poverty Trap - Endless Cycle of Generational Poverty

Pages 59-60

By Steven Brakespeare

#### 5. Gilet Jaune

Pages 61-63

By Carys Crowther

### Culture

#### 1. The Economy That Never Fails – Religion

Pages 18-21

By Rico Mak

#### 2. Cultural Exploration of South Korea

Pages 48-53

By Bubbles Wong

#### 3. Trainers – just for wearing?

Pages 64-66

By Theo Parsons

### Technology

#### 1. Double 11 – Chinese National Shopping Festival

Pages 11-12

By Emily Xie

#### 2. E-sports

Pages 13-16

By Irene Souny

### Comics



1. School Shop Cookie Crisis by Emily Xie

page 2

2. The Split of a Cow by Emily Xie

page 42

### Words from publisher:

As the publisher and head of Laughter, I believe it is of prime importance to include as many jokes and puns as humanly possible! I am very grateful to all of the contributors that have helped to achieve this. The list is extensive, from creating story lines of jokes to producing comic strips, the teamwork that it involved has been phenomenal. I am incredibly impressed with the whole team and hope that you, the reader, thoroughly enjoy the humour we have attempted to fit into this magazine. -Isabelle Urquhart



# Lettuce discuss vertical Farming!

By Faye Monk

## What is Vertical farming?

Vertical farming is a modern variant of farming that uses a Controlled Environment Agriculture technology to create artificial ideal circumstances to produce food on vertical surfaces such as warehouses, high-rise buildings, or shipping containers as opposed to using traditional spaces such as farms, fields and greenhouses. This approach makes farming more effective and environmentally friendly in comparison to archaic practices that are depleting the Earth of its natural resources.



## Farming Today

The issues with our current farming techniques mean that there are an abundance of harming factors to the planet which could be reduced with vertical farming. Due to the vast amount of land needed to farm crops to feed us, as well as cattle, huge amounts of deforestation take place each year, with 80% of tropical deforestation being linked with agricultural causes. Traditional farming is also heavily linked to land degradation and soil erosion, which both impacts, not only the ecosystem, but also the farmers and businesses involved with this degrading land. By cultivating the innovation of hydroponic (the growing of crops without soil but with liquid nutrients), aquaponic (variant of hydroponic where crops are grown with nutrient-rich water from aquaculture) and aeroponic (the growing of

crops in the air) farming, we soon won't need soil to grow our plants. This consequently means that the geography of a land won't prevent us from being able to grow crops despite the climate and limited access to land – which are the main problems with our current farming techniques.



## Farming Tomorrow

It is no secret that with our ever-growing population which is currently estimated to be around 7.7 billion people, the demand for food is increasing beyond our control. According to the UN's Population Division, by 2050 this number is to increase by 2 billion people to become 9.7 billion. In order to feed this rapidly growing population, we need to find a solution to these demands that is actually sustainable in the future considering the dangers of global warming. If we start heavily investing in new technology, it will become clear that its benefits are far greater than original farming.

Some countries such as the Netherlands have already started investing in this technology and is now the world's second largest exporter of agricultural goods just behind the United States, despite the latter being 237 times larger in size. Ever since the Dutch have pledged allegiance to sustainable agriculture in 2000, they have increased their yield per acre by double but using only half the resources. Not only does this shed light on the economic benefits of harvesting this new technique but has also provided a solution to the growing problem of finite resources such as water, that could be put to more efficient use by being recycled. In addition, it may make consumption of meat healthier, by making it more feasible to cut back on the use of antibiotics in livestock as well as providing the opportunity to eliminate all herbicides and pesticides that



are used by farmers when crops are grown in their natural land. Vertical farming is considerably less disruptive to the local plants and animals such as bugs that are killed by pesticide, but also it would reduce deforestation that occurs to create new farming land. Despite its notable benefits, there are still some issues that challenge the potential of this innovation. Firstly, there is an important cost for the construction of these new farms, which, in urban areas would be very expensive. Indeed, the initial building costs for a 60-hectare vertical farm could easily exceed \$100 million which is a significant investment and would increase the price of crops derived from vertical farming and struggle to be competitive on international markets.



Furthermore, the energy costs invoked would be significantly high for the implementation of artificial light and climate control to grow crops with vertical farming which would significantly impact the sustainability of this venture. There would also be a limited number of different crop species due to the nature of the growing environment that will exclude slow-growing vegetables such as grains from being profitable. This would mean that you clearly couldn't eradicate conventional farming altogether as there would still be a demand for these alternative vegetables.

Overall, despite these negative factors, vertical farming is definitely an option to consider worth

exploring as it provides a new direction away from our currently unsustainable and environmentally detrimental practices. In the future, increased investment in these new technologies could reduce its downsides and optimise it. It would also certainly provide greater opportunities to tackle food shortage and food inequality with such projects as it reduces the need for land and soil, even the constant flow of fresh water isn't necessary. This could allow non-farming regions who constantly have to transport or even import food from around the world to access easily to crops. With a forecasted growth from US\$781 million in 2020, to US\$1.5 billion by 2030, vertical farming is something that should, in the future, be able to impose itself as a credible, more sustainable alternative to standard farming.

---

## Overlooked: How Voting Systems Affect the Economy

By George Collings

---

When the newly elected President Biden proposed to end the funding for former President Trump's border wall, a majority of Americans approved. In fact, according to the Pew Research Centre, 58% of Americans substantially oppose expanding the wall along the 3,145-kilometre-long border between the US and Mexico. The feeling is different, however, among those involved: the engineers, planners and countless workers involved in its construction will have to find new jobs, conclude a complex operation and suddenly depart from the deserts. In total, 378 miles of barriers were either under construction or in their planning phase just before Trump left office, and less than three months on, those 378 miles look like they won't materialise and will have to be dismantled midway through construction.

*The economist wanted to pursue a career in comedy, but his dad was unsure. He didn't think there would be enough demand!*





Such examples of the political and economic instability caused by a winner-takes-all voting system is alarmingly common. Made worse by an archaic points-based method of electing US presidents, the electoral system seems to be holding all the cards concerning Trump's wall, creating an everchanging head of state that only makes instability and insecurity in the country more serious. In an ultra-polarised, two-party state like the US, government policy can go through immense changes as much as every two years. This makes it near-impossible for long-term economic planning, government success and creating the stability that proponents of first past the post so readily present as an advantage of the system. Businesses and consumers are greatly affected by this instability, since first past the post continuously causes vast changes

in government based on negligible fluctuations in votes. This means firms are less willing to make large investments, especially near elections, afraid of a new government that will upend the economy or introduce wide reforms.

It's not just specific government policies that are constantly at war with the system of voting: broader political attitudes and economic approaches have faced make-or-break moments at the hands of electoral systems, instead of the voters themselves, who are widely but wrongly seen as the only deciding factors in elections. In fact, first past the post became so damaging in 1948 that it allowed the white supremacist National Party to win the South African general election and introduce apartheid, despite losing the popular vote by over 11% to the incumbent anti-apartheid government. While this is a more extreme example of the importance of get-

ting your voting system right, it highlights how politicians can easily manipulate the first past the post system.



Moreover, a colossal distortion of the people's voice, such as Donald Trump's 2016 victory, despite losing the popular vote by three million, demonstrates the difference the voting system had on the US and world economy. The trade war with China, Muslim ban, attempted restoration of American manufacturing jobs, and many more MAGA-era policies would never have happened under a proportional system. Clinton's greener, more internationalist economic policies, along with her party's commitment to higher taxes and higher government spending, were vastly different to her then-opponent's policies, and show how different the US could be now had it not been for a strangely undemocratic system. Further shocking examples exist, such as the 1974 UK general election victory for Labour, in which the party lost the popular vote to the Conservatives, and resumed bailing out failing industries and granting striking miners their wage demands. For or against such policies, it's evident now the huge impact that a voting system can have on a country's economy and political landscape, and the hypothetical consequences of alternative policies under proportional systems throughout history would surely be immeasurable.





This is only made worse when those playing the game also make the rules, and a recent example of such rule-rigging is Georgia's SB202 bill, which will give the state's four most populous counties, containing millions of Democratic-leaning voters, a maximum of just 23 postal ballot drop boxes.



It is therefore crucial for politicians and voters to understand that regardless of their views, their preferences and their voice, the method the government uses to represent its people matters, not just politically, but economically as well. If we used a system that fairly reflected how the majority of people want the government to intervene in the economy, we would not only be better adhering to universal democratic principles, but economic instability, polarising economics standpoints and the general lack of business and consumer confidence (especially post-COVID) would be thrown into the past, and an archaic and broken electoral system.



## GameStop stock – “David vs Goliath” in Wall Street

By Gordon So

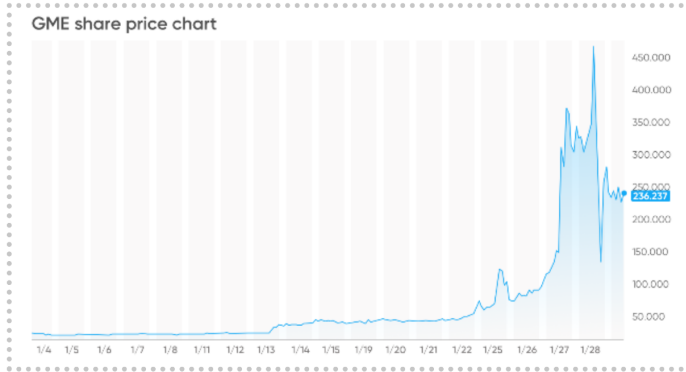


Warren Buffet famously said: “The light can at any time go from green to red without pausing at yellow”. This is what happening in the stock market. A blood sport has emerged on Wall Street by the siege of Reddit's r/WallStreetBets community on institutional investors betting against the stock of video game retailer GameStop. A group of retail investors - individuals who buy and sell stocks for their own gains - are buying stocks that big hedge funds have heavily shorted and the surging stock prices have triggered huge losses for these funds. The organised movement by the retail investors has made GameStop stock one of the most traded equities in the world. However, this epic drama unfolding around GameStop can disrupt the stock market and potentially lead to a silent financial crisis in which the government might need to step in and save the stock market.

It is no secret that the market for physical game store has been struggling since the pandemic, followed by the offering of downloadable digital versions of games. This saw GameStop closing its in-person stores.

*Due to current economic conditions the light at the end of the tunnel has been turned off.*





On December 8, 2020, the retailer reported its Q3 earnings which only generated \$1bn whereas analysts expected a revenue of \$1.09 bn - a 30% year-over-year drop. At the time of pandemic in March 2020, the stock price dropped to \$2.57 per share. GameStop then have become very appealing to the short-sellers - investors who expect a stock's decline. Unlike long investors, short sellers do not actually buy a stock, instead they borrow shares and then sell them to another investor at higher price than what it costs to purchase the stocks from the original owners, typically a brokerage company. It is a risky move primarily based on speculation as it is possible that price can go up unlimitedly. If the shares do decline, the short-seller can buy the stocks back at a lower cost than the original sale price and they will pocket the difference as a profit. The big hedge funds, including Citron Research and Melvin Capital, shorted a total of 140% of the stock in which they didn't own than the company had issued. However, this was scrutinised by the retail investors on r/WallStreetBets (a forum in Reddit) and they called on more retail investors to buy as many GameStop shares as possible and also demanded their brokers not to loan their new shares to short-sellers. The gambit to buy GameStop (GME) stock in massive numbers caused the price to skyrocket, from \$2.57 in the early days of pandemic to around \$30 in mid-January and reached \$380 by one point on 27 of January, a massive rise over 1700% since December. The short-sellers have suffered losses of around \$20 bn. The biggest suffering comes from Melvin Capital, which has already closed out its short position after taking a huge loss of 53% on its investments, resulting a bailout for \$2.75 billion from Point72 and Citadel. Whilst some are still holding onto the shorts,

hoping the retail investors will turn around and leave, the millennials are strongly holding onto their stocks, forcing the short sellers to cover their positions to trigger a short squeeze that will push the price up even higher. A short squeeze is a rapid increase in the price of a stock owing primarily to an excess of short selling of a stock rather than underlying fundamentals. However, the debate remains whether financial media should back institutional Wall Street investors. Online trading platform Robinhood lifted all trading restrictions, banning users to buy shares in Reddit-promoted companies including AMC and BlackBerry. This seems ironic that Wall Street is rigged against the little guys to protect the rich in so-called a "free" market economy. This sparked widespread outrage among retail investors and politicians questioning the motive for limiting buying. The stock took its steepest reverse of the week, plummeting from \$483 at one point to under \$150 after the market opened. The stock quickly went back up over \$250 and back down to around \$200. After all, retail investors are yet to surrender.

The lack of precedent surrounding these events could have potentially significant impact surrounding how the stock market moves and the power play by short sellers could backfire. Hedge funds involved may have to sell liquid stocks in their portfolio to raise cash. This can cause the market to come under heavy pressure with a high volatile of stock price. They could suffer hundreds of billions dollars in losses due to the huge amount of leverage embedded in that spend. Some are likely to go bankrupt and even take down the banks that fund them. This could trigger to pop the biggest stock market bubble in history.



The US economy is at a point where capital gains and distributions from individual retirement accounts make up such a large proportion of personal consumption expenditure that it would be difficult for economic growth to continue if there was a major correction in asset prices. While US Federal Reserve stated that interest rates will remain near zeros for years to come, big hedge funds are likely to take advantage of the cheap funding and bid up stock prices with leverage. Money supply and inflation has a positive correlation according to the Fisher theory. Quantitative easing is adopted by Federal Reserve. However, due to globalisation, it has cut labour's pricing power which results in money supply mostly going into the financial markets and mainly used by big financial institutions. This financial inflation will lead to extreme wealth inequality. Cheap money provided by central banks has been inflating assets and cheap liquidity allows money to spread around faster and the benefits from financial inflation are distributed wider. This will eventually come at a cost. When millions benefit from the financial inflation, this will further inflate the wealth effect. Central bank could not pretend not to see inflation and it will likely to use monetary policy to raise interest rates and pop the stock market bubble.

GameStop fundamentals are lacklustre and is a money-losing company in this competitive industry and the surge in the stock market is clearly a spectacular price bubble (the price is overvalued). Many retail investors who buy at the inflated price – especially those attracted by the extreme price moves – will likely leave the market bearing a huge loss. As sooner, the stock price will likely come back to a level that can be supported by the fundamentals of the company. Before February 4, the shares were trading at \$70 for the first time since late January. One of the features of stock market bubbles is the asymmetric information between small investors and institutional investors. Insiders – those concerned with the bubble companies –

know much more than the outsiders. This means market prices are not always “right”. On a much bigger scale, this can have an impact to the market as a whole, which is seen in 2008 when the bursting of a housing bubble triggered a global financial crisis and the Great Recession. GameStop as an individual stock is unlikely to trigger a crash to the overall stock market. However, Reddit users have also driven up the prices of silver and companies such as BlackBerry and AMC. One of the most traded stock – Tesla – skyrocketed 720% last year, when investors bought the stock because it was already rising. No stock market has outperformed the American market over the long run and if this continues, it will likely lead to more financial bubbles and crashes that could make it harder for companies to raise capital, posing a threat to the already suffering US economy. Moreover, this could decrease consumer confidence in financial markets, which would make people more reluctant in trading stocks in the future. For most people, they result in panic and heavy losses and this can lead to mass unemployment. There is no particular reason it will not happen again.

GameStop's valuation is simply unsustainable and that the market capitalisation went from \$5 billion to about \$23 billion only because of the popularity with the Reddit crowd. The driving force behind this monumental short squeeze are temporary. Recalling what happened in October 2008 when German car maker Volkswagen suddenly became the most valuable stock in the world due to a massive short squeeze.



*How is the bad economy affecting Dr. Seuss?*

*He is now eating Green Eggs and Spam!*



Only in a month its shares had lost 63% of their peak value as the speculation that led up to that spike disappeared. GameStop's share will no doubt have a similar outcome. While apps and social media have led to more people trading shares, this has not necessarily made the system of market-driven capitalism stronger. The essential advantage of a stock market is to split the risk of a venture by having more owners and also to raise capital from many people. The economy is largely based on consumer spending, and consumption rests on asset price inflation which can now be driven up by retail investors. If the current employment trend continues, many of them will end up working in the gig economy without any safeguard when their portfolios collapse. A greater level of stabilisation is needed for both the global economy and earnings in order for the market to be sustainable. No doubt the new administration's economic policy plans will play a part in achieving that from US president Joe Biden, in which this will move US economy to one that prioritises "wealth" to one that rewards work and tip the balance of power between labour and capital.

"It's time to reward hard work in America – not wealth." Statement from Joe Biden.

Such damage to general asset prices has produced the worst week in January for the S&P 500 Index since October. This pales in comparison to what would most likely happen if brokers were forced into an uncontrollable deleveraging. This could have broader effects, if not handled well, because the non-bank segment of the financial system has been in a period of rapidly rising debt, leverage and risk taking. Robinhood has raised \$1 billion in debt with banks in order to continue to fulfil orders for heavily shorted stocks. Regardless of the consequences that plays out, they are not mutually exclusive – regulators and politicians can be expected to involve to some extent. Some can have competing effects on asset prices and market functioning. It could be retail investor protection, reducing margin limits, or price manipulation. GameStop is a perfect reflection of all of this. The ultimately unsuccessful effort to short squeeze illustrates the risks of the markets and the needs of regulation in the fu-

ture. However, retail investors are too easily affected by the traditional market powers. Not everybody agrees Robinhood's halt on stock buys was the right thing to do. What if this happens again in the future when trading on certain stocks? Potentially the concern brought out by this incident is the democratisation of finance, technology-led disruptions to market power, political responses and the market structure itself.

A group of retail investors coming together and acting in a correlated way in order to effectively overcome the power of institutional investors, and that is not what the stock market has ever experienced before. Although GameStop's surging price did not ultimately trigger a short squeeze – which is considered to be the biggest aim for Reddit's investors, the question of how it will shape the future outlook of the stock market has to be paid. Perhaps crowds gathered on the internet can pool their power and drive the stock market. That could possibly outlast the pandemic, which has created a whole new class of retail traders that didn't exist before. Whilst this organised market action still continues, the government needs to consider more regulation and equality in the future to prevent a highly volatile stock market, which makes a levered market prone to crisis. We must not lose sight of the main lesson: an economy in which individual wealth is closely tied up to the health of the stock market rather than income growth.



# Double 11 – Chinese National Shopping Festival

By Emily Xie

## What is "Double 11"?



"Double 11" refers to November 11 every year, which is a large-scale shopping promotion day represented by e-commerce that has emerged across China. Since October 1, 2009, large e-commerce websites such as Tmall (owned by Alibaba Group), Jingdong and Suning.com, have used this day to conduct large-scale discount promotions targeting to increase sales, which has gradually become China's largest commercial promotion carnival on the Internet.

## 2020's "Double 11" consumption dynamic

Even during the epidemic, 2020's "Double 11" shopping festival has not been put down but having the major e-commerce companies starting several days earlier than last year. The pre-sale started on October 21, the first wave of sales peaked on November 1st - 3rd, and the second wave was on November 11th. At last, the real-time transaction volume of Tmall was 372.3 billion yuan. Referring to the result of 2019, the final fixed turnover was 268.4 billion yuan.

However, the total contract value during the 11 days not only includes the amount of money consumers placed during that period, but also the final payment that many stores set up in mid to late October, which could only be paid at 0:00 on Novem-

ber 1st. At the same time, the "Double 11" method of discount offers is updated every year, and the overly complex rules of discounting have led to many people buying unneeded products in order to get the full discount, and then returning the unwanted products to the shop afterwards using the 7-day no-reason to refund return rule. This part was also included in the November 1st - November 11th turnover, so this year's "Double 11" total contract value was a bit exaggerated.

## Reasons for the new trends of "Double 11"

### 1. COVID-19

As far as enterprises are concerned, the epidemic has hindered their production and operation. The prevention and control of the outbreak in the early stage has led to difficulties in resuming full-scale production in most industries, which are facing unprecedented difficulties. At the same time, the purchasing power of urban and rural residents declined: the difficulty for enterprises to resume work and production is bound to affect the income of residents, especially their wage income. The National Bureau of Statistics of China released the first half of residents' income and consumer spending in 2020. The data show that in the first half of the year, the national per capita disposable income of residents 1,5666 yuan, a nominal increase of 2.4% over the same period of the previous year, deducting the price factor, the real decline of 1.3%. The income of residents was adversely affected, and the increased income vulnerability of some key groups will have a dampening effect on consumption. The reduction in income has forced people's consumption concepts to become rational, to a certain extent less irrational consumption.

### 2. Over-promotion by some businesses

On November 4th, with only one week left before the "Double 11", NetEase announced on its official Weibo account that it was withdrawing from the "Double 11".

*What are the McDonald's employees asking customers in this bad economy?*

*Can you afford fries with that?*



In the announcement, NetEase stated: "I don't know when it started, but every time the 'Double 11' comes around, what we see in front of us are waves of collective climaxes under the marketing strategy, the word games that incite human nature, the pervasive commercial signals, and the constantly refreshed data of multiple collections, recording the so-called carnival." This statement was met with mixed reviews by public opinion. There is no shortage of netizens calling the act "marketing in disguise" and "pawnd and risen again". Putting aside the suspicion that the brand is using reverse marketing to induce consumption in disguise, NetEase does use its voice to attack the bad culture of Double 11, giving both e-commerce platforms and consumers a wakeup call: real rational consumption is to have specific and clear needs before consumption, not to consume because of low prices; to think about the opportunity cost of the money, whether there are better uses; not to pay for the sunk costs already paid, but to continue without real the opportunity cost of the money and whether there is a



better use for it.

In this era of advanced online information, the ritualistic content of media coverage, the ritualistic approach used in reporting, and the phenomenon of the media itself becoming a ritual or collective celebration are all secrets behind the fire of Double 11. The amount of media coverage on the internet is on the rise and has changed from mere advertising and marketing software to visual media coverage of the event. New terms and new social phenomena have emerged, such as "Double 11 Party", and the online news media have been heavily promoting the

"Double 11" report, making the "Double 11" a ritualistic event has become a ritual due to the ritualistic content of the media coverage. In the current media environment, what the news media should do at this time is not to fully participate in this ritual and carnival, but to stand in a higher perspective of public opinion supervision and control, and to keep a piece of pure land for reflection and criticism in this carnival.

### 3. Complex promotion rules

2020's "Double 11", in addition to the traditional huge discounts, there are also a series of complex rules such as coupon rebates, cross-store, points redemption. These rules have their own rationale and carry the intentions of the merchants, but overly complex rules will only reduce the buying experience for consumers and create a certain amount of fatigue, which will ultimately have the opposite effect. Not to mention the fact that, despite all the rules, the discounts are no better than in previous years, and not even close to the usual ones. Due to the special reasons this year, some merchants are losing too much money, so it is difficult to hit the "Double 11" event this year with hard discounts and big price cuts, so some of the goods are not much different from the usual prices, making it difficult to stimulate consumers' desire to buy.

The price reduction of physical shops is also causing e-commerce to lose its price advantage. The trend is towards the same price for both online and offline. The rules for offline retail are much simpler and clearer, mainly in the form of group coupons and direct discounts, which allow for price reductions from the original price, as well as free gifts, so why should consumers pursue the time-consuming and costly online purchase method?



# E-sports

By Irene Souny

Traditionally, Western countries such as Europe or the USA have dominated competitive sports, while in the East sport was centred around tradition and well-being. This trend has slowly been changing, firstly with the Olympics where Asian nations, notably China, have started training competitive athletes to represent and bring glory to their home country. Secondly, Asian nations, more specifically China and South Korea, have taken over the West and pioneered the practice of e-sports, a field that has seen an exponential rise in the last couple of years.

It is generally acknowledged that e-sports competitions were born in America where the very first video game competition was held at Stanford in 1972 for the game Spacewar. Similar competitions took place in the following decade around arcade games and high score chasing became a popular hobby. These individual arcade games where players competed indirectly were then slowly replaced by games like Streetfighter II which popularised the concept of two players competing directly against each other to determine the very best player. In the 1990's, larger tournaments were held for various games, for example even gathering players from overseas to compete in the Nintendo World Championships. However, these championships were largely amateur, and only a small minority dedicated their lives to video games.

E-sports as an industry was really developed in the early 2000 in Asia, especially in China and South Korea. Indeed, e-sports today aren't just limited to



the act of playing video games individually, or in a team during a competition. A whole profit-generating industry, similar in many ways to the traditional sporting industry, has developed around this sport, making it more and more competitive with higher stakes and more and more money pouring in. Players rarely play alone but have become part of professional teams. Similarly, to the football or basketball industry for example, these sponsored teams compete for top spots in a league for the biggest games (sponsored by video game developers and different investors) in order to win prize money and move on to higher leagues. In order to recruit the best players, some teams actually pay their players' salaries. For example, the number one e-sports team in South Korea, SK Telecom, their top player, Faker, widely regarded as one of the best League of Legends players in the world, has earned \$1 million through competitions and is rumoured to be paid a \$2.5 million salary. For well-established games, players rely on large prize money which can amount to millions of dollars a year. As of 2016, Dota 2 had awarded approximately \$86 million in prize money within 632 registered tournaments, with 23 players winning over \$1 million.



*Why is there no gold at the end of the rainbow?*

*The Leprechaun took it and sold it to Cash4Gold*



The most popular and most played games during tournaments are mostly licensed and developed by American companies, such as Blizzard Entertainment (Overwatch, StarCraft), Valve (the Dota Franchise) or Riot Games (League of Legends). However, the industry developed predominantly in South Korea and China and today there is an overrepresentation of these players. Why are e-sports so prominent in Southeast Asia, especially in South Korea and China?



Part of the reason why can be explained by the Asian financial crisis in 1997. The Asian financial crisis, originating from Thailand, spread out to the neighbouring countries, impacting South Korea particularly. Because of the financial crisis, only 11 Chaebol groups (literally translated as 'rich families') out of the 30 major Korean groups survived and, as a response to the crisis, the government sought to promote a technological revolution, focusing on the internet and telecommunications. This led to very cheap internet throughout the country. Simultaneously, unemployment was high, but internet was cheap and accessible to most, leading to the creation of 'PC Bangs': internet cafes providing great internet at less than a dollar per hour. Furthermore, the school system in Korea is very competitive. This makes entry to top universities such as the famous SKY universities (Korea's top universities) very hard. Only those who are able to afford tutors and extra-classes have a fair chance at university. Poorer students from working-class background who are unable to afford the extra studying are left with extra free time, which is concentrat-

ed to playing games. The country's structural inequality and low chances of social mobility are a big part of what drives them to go pro in the first place. This is reflected in South Korean e-sports teams where an overwhelming majority of players are from a working-class background or financially unstable families.

Similarly in China, e-sports were recognised very early on by the government as a sport in 2003, despite concerns at the time about violence and addictions, under the argument that playing video games was also a form of training the body and mind. Furthermore, by early 2019, China recognized e-sports players as an official profession within the Ministry of Human Resources and Social Security's Occupation Skill Testing Authority recommendations, as well as professional gaming operators (those that distribute and manage e-sports games). By July 2019, more than 100,000 people had registered themselves as professional gamers under this, with the Ministry stating that they anticipate over 2 million such people in this profession in five years. In August 2020, Beijing announced it would convert Shougang Park, an old steel production zone, into an e-sports park. This high involvement from the government as well as the competitiveness in the school and university system, similar to South Korea, have greatly contributed to a rapid expansion of e-sports in Asia with the establishment of professional infrastructures and official recognition, such as the International E-sports Federation based in South Korea.

On the other hand, Japan has been practically non-existent from the e-sports scene until more recently when e-sports spread on to Europe and other Western countries, despite the popularity of video games and presence of major game developers such as Nintendo or Square Enix, for example.



This can be explained by the popularity of game consoles over PC games. Famous Japanese game developers such as Nintendo have developed their own gaming consoles such as the DS, whereas most American developers make their games for a PC. As a consequence, e-sports games are generally played on a PC as opposed to consoles.

There is also a general lack of interest for American games such as Dota 2 or Overwatch which are some of the most played e-sports games because of the strong Japanese market which provides games catered specifically for their consumers' taste and no intentions of necessarily expanding abroad. Furthermore, in Korea and China, Japanese video games imports were banned for a while leading these two countries to rely on Western games.

Of course, this doesn't completely exclude e-sports and video games tournaments from happening in Japan - the Nintendo World Championships was dominated by Japanese players for a while, but the industry wasn't really developed and wasn't pursued professionally.



E-sports have seen a rapidly growing popularity these past years in North America and Europe, from 38.2 million spectators in North America watching at least one e-sports event in 2015 to 57.2 million in 2020. Unlike in China where e-sports were recognised early on, in the West they are still debated over the term 'sport', which is sometimes regarded as controversial, especially since video games were often perceived to be the antithesis of sport as parents feel their children should go out to play instead of staring at a computer all day long. They were, and still are, regarded as a motif for vio-

lence amongst youth as they project violent images. There are also health concerns such as addiction, the impact of screens on the eyes and the lack of movement when playing games. They also, according to some parents, encourage anti-social behaviour or stunt social skills. Furthermore, in a lot of European countries, university is generally free and working-class children with no interest in further studies prefer traditional sports such as football, by far the most popular sport, but also sports such as tennis, basketball or handball remain a lot more popular than video games, especially since the stigma is even stronger than what is already attached to traditional sports.

They have however enjoyed an increase in popularity in the West, especially through online streaming platforms such as YouTube and most importantly Twitch, which has become central to the wider diffusion of e-sports. Not only does it spread e-sports to a wider audience with the diffusion of several tournaments, but it also allows e-sport players to receive donations from their viewers and earn more money through sponsorships. The rising popularity has even led to some traditional sports team to invest or sponsor e-sports team - for example Dallas Cowboys' owner Jerry Jones purchased a majority ownership stake in e-sports' team CompLexity Gaming, and even moved the team's base of operations into the Dallas Cowboy's practice stadium. Other celebrities such as Magic Johnson have purchased a controlling ownership stake in e-sports teams - in Johnson's case his stake was in Team Liquid, one of the top 3 e-sports team in the world.

This surge of interest for e-sports has even led the Olympic committee to debate on the inclusion of e-sports in the Olympics. However, once again concerns over violence are raised with many of the video games used for e-sport involving violence and murder, such as Overwatch or Call of Duty. The committee has sponsored e-sports events but is unlikely going to add more violent games.

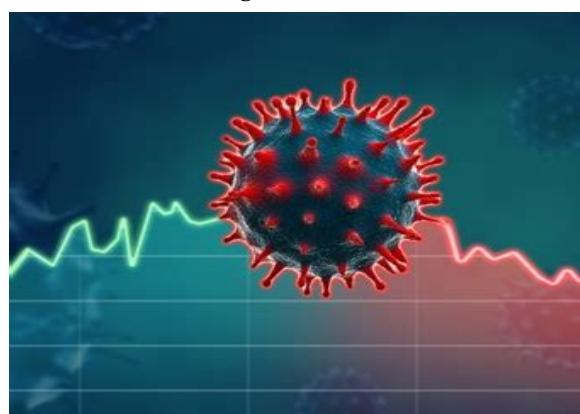
*Economic forecasters assume everything, except responsibility!*



The covid-19 crisis which has significantly impacted most industries around the world has not stunted the growth of this industry in opposition to traditional sports which have suffered a massive hit to their revenues. While a lot of tournaments normally take place in person, many tournaments can still take place online. Although some concerns have arisen around cheating or Wi-Fi issues which may put some contestants at a disadvantage, the e-sports industry has continued to thrive during the pandemic as people are stuck at home with nothing to do. Even those with little money to spare can watch e-sports as there are no more tickets to buy and people can stream for free and safely at home.

It is safe to say e-sports will continue to enjoy a rapid growth, possibly sponsored by current traditional sports team. Universities in China and the USA have also started to integrate e-sports, with some even offering scholarships to gifted players to join their e-sports team. Currently, e-sports revenues are estimated at around 1 billion and are on track to surpass \$1.5 billion by 2023. Maybe one day e-sports might even be integrated to the Olympics.

conservative party had long ago destroyed the manufacturing base. When we expand and view this issue on a global scale, we can see that the destructive effects are not just isolated to Shropshire or even the UK but are, in fact, causing widespread panic throughout the world. Understandably, consumer confidence is extremely low, households are aware that they do not have the financial reserves to deal with unforeseen circumstances. Therefore, they will take preventative measures and avoid buying cars and investing their money in long-term financial commitments such as taking out loans or mortgages until the threat has completely diminished, which could be a long time in the future.



## Economic effect of COVID-19 on Shropshire.

By Isabelle Urquhart



### The struggling economy during the pandemic

COVID-19's significant effect to UK has exposed the systemic collapse that is already present throughout the country. This ruin is demonstrated by Hancock, the Secretary of State for Health, urging industries to produce ventilators, only to realise that his

### Government policies and regulations

Arguably, the UK has done less to protect its citizens than the Indian state of Kerala whose response to the pandemic has been highlighted as proactive and efficient by medical experts despite having access to significantly less money and resources than us. This only shows how our problem is not a lack of money or knowledge. Rather, it is the government's unwillingness to view our society as a collective, where everyone matters equally, rather than a herd. The government failed in one of its primary objectives which was to ensure that the UK 'Protect the NHS' and that its citizen 'Stay at Home' in order to 'Save Lives'. More than 300 NHS workers have died of Covid-19 which is one of the highest death rates of health workers in the world.

A prime example of the government's terrible handling of the situation is the lack of cooperation from government officials and aids. Many of them broke the rules of lockdown, betraying the efforts and diligence shown by the British public. For example, Dominic Cummings, Boris Johnson's senior

advisor travelled 260 miles from London to Durham during the lockdown, evidence of this was broadcasted on many different news platforms highlighting the significance of his actions. The government failed to take action right from the very start, by refusing to shut the borders and prioritised the economy over preventing the virus to enter the UK. After their extremely late response to Covid-19, the government initiated their 'containment' phase. Initially, it started with the test and trace system. This programme tested those who has symptoms and those who came into contact with infected persons. However, one of the failures of the test and trace system was that it was not expanded sufficiently into smaller counties such as Shropshire. The lack of capacity for the programme meant that Shrewsbury was unable to receive more than five injections per week. This tiny amount exposed the inadequacy of the government's initial response. Unfortunately, the governments lack of urgency resulted in people going to school, football matches, concerts and in general living their lives as normal.



### Impact of Furlough Scheme

One of the most important issues the government needs to address is the influx of unemployment which will come as a result of the termination of the furlough system which should end this September. The government will have to implement measures in order to help those who have lost their jobs to get back to work as quickly as possible. The unemployment rates have hit a record peak, with almost 1 million people in the UK hav-

ing applied for unemployment benefits in the last two weeks of march. Unemployment can also lead to demoralisation, depression, and other psychological traumas. Therefore, this will lower the affected individuals' productivity and attractiveness to employers which will further result in a declining rate of labour force participation.



### The increase in the demand for online shops.

The recent increase of people working from home has resulted in a rise in the shares of companied such as Zoom. The demand of online shops, like Amazon, has increased as people are unable to go out and by these items. Companies in the technology industry can be classified as 'winners' of the pandemic. These businesses like Zoom, which provide the option for face-to-face communication, have seen an increased number of downloads and members joining. Apps such as Zoom have been crucial in allowing many companies to continue their work even during a global pandemic. This is beneficial for the economy as it means that businesses are still able to provide goods and services. They are also able to provide jobs which will keep the amount on unemployment low. Keeping businesses open is very valuable for the economy as they are one of the major sources of economic growth. Furthermore, face to face videoing apps will have a knock-on effect on sales of computers and Wi-Fi providers, as these things are both essential companion items. However, there a consequence with the increased use of technology. For example, some companies may find that working from home is more productive and cheaper. Therefore, they may to decide to make these temporary changes permanent. This results in negative

*What did Britain say to its trade partners?*

*"See EU later"*



effects for landlords who rent out office spaces as they will not be needed.



Cleaning companies could see a rise in unemployment as there will be no need for their services if businesses start to work from home.

### Aviation industry

The travel industry is among one of the most affected industries. Many airlines have had to cut flights due to the lack of demand for travel caused by the travelling restriction: over 100 countries have implemented travel restrictions to control the virus, making travel extremely hard to accomplish. This has resulted in many people being unable to travel to see friends and family.

Many airlines have seen a dramatic drop in customers due to these country restrictions and the lack of demand for flights. If an airline company goes bust it has a huge knock-on-effect on many companies and industries. Jobs such as: aerospace engineers and manufacturers, airline fuel providers, flight attendants and those employed within the airport could all be lost. Furthermore, this could have a negative effect on our ability to import and export goods and could cause the aggregate demand to fall causing our economic growth to fall too. However, it could be argued that considerable number of planes would come onto the market and other companies would then buy the airlines causing flights to resume as normal. At the moment, when demand for flights is still quite low this may not be the best use of the tax-payer's money, especially if we consider the lack of confidence in the future which may impact the aviation industry in the long term. We should consider the fact that if we bail out the air-



lines it could create pressure from other industries that need money as well.

In conclusion, the global outbreak of COVID-19 has had disastrous effects on all aspects of our lives and the world around us. However, it has been beneficial in the sense that we have seen, within Shropshire, communities and schools come together to learn and adapt to the emerging crisis. This congeniality between us is what has helped us to push forward and attempt to combat the coronavirus pandemic. We have learnt that most issues there have been two sides to the outcome. For example, some news broadcasters and newspapers have been focusing on the positive impact Covid-19 has had on the environment. However, this is not entirely the case as they have completely disregarded the increased littering, or increased deliveries... Furthermore, the same can be said for the social impact. The focus is on the increased mental health and suicide cases, but we must also consider the ingenious ways people have managed to upkeep their social wellbeing and maintain in contact with friend and family highlighting the skill and determination of the human race.

---

## The Economy That Never Fails - Religion

By Rico Mak

---

The meaning of "religion" seems vague; it holds the mythical beliefs on how supernatural forces had created us and was generous enough to save us from the devils. As soon as human beings have existed, we have started to establish such philosophical superstitions and inherited more than 4300 religions until nowadays. It is simply not about the faith in numerous gods, but also these ancient traditions posed some form of ideology of sacred qualities and good morality. Studies identified 84% of the global population had a religious faith, and the figure is growing, along with the religion based economy in the world.

## Faith-Based Tourism

Religion tourism refers to the act when people travel based on their religious belief. Many people had hoped to take a glance on holy sites to feel “closer” and more affiliated to their Gods and spiritual leaders. Whereas for some of the religions are even required to attend religious gatherings or activities. These journeys attached with spiritual significance are often referred as “pilgrimages”, where people tend to prove, explore or think about their faith, starting from the 200 centuries ago. These religious attachments do act appeal to many believers to take trips, many of which are being self-motivated or influenced by their peers at their local churches. Especially for Muslims, which they are committed to go on an annual pilgrimage, the Hajj, to the holy city of Mecca as a Farḍ (mandatory duty). They are required to attend the prayer-gathering at least once at their lifetime if they are financially and physically able to. It was to fulfil one of its five Islamic pillars, as they have to pray at the birthplace of their founder and bible, serving the purpose of self-recovery and symbolising the oneness of God.



Referring back to the Islamic Hajj, each year it has drawn 2 million pilgrims arriving towards the holy city. Many Muslims have been motivated by the spiritual rewards granted, whilst the tourism sector is also granted with huge economic benefits thanks to them. Since their arrival, it creates a huge demand for related services like accommodation, transportation and food provisions. Some of the wealthy ones may want to purchase some of the

blessed souvenirs such as prayer mats, or even sign in for cultural talks to gain spiritual relief. Although it was only a seasonal event, it was reported that Hajj alone has already brought in approximately £8 billion in revenue. Thus, the pilgrimages have actually contributed £30 billion to the wider tourism sector and a total of 7% of the Saudi Arabia’s GDP. Not to mention that the economy fuelled heavily by oil-extractions, but this has shown that religious faith could actually attain a great business potential. The Saudi government has highlighted its intent to invest in the development around mosques, including 70,000 extra hotel rooms and 360,000 square meters of commercial space. New opportunities ahead would not only boost economic growth, but also more jobs and a better image for the community.

Even though that for some of never had a mandatory duty to visit, the strong beliefs in people would eventually create incentives to travel somewhere they needed for salvation. Key thing to mention is that faith-based tourism is less prone to economic volatility. These faith-driven travellers are highly committed to seek spiritual guidance despite of their financial situation and any underlying costs they have to bear. They view religious obligations or missions as their top priority which nothing could have surpassed its sacred value. During recessions, this form of tourism could still secure a steady flow of income into a failing economy and possibly bring lower impacts on demand-deficient unemployment and widening inequality in the short term. Although many of those religious centres have been economically drained by the pandemic, they will be blessed by many of these believers’ descending.



*An economist’s left leg is on fire and is right leg is frozen*

*He says “on average I’m perfectly fine”*



Potential consumers are however not limited to believers, but also atheists or believers from other religions who are attracted by the culture. This may include some of the sacred heritages with great historical and artistic values, such as the Sistine Chapel ceiling in the Vatican City. Millions of non-Catholics also visit the Holy See both for its spirituality and architectural beauty each year. Some of the non-religious communities are dedicated to benefit from religious tourism. For instance, a property developer in Hong Kong have built a Christian-themed park



with a full-size replica of the Noah's Ark. The park have highlighted a creationist narrative throughout its facilities and

provided Christian educational activities for children. In 2018-19, the Ark has already attracted more than 400 thousand guests, which this piece of data has yet to show the overall picture. The global religious tourism has accounted for a value of £25 billion from 300 million travellers every year. Many industries have gained substantial profits indirectly whilst there are so many socio-economic benefits as well. Throughout this process, churches and temples have promoted the traditional values of religious rituals whilst raising the awareness on the conservation of cultural monuments. The continuous development in religious tourism may actually bring a win-win situation to both our religious institutions and the society. But undeniably, it is a lucrative business.

### **Faithful Governments**

European Churches were once the most powerful regime during the medieval times, when the peasants, elite class and even monarchs had to follow its command and pay tithes (taxes) to them.

They have dominated everyone's lives, and everyone believed in Heavens and Hells under their

teaching, which they do serve as a supreme administration in overseeing the livelihood and gave out spiritual guidance in every aspect. They were regarded as the de-facto government back then, as they had to "advise" the actual ministers and controlled the sale of lands. One of which may surprise you is that they had tried to "solve" the outburst of the Black Death, an old plague, through selling indulgences (a remission for punishments). They have claimed that only people who have sins will be ill, and they should pay for redemption in order to be cured. This has been one of the major causes of their decline in authority and embarks the fall of the Catholic monopoly, when people started to question their beliefs and its teaching.

Churches may not be that influential and gain its previous supremacy in a democratic world, but parishes and their believers still perform many of the functions as they did before. In the US, there are more than 40 thousand congregations that serve as the nucleus of numerous communities. These religious institutes have opened centres for the minorities and disadvantaged, some of which has been discriminated and abandoned by the society. It is clear that many in the rural states of the US is less fortunate to get access to basic healthcare security and sufficient schooling. Families with low-skilled parents could not afford for better housing and would be in-debt, which their children may only receive underrated education thus attainments which trapped themselves into intragenerational poverty. Therefore, these congregations have actually invested in building facilities for community services, varying from education and job training to charity and social care. And these capital and labour had come from the generosity and kindness of their religious believers. Instead on pursuing a relaxing and luxurious lifestyle of their own, they have taken action in their free time to volunteer for the people in need whilst others have supported through financial means - donations. Members and volunteers went out to offer free tutorials to young children, or to provide daily assistance to elderlies or simply

*An economist friend told me to put something away for a rainy day.*

*I've gone for an umbrella.*

street-cleanings. Until now, there are 129,000 groups for people struggling with alcohol and drug abuse and 25,000 groups to support AIDS patients; 62,000 programs which offered shelter for the needy and 25,000 groups dedicated to help protecting our environment and the climate. In the UK context, we may see the Salvation Army and World Jewish Relief have initiated similar programs as well. All of which are based on their faith: to love, care for and share with one another.

Religious groups also assists government and country in helping those in need and trying to help out to make their basic living needs met, by reducing social inequalities. Volunteers also have a great impact on those who are less fortunate. Free tutorials can provide them the adequate skillset and be more competitive for better universities and higher-skilled job positions.

Thus, when religious groups have successfully re-vamping their lives, many of these external costs like lowering the number of criminal incidents and resolving social deprivation. Religion could play in a vital role in eliminating those negative social impacts, but they could also enhance equality and redistribute necessary resources back to those who are discriminated by the markets. "Give, and it will be given to you. A good measure, pressed down, shaken together and running over, will be poured into your lap. For with the measure you use, it will be measured to you."



## Thoughts

Religions may be considered to be too unrealistic, given that the mythical stories and morale is based on superficial characters who none of us can prove their existence. Nevertheless, after all we are all human beings. We cannot be as rational as what economists expected us to be, there are times where emotion overhauls our decision making. This can be shown in how Mr. John M. Keynes argued that we are all "animal spirits" during a financial crisis.

It is important that we cannot underestimate the fate of how religion influences our economy, but to consider how they should be protected and preserved in our civic society. Nowadays, many countries like Egypt, China and Iran still suppresses religious freedoms, yet a majority of these places are suffering from slowed-paced economic growth whilst authorities continued these suppression out of political motives. Instead of halting any forms of superstitions, governments should respect those beliefs and promoting more related economic activities.



After all, religions have been created and run by human beings. This article may not list out all of the effects from these religions, especially there are also many problems aroused from cults such as terrorism. Nevertheless, they do form the characteristics of many individuals and firms in our economy. They may be too illogical, but sometimes these outdated mindsets filled in those gaps of non-profit motives in our society. Afterall, they still stood for a beneficial purpose.

*I used to be a banker, but I lost interest*



# Mexico Drug Trafficking

By Lem Mandara

A short insight into whether Mexico economically benefits from illegal drug trafficking and cartels. Cartels in Mexico



are estimated to generate \$6.6 billion in gross revenue annually just from exporting to the USA and globally between \$25 - 40 billion. To put that into perspective Mexican cartels in 2009 made more from exporting drugs than Mexico did from exporting oil. For obvious reasons the numbers vary as cartels don't really pay cooperation tax and launder most of it which makes it clean and hard for police to trace it. On a macro scale this seems good for Mexico due to all this drug money flowing in and, in order to launder it, the cartels invest in business such as restaurants, real estate, hospitals, bars and beaches.

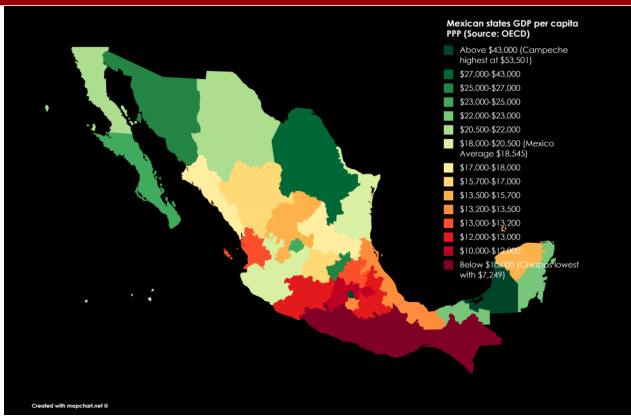
For example, cartels have laundered more than \$680 million in the banks of Sinaloa - a financial services backwater - and that drug money is driving nearly 20 percent of the state's economy. So, exports increase (realistically but not politically since Mexico and the world doesn't recognise

trade in illegal goods and service), investment and consumption both increase due to the rise in income for the 450,000 people who are directly employed by the cartels and a further 3.2 million people are indirectly involved with the drug trade. In 1990 Mexico's GDP was \$261.3 billion and in 2019 it had risen to \$1.269 trillion, so even though the actual illicit market and trade is not included in the GDP the impact and growth of the drug trade (which was growing in this time) seems to have a positive indirect effect on Mexico's economy and furthermore GDP growth has been positive in 22 of the years since 1990 - 2019 and negative only 8 times due to the Peso crisis in 1995 after the devaluation and the financial crisis in 2008/9 but during these large falls in GDP, cartels earned more (high global unemployment - rise in stress and psychological distress - rise in drug abuse - cartels laugh and sell more drugs). Mexico may have actually suffered more if not for the drug market. So, what all this shows is that the illegal drug trafficking and cartels benefit Mexico because it indirectly causes an increase in aggregate demand and creates liquidity in the economy.

Do the cartels and the illicit drug market reduce unemployment in Mexico? As already stated approximately half a million people are directly employed by the drug Cartels. However, again they are technically not 100% employed because working as someone who spies on police for a living or a sicario (a Spanish hitman) are not internationally recognised occupations. However, they get money for doing their job so for the sake of the argument they are employed. Therefore, combined with the 3.2 million who indirectly rely on the drug trade, approximately 4% of the population depend on the drug trade for their income and money. Can this be seen as a positive? Probably not in the long term, but in the short term it seems to be a positive impact of the cartels. Mexico has the fourth largest police force in the world with some 544,000 officers (number keeps changing as police officers

*A friend of mine invented a washing machine for bank notes.*

*It's a real money spinner!*



keep getting fired for taking bribes and reinstated because they need the numbers), in addition to that they are some 260,000 soldiers fighting the cartels and most interestingly private security firms. The market for private security in Mexico equals 1% of GDP, or \$8 billion. An example of how large the market is for security is the fact that in Latin America the arms market has increased by 850% in the last eight years, and Mexico is now the second largest market after Brazil. Since 2008, the number of armoured cars has increased by 25% in Mexico City and by 60% in the rest of the country, and the market is only going to grow further. Businesses have responded to this need: there are now 70 registered providers of armoured cars, compared to only three 19 years ago. In response to this significant market opportunity, there are now over 10,000 private security firms compared to 6,000 15 years ago. Private security employs a workforce of 500,000, equal to nearly 85% of the public security sector (excluding the military). Therefore, approximately 5 million Mexicans earn their livelihoods directly or indirectly because of the illegal drug trade. Therefore, regardless of the ethical complications of this illegal trade, drug trafficking and cartels do in fact help people pay their bills in some way or another.

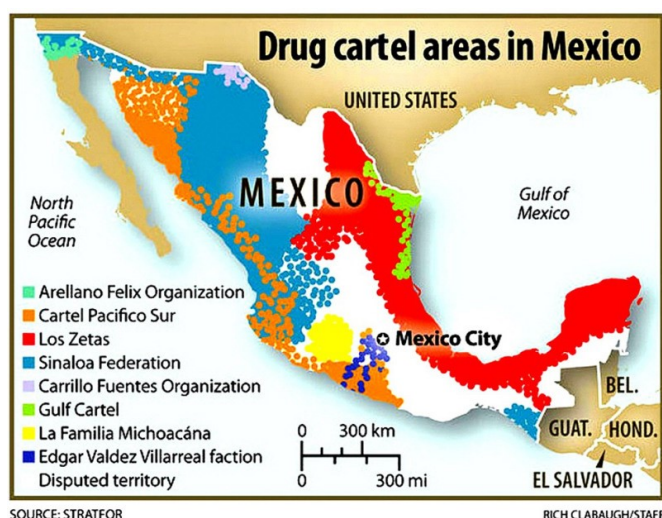
However there of course some negative effects resulting from the drug trade. The main negative economic impact that cartels have on Mexico is the violence that comes with it. To put that violence in numbers there have been over 200,000 drug-related homicides since 2006 when the war on drugs began and over 20,000 people missing. To many people those statistics are scary numbers and some of those people are foreign investors. However, they

are many mixed messages in terms of investment in Mexico with some officials and businessmen saying it is increasing and others saying the contradictory but overall, the violence is creating uncertainty which is never good to an economy. The violence also deters potential tourists. As much as I would love to visit Pablo Escobar's house I am surprisingly not in the mood to be collateral in a deadly drug war. Yet despite the violence, tourism is Mexico's third largest inflow of dollars and Mexico is the 7th most visited country in the world as of 2018, indicating that the violence is not as bad, or people don't really care. But how does the violence harm Mexico's internal economy?

For the average Mexican and their small local businesses, the violence is a big negative. Firstly, the civilian casualty rate is extremely high – from 2007 – 2015, 164,350 civilians were killed due to the drug war which is higher than the civilian deaths in Iraq and Afghanistan combined in the same 7-year period. All these needless deaths harm families and communities and consequently their livelihoods and businesses. Most of the civilian deaths are male and in the rural and poorer parts of Mexico it is the man of the family that normally provides financially so when he is killed the family have to start over and adapt. The killing and kidnappings create an unsafe environment full of fear which is not a great atmosphere for business as it has a negative effect on productivity. For instance, In July 2010, gunmen ambushed a birthday party in the Mexican state of Coahuila, killing 17 people and injuring many more. Some sources believe these mass killings were the result of the innkeeper not paying the extortion fees that had been demanded of him. This negatively impacts productivity and also leads to lower employment because of fear of such a case happening. The violence and crime have annoyed Mexicans so much that there has been an emergence of vigilante groups such as the autodefensas (The Avengers) who want to fill in the gap which the security forces have failed to do. However, it is important to note that the Mexican people are brave and resilient people and many people don't let the violence of the cartels stop them from going on about their everyday business and



the violence is not everywhere in Mexico - it is only concentrated in certain areas that are cartel strongholds. Nonetheless, the violence and crime does affect the average Mexican and, according to the latest Mexico Peace Index, the total economic impact of violence in Mexico in 2015 was 2.12 trillion pesos (\$134 billion) - around 13% of the country's GDP. That's the equivalent of 17,525 pesos (\$1,105) per Mexican citizen, or about two months' wages for an average Mexican worker. But the cost is falling as violence also falls and there is light at the end of the tunnel for Mexico. These costs consist of medical treatment, security and funeral arrangements and the loss of income and economic activity from the victim. The productivity of the family also reduces as they are mourning and in emotional pain. There-



fore, if there is a mass killing in a town then the whole town is mourning, and the productivity of the whole town reduces significantly.

There are a lot of conflicting information and evidence and many numbers still unknown due to the illegality and secrecy of the trade. However, it would appear that on a large international scale the drug trade does benefit Mexico economically but on a micro scale it is not so beneficial, and the consequences of the violence and the impact of drug addiction far outweigh any benefits. Nevertheless, there is evidence to suggest that illegal drug trafficking is in fact beneficial to Mexico. When we define

the object of banking supervision, we should return to the essence of supervision. As long as the institutions participate in the process of credit creation, we should timely evaluate the necessity of supervision intervention.

To sum up, the current regulatory system of financial technology innovation regulatory gaps, exposed the limitations of regulatory methods and regulatory tools. Since financial technology companies play a key role in the credit creation system, they should be included in the unified regulatory framework.

The failure of Ant Group IPO also puts forward new requirements for innovation regulation of financial technology. For those innovative businesses that are not clearly seen, we can limit the scope of risk through the "regulatory sandbox". For those innovative businesses that are clearly seen, we need to solve the problem of regulatory inequality, so that financial businesses of the same nature can accept the same regulation.

## COVID-19 and its impact on the tourism industry in the UK.

By Nathan Chow

As of writing, we are now marking the anniversary of when COVID-19 was officially announced as a pandemic by the World Health Organization on 11 March 2020. During this grim year, the world has witnessed over 118 million cases and 2.61 million deaths associated with COVID-19 and these numbers will sadly continue to grow. In the United Kingdom, there have been 4.23 million cases and 125,000 deaths to this day.

*Sweden formerly had a credit rating of AAA, now its ABBA*

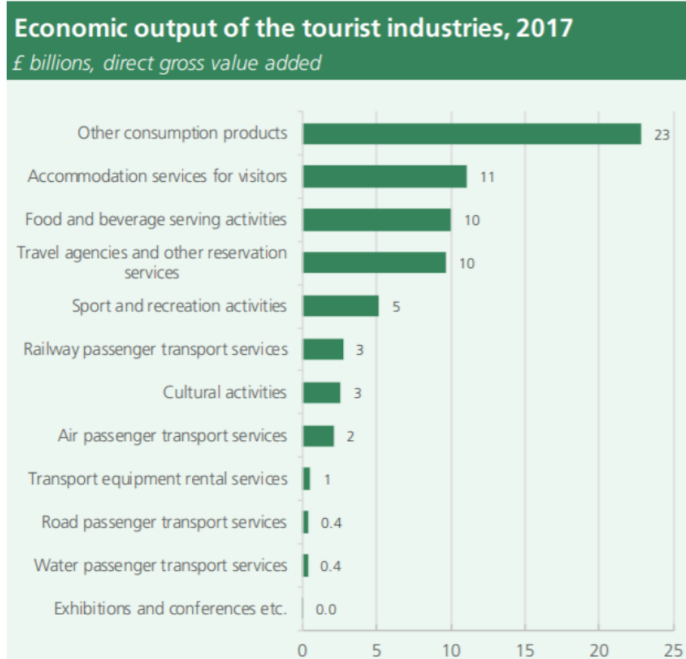


In addition to the human turmoil that the pandemic has brought, another major impact has been the economic turmoil it has also brought. In the UK, there have been several measures taken and as with all forms of economic policy, there has been a direct and indirect consequence. One of the main areas of the UK economy that has been impacted has been the tourism industry.

### Economic output from tourism

The UK tourism industry contributed £59.7 billion which was 3.2% of total economic output in the UK in 2017. Some locations will rely on tourism more than others, for example, 12% of London's GDP comes from tourism. The economic output from the tourism industry varies from the different industries that make up the tourism sector.

Figure 2.1: UK Tourism Satellite Account – Office for National Statistics



Retail spending is the largest contributor and represented £23 billion in 2017. Accommodation services

for visitors is the next largest with £11 billion. The food and beverage service industry contributed £10 billion and travel agencies and reservation also contributed the same amount.

Moreover, tourism is also able to provide external benefits to other areas of the UK economy. It is estimated that tourism has a gross value-added multiplier of 2.8, this means that for every £1,000 generated from tourism a further £1,800 is provided somewhere else in the economy via consumer spending and the supply chain.

### Visitors to the UK

Visitors in the UK can be either be from domestic tourism is when UK residents travel to other parts of the UK, or international tourism which is when tourists overseas travel to the UK.

In 2019, there were 122.8 million visits by domestic tourists in the UK and they spent £24.7 billion during their travel in the UK. On the other hand, overseas tourists have fewer visits to the UK with 40.9 million visits in 2019. However, they have spent more money on goods and services related to tourism with £28.4 billion. Thus, showing overseas tourists are important to the UK tourism industry as they consume more goods and services related to tourism compared to domestic tourists.

Compared to 2018, there was a 1% increase in the number of tourists coming to the UK and a 7% nominal increase in the amount spent. The UK was ranked eighth in the United Nations World Tourism Organisation (UNWTO) international tourists' arrival league and accounted for 2.7% of global arrivals in 2018. It was also 11th in the international tourism earnings league according to the UNWTO and accounted for 2.4% of international tourism receipts in 2018.

The USA, France and Germany were the top three countries with the most visits to the UK. The USA accounted for 27.7% of visits to the UK in 2018 with 3,877,000 people. The top three countries with the most spending in tourism goods and services were the USA, China and Germany which accounted for 26.2% of the total amount of spending by overseas tourists.



### Where the tourism industry was heading towards

Tourism was one of the fastest growing and was forecasted to be worth over £257 billion by 2025 which is just under 10% of the UK GDP. It was also expected to expand by 3.8% each year until 2025 and approximately provide 3.8 million jobs, which is roughly 11% of all UK jobs.

Moreover, the amount of spending by international tourists was expected to increase by 6% a year and domestic spending was forecasted to grow by just over 3%. The value of inbound tourism was estimated to go from £21bn in 2013 to £57bn by 2025. This would have led to the UK seeing a surplus from the balance of payment in international tourism in 2023 for the first time in 40 years, which means the amount of money gained from international tourist spending exceeds the amount of money the sector loses.

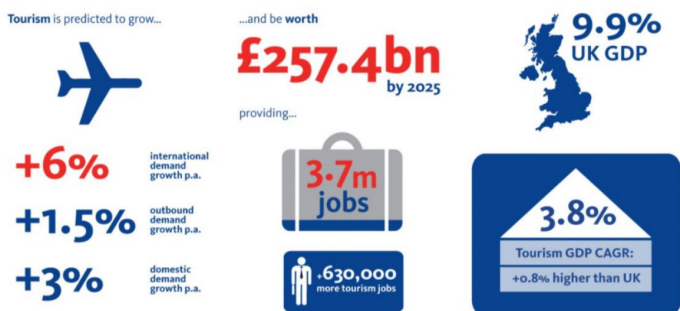


Figure 2.3: Tourism: jobs and growth Deloitte November 2013

It is clear the UK tourism industry was a strong contributor to the UK economy and the prospects of the industry was destined for continued growth. Indeed, it has been forecasted that the industry would grow at an annual rate of 3.8% through to 2025. At such a rate, this would have been growing faster than the overall UK economy (with a predicted annual rate of 3% per annum).

### Impact of COVID-19 on the tourism industry in the UK

The UK tourism industry has been heavily affected by COVID-19 and this largely stems from the vari-

ous responses and restrictions that have been implemented by governments across the globe. In the UK, these responses have included 3 lockdowns, restrictions on travel and closure of non-essential businesses.

### Conclusion

As we now surpass the anniversary of COVID-19 it is abundantly clear that COVID-19 has had a profound impact on everything. Returning to life before the pandemic will be difficult and the perceived "normal" of those times may have been lost due to the inevitable change in people behaviour and attitudes.

At the outset of the essay, what I wanted to illustrate is the damage that COVID-19 has had on the tourism industry in the UK. The damage caused by COVID-19 can be argued to be a direct result of the myriad of responses undertaken by the UK Governments and Governments around the globe.

We can see the difficulty the tourism industry faces with many negative multiplier effects caused such as a fall in national income, people losing jobs and lower living standards across the country. Even with vaccines being rolled out, it is still unclear when the tourism industry will be able to recover to 2019 performance levels.

## Hedge Funds

By Ivan Ivanov

### What are hedge funds?

A hedge fund is a pooled investment fund that invests in relatively liquid assets (e.g. stocks or bonds) and that use more sophisticated forms of investing, portfolio-construction, and risk management strategies, such as short selling (investing in a way were the investor benefits if the value of the share falls),

*What did one man say to the economy when all of his goods started to become worthless?*

*I don't depreciate the fact that all of this is happening to me.*

leverage (using debt to purchase an asset able to reimburse the debt), and derivatives (financial product used by investors to minimise their risks), to maximize returns.

Hedge funds differ from regulated investment funds available to the market in their ability to use more leverage and more advanced financial techniques. Hedge funds also invest in relatively stable assets and are typically open-ended, enabling investors to invest and withdraw money on a regular basis depending on the fund's net asset value, whereas private equity funds invest in illiquid assets (e.g. real estate) and only return capital after a number of years. While most modern hedge funds will use a broad range of financial instruments and risk man-



agement techniques, their strategies, threats, volatility, and expected return profile can be very different from one another. Hedge funds are usually considered to be a high risk but high reward operation.

Hedge fund investment strategies often look for a positive return on investment regardless of whether stocks are rising or falling. While hedge funds are risky investments, the projected returns of some hedge fund strategies are less volatile than those of retail funds with high stock market exposure because of the different risk management and profit maximizing techniques used.

In contrast to other investment funds, hedge funds are not subjected to a lot of regulation by the Securities and Exchange Commission (SEC). This is because hedge funds generally receive funds from approved or qualified investors – as mentioned

above. Despite the fact that some hedge funds work with unqualified investors, securities laws in the United States require that at least a majority of hedge fund participants be qualified.

Hedge funds have been around for decades and are becoming more common. With assets totalling about \$3.2 trillion as of 2018, they have grown to be a large portion of the asset management industry. Some hedge fund managers are in charge of billions of dollars at once.

### The history of the hedge funds

The very first hedge fund, A.W. Jones & Co, was established by the former writer and sociologist Alfred W. Jones in 1949. Jones was motivated to try his hand at money management when writing an article for Fortune magazine in 1948 about existing investment patterns. He raised \$100,000, including \$40,000 from his own pocket and set out to short sell other stocks in order to reduce the risk of owning long-term stock positions: this investing innovation was later known as the long/short equity model. Slowly, his incorporation of short-selling, leverage and reward scheme based on investment were spread to other investors who joined him in a partnership to limit risks. Soon, in the 1960s hedge funds outperformed traditional funds significantly and were highlighted in a 1966 Fortune magazine article which shed light on this still obscure investment that had outperformed other funds significantly.

This period saw a rise in hedge funds, however many funds shifted away from Jones' investment strategy to focus on riskier, long-term strategies in order to maximise their profit. These resulted in significant losses in 1969-70 and many hedge funds closed in the early 1970s. For over two decades the industry remained quiet until an article in Institutional Investor praised Julian Robertson's Tiger Fund's double-digits results. This success once again captured the public's attention and investors flocked back to this industry which now offered thousands of funds and a multitude of new and different strategies such as currency trading for example. In the early 1990's many high-profile investment managers left the traditional mutual funds in search of wealth and fame as hedge fund managers.



Unfortunately, history repeated itself in the late 1990s and early 2000s and a number of well-known hedge funds, including Robertson's Tiger Fund, collapsed due to the risks associated with the industry and the collapse of certain bubbles such as the internet bubble.

Today, the industry is once more blooming. In 2002, there were nearly 2,000 hedge funds, by the end of 2015 the figure had surpassed 10,000 and the figure now is approximated to be around 15,000 despite numerous liquidations of hedge funds every year due to losses and underperformance. About 1/3 of hedge funds fail in their first year and they rarely last more than 5 years.

### Types of hedge funds

- Hedges funds may use different type of tactics in order to achieve profit. Popular hedge fund strategies are:
- Long/short equity model – investment strategy developed by A. Jones. This strategy consist in investing long-term in stocks that are considered to be under-priced while short selling overpriced stock for short-term profit to finance long-term investments.
- Equity market neutral (model) – investment strategy in which the manager aims to profit while taking minimal risks
- Merger arbitrage (model) – practice of jointly buying and selling stocks of two merging firms in order to generate risk-free profit once the risks of the merger failing have been carefully assessed.
- Global macro (model/strategy) – in which holdings are largely based on macro analysis (analysis of countries' overall economics and politics). Long and short positions in stock, currency, commodities, and futures markets are all potential holdings.

- Convertible bond arbitrage – strategy that consists in taking a long position in a convertible security and a short-selling position in the common stock

Recently hedge funds and especially the practice of short-selling have been massively called out on the internet, notably via the GameStop short squeeze operation organised on reddit. While it is true that some hedge funds deliberately attack companies in order to manipulate share prices, however there exists many different strategies and hedge funds are regulated by the law and can be subjected to investigation if attempting to falsely discredit a company. In reality, hedge funds while investigating companies for weaknesses and irregularities in their accounts can actually undercover cases of fraud or illegal operations carried out by companies sometimes for years undetected. For example, short sellers under the pseudonym 'Zatarra' called out the German e-payment company WireCard for its dodgy business practices leading to an investigation. They committed to a short-position in a billion dollar company with its share peaking at +190€, this eventually paid off after the evidence of their widespread fraud was exposed by the legal investigation with over 1B€ "missing" from their accounts. Today their shares are worth less than 1€.



*Why should you never tell jokes about capitalism to a diverse crowd?*

*Only the rich will get them.*

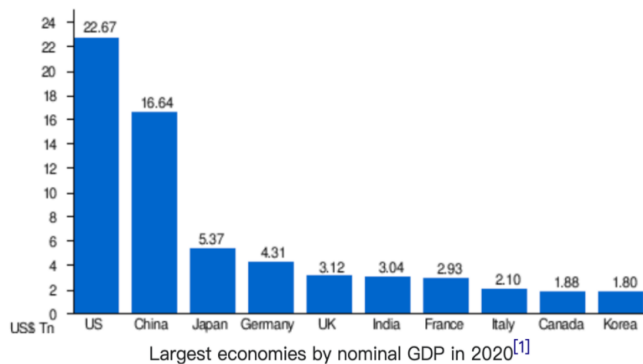
# A "Grey Rhino" - The property bubble in China

By Annie Fan

After centuries of closed economy and society, China has announced an economic reformation in 1978, aiming to open its doors to the world.

Since China began to open up and reform its economy in 1978, its GDP growth has averaged almost 10 per cent a year. It has become one of the fastest-growing economies in the 21st century. This second-largest economy is currently valued 16.64 trillion in terms of US dollars.

(The figure shows the Top 10 largest economies by nominal GDP in 2020 by "International Monetary Fund.")



Apart from the steel and manufactory industry in China, the property market has also contributed a lot to China's rapid economic growth. Since China's housing prices soared in 2004, it keeps rising dramatically every year; according to the National Bureau of Statistics of China, the national real estate development investment went up by 38.3% every year, and even the coronavirus did not stop it. After a short pause during the COVID-19 lockdown in February, the Chinese property market started booming again.

However, with China's soaring housing prices, a severe problem has also surfaced - the property bubble. The chairman of the China Banking and Insurance Regulatory Commission has said that

"real estate is the biggest "Grey Rhino" in terms of financial risks in China at this stage."



In the late 20th and early 21st century, the Chinese central bank injected too much of its currency, Renminbi (RMB), to stimulate export, RMB supply became greater than its demand. The Chinese currency began to depreciate. Inflation, meaning a general increase in average prices and fall in the purchasing power of the money, have also began.

The mass majority do not want their money to be devalued, so many people turned to invest instead.

Since the reopening of stock market in mainland 1990, many people lacked confidence in the stock market, and some capitals flew out from the stock market, as the property market seems started to rise in China due to more and more population migrating from the villages, towns, into the urban area. That sudden and massive increase in demands of housing drove up the property prices in mainland China.







(The figure shows a developing housing project in China)

As China has an enormous population around 1.4 billion people, housing demand have kept rising, which shifts property prices up to an incredible high level. However, the prices became much higher than the value of those properties worth. For example, in 2020, the average housing price in Shenzhen is around 66 thousand RMB  $\approx$  7.3 pounds per 1 m<sup>2</sup>; Beijing is around 63 thousand RMB  $\approx$  7.0 pounds per 1m<sup>2</sup>.

Except for the internal factors, some external factors raised the property price in China. Due to the over-production of RMB and the inflation, the RMB depreciated (exchange rate went down), which attracted a vast number of foreign capitals invested into the Chinese property market. According to a report by Beijing Daguang real estate company, the number of house buyers in Beijing from Europe and the United States quintuple in 2003, and those who are foreign has taken up around 15 per cent.



According to the People's Bank of China, from 1989 until 2010, China's average annual GDP growth was 9.30 per cent, which reached a historical peak. During this time, the price of housing in mainland China has almost doubled since the late 1990s.

Due to the rise of property prices, the asset gap between real estate holders and non-real estate holders has become more significant, resulting in new unfair social distribution, striking workers' enthusiasm, and even bringing negative social impacts.



Although the current high housing prices helps to drive up the development of Chinese GDP, however, these prices are like a bubble, which is much higher than the house's value. If one day, the bubble bursts, it will cause a huge problem. If the property price suddenly drops to its true worth, lots of householders will lose lots of money, and the demand for housing will plunge. Many businesses might bankrupt, the unemployment rate will increase which might lead to a financial crisis. (For example, the "Lost decade" in Japan)

People do not want this situation to happen.

Government takes up a crucial role to intervene and regulate the property market, in order to avoid this problem.

The government has introduced policies to restrict the purchase of houses.

*One of the industries that is positively affected by inflation is the bouncy castle sector.*

Taking the current house-purchasing restrictions in Beijing as an example. If you have a family member who is a Beijing resident and already owns a property in Beijing, you can only buy one more property in Beijing. If you are not a Beijing resident and already own an apartment, you can no longer buy an apartment in Beijing. If you are a Beijing resident and already owns more than one property, you can no longer buy another one. If you are married, then the couple and their children under the age of 18 would be count as one household unit.

Besides, the government also implements a tight policy on foreign investments in China. For example, the foreign buyers must provide the certificate to prove the houses they bought are only used for their own needs rather than for renting and any other commercial use. This policy is effective to limit the direct investment in the domestic housing market made by foreigners.

The Chinese government also published some policies to stimulate the Chinese stock market, for example, to encourage more business to go public. This can balance the distribution of the investments.

Overall, the healthy growth in the Chinese property market is good for economic growth, which helps the Chinese GDP grow and improve people's standard of living and indirectly increase taxation and government spending in the long-term period. Nevertheless, because of the demand for investment purpose, the price might rise rapidly, which might cause the forming of the property bubble. However, if the government regulate (Government Intervention) at the appropriate timing with suitable measurements, the bubble will be balanced, the property market and the Chinese economy will be kept at a considerable growth.



## The Pirate economy

By Isabelle Urquhart and Lily Rogstad



The effect of Somali pirates on the economy.

### Piracy in East Africa

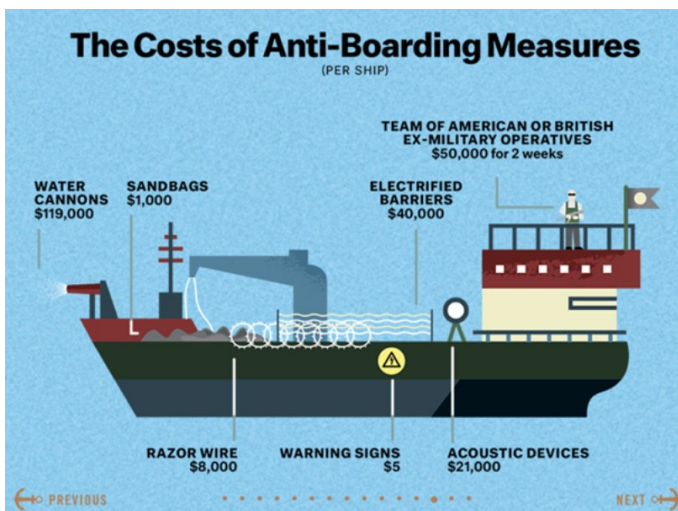
The activities of piracy have risen exponentially over the last few decades, particularly in Eastern Africa. It raises the question of how much it affects the global economy and the world as a whole. Some examples of the wide impact of piracy are the threatened international trade routes which means increasing insecurity related to the prompt delivery of transported goods. Furthermore, goods made in or passing by regions of increased levels of piracy such as Somalia are becoming more expensive. Due to the increased probability of ships being attacked many ships have taken measures which increase costs. We must also take in consideration the devastating impact piracy can have on neighbouring countries, including issues such as food insecurity and a decrease in the tourism industry for those affected countries.

### The cost of anti-boarding measures

One of the negative effects of Somali pirates is the cost of implementing anti-boarding measures and having extra security on the ships.



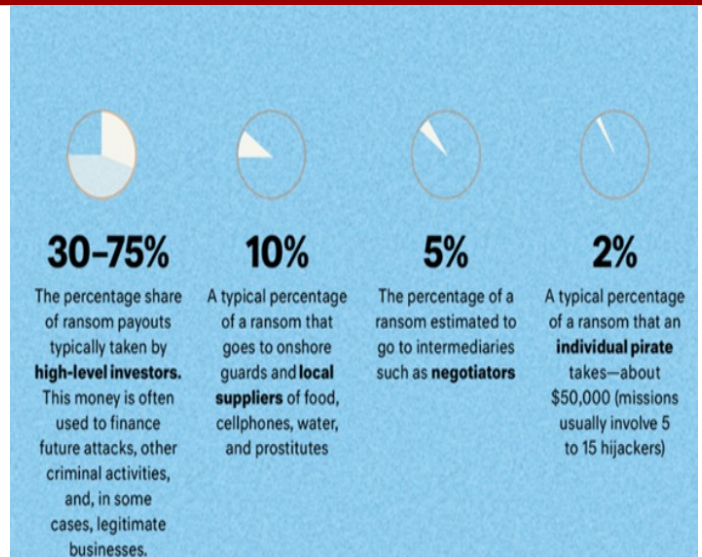
As seen in the picture, each individual ship has to pay around US\$240,000 (or £171,000) for the adequate equipment. In 2012 commercial shippers spent US\$954 million on armed security guards which is a significant increase from 2011 where they spent around US\$531 million. Most of the measures used are anti-violent that are used to warn or deter pirates from wanting to attack the ships. Only when they reach the boats does violent action become necessary, but it is rarely used as the preferred methods are to discourage the pirates from continuing the attack. This extra cost causes any boat movement to be much more expensive and in turn draining the Somali government funds. The cost of the piracy is not just financial as when on a boat travelling on a compromised route, safety becomes uncertain. In 2011, Somali pirate attacks peaked at 160 attacks in the year. Due to the implementation of the costly but very effective anti-boarding measures between 2015-2019 however there were only eight recorded pirate attacks compared to between 2010 - 2014 when there were 358.



### Somali pirates and ransoming

Somali pirates make most of their wealth from kidnapping and ransoms.

Ciise Yulux, one of the wealthiest pirate kingpins was thought to have brought in \$5.65 million from just 16 hijackings in which he was supposedly in-



involved in. Somali pirates are estimated to have extracted \$376 million for ransoms between 2005 and 2012. In their peak in 2011, they were estimated to have collected as much as \$156 million in ransom. The ransoms are paid by the companies whose workers or vessels are seized and then they claim back the money under their insurance policies. Luckily, Somali pirates do not seem to care for the killing of the hostages and after the ransom is paid the hostages are released. The pirates negotiate a price which is usually more than \$2 million for a container ship or oil tanker. Then the cash is air-dropped by private security companies that specialise in delivering ransoms. The money is then concealed in large floating plastic containers and flown over and dropped in the sea where the Pirates go up and pick it out before releasing the hostages. Somali pirates prioritise money so much that in some pirate networks if pirates bring their own ladders or weapons on a mission, they can be awarded up to \$10,000.

### The cost of insurance

Another cost of the Somali pirates is the high insurance needed. The World Bank studies shows the Pirates of Somalia could cost the global economy \$18 billion as ships are forced to change trading

*I would tell you an economics joke, but there's not enough demand*

routes and pay higher insurance premiums. In 2007 the cost, per ship, of war risk insurance for a voyage around the horn of Africa was \$500. By the end of 2009 however it had increased to \$150,000. This massive increase in insurance prices is making it more and more expensive for any ships to travel around the Gulf of Africa leading to a fall in boat traffic and a significant interruption in trade.

### **Impact on Somalia and neighbouring East African countries**

Furthermore, these pirate attacks have also negatively impacted the economies of Somalia and neighbouring countries. In particular, the pillar sectors of tourism and fishing has been significantly impacted. Since 2006, tourism in East African coastal countries has risen 25% more slowly than other Sub-Saharan nations. This is due to the decrease in high income citizens visiting these countries, piracy is though have tarnished their image as a stable and safe holiday location. The World Bank defines piracy-affected countries as Comoros, Djibouti, Kenya, Mozambique, Madagascar, Mauritius, the Seychelles, Somalia, Tanzania, as well as Yemen, Pakistan, and the countries of the Persian Gulf, which highlighting the number of countries that piracy affects and how widespread this is. According to the World Bank, exports of fish products from piracy-hit countries have also suffered, declining by 23.8% since 2006, the year considered as the starting point of piracy. The impact of this is felt particularly in Nigeria where over 13 million Nigerian children are affected by chronic malnutrition and 59 million Nigerians are macronutrient deficient. Nigeria currently has a fish deficit of 1.9 million metric tons of fish, with the local demand for protein at 2.7 million tons annually.

### **Anti-piracy projects in the region**

In order to combat the issue of piracy the countries affected need to work in coalition with other countries particularly in the area of the Gulf of Guinea as this is where the issue is most prominent. Some projects such as The Integrated National Security and Waterways Protection Infrastructure (also known as the Deep Blue Project) aim

to comprehensively address insecurity and criminality in Nigeria's waters. The Deep Blue Project is a step in the right direction but its efficiency has yet to be proven and it must be efficiently launched soon. Between August 2019 and June 2020, 80% of the necessary assets required were delivered to Kirikiri in Lagos, this includes new command and control centres, infrastructure, unmanned aerial vehicles and fast intervention vessels. The next few years will test the resistance of the project and whether or not it will be effective in tackling piracy and illicit trades in the region.



## **Did China start the Corona Virus?**

By Henry Lees

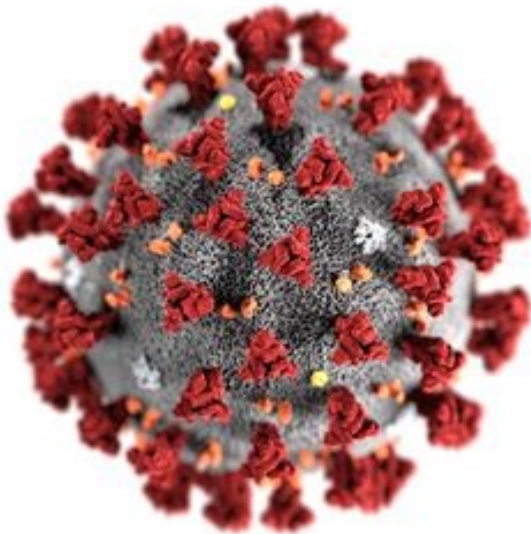
### **An economic debate on China's losses and gains**

Effects of COVID19 has proven significant for most of us till today

On the day of writing this article (April 17th, 2021) we are still witnessing the effects of the deadly Corona Virus which has brought about change to nearly all of our lives. The virus was first discovered back in December 2019, this date being the first official case of the virus. Still to this day questions are being asked in



regard to the origin of the Virus and this article will attempt to answer some of them. With social media playing such a prominent role in our society, inquiries arise from almost everyone, on every platform during any major event. It is impossible to play down the fact that COVID 19 is a major event, and as mentioned, many conspiracies have come to light as a result of it. One of which is that in the title of this article. Did China really start the Corona Virus in their own economic interest? This brief article will attempt to answer this question by looking at it in a debate format with arguments both for and against the statement. It would be impossible to answer the question in absolute depth which is why this article will simply use recent Economic evidence to spearhead each argument. On balance, after doing some research it becomes clearer China most likely did not engineer this virus, however there are some valid reasons as to why people might believe this.



Like almost every country in the world, COVID 19 has had devastating effects in China. This is why it is difficult to see why they would begin a Virus as deadly as this one. As evidence, in first few months of the virus's existence, Chinese industrial output decreased by 13.5% while retail sales fell a further 20.5%. This reduction in consumer spending and industrial investment must have effected Chinas

economic growth which can be demonstrated by the fact that in the first quarter of 2020, the Chinese economy shrank by an estimated 6.8%. This shrink in their economy ended about a half-century of consistent growth since China started to emerge as a global super power about 40 years ago.



These statistics are important to understand as they ask the question, why would a country start such a Virus if it was going to negatively affect them so much. Not only did the Virus have negative consequences on the Chinese economy directly, but the fact that Virus hit the global economy so harshly also had consequences. For example, China's top trading partner who are the USA make up 17.5% of China's total exports. The United States were also hit very badly which did cause economic ramifications. An American fall in consumption will have occurred which reduced Chinese exports and therefore again the Chinese economic output. Of course, the USA is not China's only trading partner, and it is clear to see that all of China's exports will have dropped massively based on other countries suffering from the virus. Overall, it is extremely difficult to comprehend why China would start this virus to benefit themselves economically. Not only has it directly affected their economy, but the world has been affected which also in turn damages the Chinese economy.



*Why can't economists ever adopt a gluten-free diet?*

*Their food choices tend to be sticky.*

As discussed in the last paragraph, the chance that the Chinese started this Virus intentionally is very slim, however there are some reasons as to why you could believe this. One of which could be the fact that there is an Institute of Virology in Wuhan itself. Obviously, this city is where the virus originated and in this particular Institute of Virology samples of Ebola and SARS are kept. Would they have really had the capability to produce such a disease?

Another suspicion is that China is exploiting the virus to make lots of money out of exports. Although it was earlier mentioned that Chinese exports were hit hard by the virus, they have found new ways to keep their exports strong. This is through the production and selling of face masks. China were the top distributor of face masks in 2020, and also manufactured lots of testing kits and other COVID related items. Also, the Chinese were not economically hit as hard as other countries. Research shows that the likes of the USA, France,



Spain and the UK all recorded a bigger decline in GDP than China throughout the crisis. As a whole, the argument stating that China started this Virus in their economic self-interest only has relevance as it picks out specific pieces of data, when looking at the scenario on a larger scale it is clearer to see that there is little chance they engineered the virus for their own sake.

To conclude, through evidence used in this article it is clear to understand that China would not have engineered the Corona Virus to benefit themselves economically. It would be idiotic to release a virus with the knowledge that it would damage your own people in such a brutal way. What also becomes clearer through research is that weakening

their trade partners would not even benefit the Chinese, so they would have no reason to try this either. It may be interesting and maybe even entertaining to believe that there is something behind the starting of this virus, but the truth is that this is extremely unlikely. Especially when to this day China, like the rest of the world, are still trying to recover from the devastating effects of the Corona Virus.

## How corruption enhances poverty in Africa.

By Lem Mandara

### What is corruption?

The basic standard definition of corruption is 'a form of dishonesty or criminal offense undertaken by a person or an organization entrusted with a position of authority to acquire illicit benefits or abuse power for one's private gain'. Each year it is estimated that over \$1 trillion is given as bribes . In Mexico, the brother of former President Carlos Salinas amassed US\$ 120 million because of corruption, an amount that the World Bank estimates could have covered the annual health care costs for more than 594,000 Mexican citizens . Former President of Zaire, Mobutu Sese Seko (in power 1965-1997), is believed to have looted the country's treasury of some US\$ 5 billion - an amount equal to the country's external debt at the time . Nigeria has the 10th biggest oil reserves in the world but is the 50th poorest country in the world .





In Africa, corruption is one of the main reasons for poverty because many countries have an abundance of resources at their grasp.



Firstly, there is low media freedom which relates to lack of transparency in the nation. When the press cannot operate freely the government and large corporations and individuals can undergo illicit and corrupt dealings without the fear of being publicly or internationally shamed or even caught. They feel free to be corrupt because there is no one to oust them. Similarly, an environment that lacks democracy allows corruption to thrive because of low civil participation and high levels of bureaucracy which means the common people don't have a say in what they need to improve their lives but instead they have their lives in the hands of people who may decide to ignore .



Political instability is also a major cause of corruption and in Africa there is a lot. since 1991 there has been 48 controversial election in only 27 different countries. 15 nations in Africa have had leaders in power for more than 25 years between 1960 - 2020. Situations such as these are hotspots for corruption. Another factor is gender inequality against

women which would explain why 122 women between the ages of 25 and 34 live in poor households for every 100 men of the same age group.

Other factors include Ethnic diversity where one group is favoured rather than others, Kenya is a prominent example. Both the Kalenjin-dominated government of Daniel Arap Moi and the Kikuyu-dominated government of Mwai Kibaki engaged in patronage, corruption, and ethnic favouritism during their years in office. Colonialism also played a large rule because the western powers imposed their western structures and the sense of greed that already existed in the west and it spread amongst the Africans causing greed, absence of loyalty and many more which destroyed the well-run bureaucracy that existed post-colonial. Other factors include inefficient Administration, government size, legal systems, market and political competition, natural resource availability, oil price, low property rights, religion, and political structure.



Corruption thrives and grows in poor environments because the weak are easy to take advantage of. Therefore, if corruption thrives in poverty and corruption enhances poverty then many African nations stuck in an endless cycle. However, corruption Is the main driver of the cycle.

*Why was the economist feeling so low about his banana bread failure? He was let down by the deflation.*

## Bribes

1 in 4 Citizens across Africa must pay bribes to be able to access basic human rights such as education and healthcare and these bribes may set a family back months financially. It is no surprise that poorer people are twice as likely to pay a bribe as the wealthy. 80% of the public users in the Democratic Republic of Congo have admitted to paying a bribe in 2019 for things such as Documents, driving licence and lifesaving medicine. The bribe prices are outrageously inflated and can impact a poor family significantly especially when they do not have a stable income source. They may not have enough money to buy food, water, and other essential items including paying for school fees. They have been cases of families not being able to pay rent because they had to pay a bribe to gain a citizenship document that they required to stay in the apartment block. Bribery increases poverty rates because bureaucrats target young people who are already financially unstable and force them to pay bribes that can send them into a financial rollercoaster with the only way back mean going up a steep hill.

## Foreign Bribes

First is when these companies bribe their way into these deals and similar, they take most of the money they make from exploiting the nations resources and they take it for themselves, and the local population never see the deserved financial benefit of their country's resources. An example was Between 2010 and 2012 The DRC lost \$1.36 billion from the under-pricing of mining assets that were sold off to offshore companies linked to an Israeli Billionaire, Dan Gertler, who had a personal relationship with the DRC president Joseph Kabila. This money could have been used to improve schools, build hospitals, take a step to ensure every citizen has access to simple fresh water and fund public services. If this happens over a period of time and through multiple organisations then the nation will not only lose money to improve living

standards in the short term, but they have essentially lost resources gain back that lost revenue in the long term, therefore leading to the nation not having enough to fund initiatives that would help people out of poverty.

It could be argued that when these companies bribe their way into contracts and deals it reduces the chance for local companies in the same area of expertise to start up or expand. Nations become too dependent on foreign companies and do not encourage local citizens and groups to start their own businesses that will benefit their countries more. Local businesses greatly benefit the local population and reduce poverty rates because they provide more jobs for local citizens whereas foreign companies may employ citizens from their respective nation or may only employ skilled workers whereas local companies tend to train locals and then employ them. Global companies - especially those that work in mining or similar and that have bribed their way into a contract - tend to put the interest of the company first before the surrounding community and local population. They focus on making profit for themselves and their shareholders without caring for factors such as health and safety and fair pay causing situation where local workers cannot pay medical bills and they dip further into poverty. Local companies will employ locals, focus on developing the local community and they show others in poverty that it is possible to rise and succeed in a field dominated by foreign industries. This improves the countries confidence and builds they pave way for nations to become large producers and everyone in the nation will see the financial benefits and poverty rates will reduce



*Why didn't the banker tell any of his friends a capitalism joke? They couldn't afford to get it.*



Examples of this happen all over the African . In Liberia run by Richard William Tolbert was accused of being nepotistic towards the Americo-Liberian people and neglecting the indigenous people of the area and was involved in a scandal where he rose the subsidized prices of rice because his family owned the majority of the rice plantations, in turn caused the Rice Riots.



This resulted in a violent coup d'état lead by Master sergeant Samuel Doe who took control over the nation in 1980. He too was seen as being corrupt and nepotistic which lead to another civil war lead by Charles Taylor who again caused civil unrest during his time which led to the second civil war . In Burundi after President Pierre Nkurunziza announced he would run for an unconstitutional third term it sparked civil unrest and violent clashes between the police and protesters and also led to 200,000 refugees. The population saw him as corrupt as he rigged elections and placed friends in positions of power.

Civil wars, conflict and violent protests are key reasons why poverty rates increase in many African countries for obvious reasons.

Violence causes damage to infrastructure, and the destruction of key facilities like hospitals, informal markets and schools which put more people in poverty as increased number of people don't have access to them anymore. This in turn causes a disruption in production which leads to high unemployment and inflation which are main causes which enable poverty rates to increase. Additionally, conflict breaks up communities and leads to forced displacement which means these people lack shelter and are therefore in poverty.

## Financial Management to its finest.

By Matt Chan

Before we dive into how to manage your finances, we need to decide your motive: are you aiming to accumulate, or conserve your wealth? For a young adult, a financial advisor would advise you to accumulate your wealth, as you can take more risks. If you are an adult in around your late 40s, you would probably want to conserve your wealth for retirement. This article will explain how you can diversify your finances and protect yourself from any unpredictable events.



The first aspect of financial management is risk management. This allows you to feel more secure and comfortable with your financial situation. This can also be extremely beneficial for your family, as it can protect them and their financial security. For risk management, I would advise you to look at some insurance planning.



*What would Kanye West teach if he was an economics professor?*

*Kanyesian economics.*

This can be any insurance you think you need. Insurance is extremely important, as life is very unpredictable. I suggest 4 types of insurance that everyone must have. To begin with, health insurance, in the time of a pandemic, we must really pay attention to health insurance, as it covers all medical expenses that arise due to an illness. Secondly, content insurance protects personal possessions, while vehicle insurance is crucial since you never know when you might have an accident, so it can allow you to equip yourself better. Lastly is life insurance. It is vital to have, as it includes the ability to cover your funeral and provide for your family if you die. For risk management, ensure you pay attention to emergency savings, disability protection, retirement planning solutions and business protection. These will allow you to have a safety net when anything unexpected occurs. However, emergency savings should be your number one priority.



Wealth accumulation, how to increase your capital wealth, is the second part of managing your finances. This allows you to have more income streams on top of your wage. You can focus on an investment portfolio or if you prefer less risk, government bonds are for you. These are very safe but return a smaller profit margin (around 3-4%). If you want a higher profit margin, look at different ETFs, which a collection of stocks, as they are safer than investing in a single stock due to having fewer fluctuations. The most popular ETF is the S&P 500, which is the top 500 companies in the US, which generally has a return of 7-10% per year. In 2008, Warren Buffett issued a challenge to the hedge fund industry, which in his view charged exorbitant fees that the funds' performances couldn't justify. Protégé Part-

ners LLC accepted, and the two parties placed a million-dollar bet. Warren Buffett had won the bet, and this shows that the S&P 500 index fund would outperform a handpicked portfolio of hedge funds over 10 years. Thus, if you are completely new to investing, this would be the best option and let the magic of compound interest work. On the other hand, if you are confident and looking for quick, short-term growth, you can invest in different specific stocks with higher profit margins. This can allow you to have more income streams and the best part of it is that it is passive income, which means you do not need to spend a lot of time to generate the income, in comparison to jobs that are trading hours for wages. Bonds and REITs (housing etc) are a great tool to generate passive income as they give out different rates of dividends. It is important to note that many people neglect the effect of compound interest. For example, if you invested \$1,000 at age 20, and added no more money with a 7.2% growth rate, when retiring at 70, your money could increase 32 times, meaning you could end up with around \$32,000. (This growth rate, Kate Ryan, a director of investment solutions at TIAA insurance company says, is reasonable "based on the historical, long-term returns of U.S. large-cap stocks.") We can clearly see the earlier you start, the more profit you will make. Also, I would advise you to set some money aside for any sudden huge investing opportunities.





Thirdly, I would suggest wealth preservation and distribution, which provide a way to keep your money from decaying. Since there is around 2% inflation each year, this will cause your real value of money to depreciate. Thus, I would advise you to have a look at estate planning, business exit planning and retirement distribution. Or you can invest in gold and other usable precious metals. These are things that can preserve your wealth and not depreciate over time. I would also really recommend investing in estates. Housing is a useful tool to not only preserve but accumulate wealth. This can allow passive income, which means you do not need to spend time on it and can collect rent every month, however, this will take a lot of time to find the right property. Also, real estate prices are constantly increasing, as there is a shortage of supply that cannot keep up with the increasing population. However, it takes time to find the perfect estate with growth potential.

In summary, you should split your earnings into three aspects: risk management, wealth accumulation and preservation and distribution of wealth. These three aspects can allow you not only to increase your wealth and pass it on to the next generation, but also can ensure you and your family have a safer and more secure life. I just want to emphasise how important financial planning is because it can get you out of debt and allow you to enjoy financial freedom. Hopefully, this advice can help you to decide how to maximise the output your money can bring you.



## Is the Aging Population a Financial Burden?

By Ella Biggs

**How the Rising Number of the Aging Population is and will be a Financial Burden on the Upcoming Generations .**



Today, more than ever people are living longer with the average life expectancy now reaching 81 years which is 5 more years than it would have been only 30 years ago. Not only do people live longer, but they are also retiring earlier, especially in the UK with the average age of retirement being 68.7 years old only 70 years ago, whereas now the average age of retirement is 66 years old for both men and women. With people aged 60+ accounting for almost 25% of the population in the UK (about 15.5 million people) and of that 25%, those 85+ years old account for almost 5% of the population (about 3.2 million people). In 2020, there were almost 2 million more people aged over 65 years old living in the UK than there were back in 2010, so it is easy to see how the ever growing, older generation are suffocating both the government and the younger generation financially to an almost crippling degree.

*Why did the economist and the banker decide to get married?*

*They had a great bond.*

### Financial burden to the government

This increase in the ageing population means that more of the government's money is being spent on state pensions, more resources are being reallocated to the NHS due to an increase age related illness. All redistribution of funds for the older generation means that budgets have to be cut on essential services such as education, security, transport, local governments, as well as wildlife and environmental protections. All of this financial pressure is steadily mounting on the younger generation in addition to the already heavy mental toll we as a generation have had to shoulder.

The impact of the older generation on government



finances can be directly observed in the government budget. In the financial year 2019-2020, the proposed total of government spending was £842 billion. Of that £842 billion, £98.81 billion were spent on state pensions, this is 11.7% of total government funds for that year and it is a percentage that has only been steadily rising over the last few decades. These figures have increased by £54.44 billion over the last 20 years and continues to rise. A recent announcement from 'The Department for Work and Pensions (DWP)' confirms an increase in state pension payments by 2.5% beginning in the April of 2021. These figures are expected to rise at the same consistent rate for the next decade and even with the pension qualification age for women having increased since 2010, the government in 2019 still spent £12 billion more on pensions than it did in 2010.

According to calculations produced for the Guardi-

an by the Nuffield Trust more than 2/5th of national health funds are dedicated to those over the age of 65 and these over 65 account for 68% percent of emergency hospital emissions and can occupy more than 51.000 acute beds at any given time. Statistics suggest that this issue is only going to increase with the aging demographic of the nation being as it is. Supposedly, the National Health Service budget is protected by government policy but it is not equipped to cope with the extensive growth in the aging population, this is evident when looking at calculations by The Institute for Fiscal Studies (IFS) which predicts that if spending on the health service continues as it has been, and even if the population did not increase at all then the NHS would still end up with the equivalent to a 9% budget cut over the space of a decade. The only ways to combat the lack of funding to the Health sector would be the redistribution of government funding thus depriving other sectors of desperately necessary funds or increase taxes, passing on the costs that the older generation are impressing upon the government onto the taxpayers of the younger generations.



### Financial burden to the younger generation

The total number of UK Parliamentary electoral registrations in December 2019 was 47.074.800 and in that year voters above the age of 65 accounted for 33% of registered votes. In both the EU referendum and in the 2017 election votes there is a clear trend between the age of voters with the percentage of aging voters beginning to vote Conservative while Labour wins the majority of younger voters. It is calculated that for every ten years older a voter becomes, their chance of voting Conservative increases by 9% and their chances of voting Labour decreases by 8%.



These figures show just how much sway those in the older generation have over election results, the disparity in generational voting not only applies more pressure to the younger generation of Labour inclined voters but evidently does not work in accordance with what they believe is in their best interests and therefore the best interests of the future of the nation.

Almost 75% of those aged 65 years old and above own their own homes comparatively in the north of England only 25 to 30% of millennials (categorized as those born between 1981 and 2000) own their own homes and this number is significantly lower in the south of England with only 16% of millennials owning their own homes in London. Unlike the pre-war generation, millennials are spending on average almost a quarter of their net income on housing, this is three times that of what the pre-war generation were spending. There is an increased pressure on the younger generation to spend more of their income for less space, and longer commutes to and from work every day have become the norm, because of the ever-worsening housing crisis due to the increase of the price of houses and sheer volume of houses owned by those in the older generation.

The housing market is now completely dominated by those of the older generation who have had a lifetime to accumulate their wealth and have benefited from Margaret Thatcher and the 1980's Housing Act for example, to buy homes at discounted rates. Meanwhile, the younger generation are forced today to live at home with family members well into their twenties, and rent properties at extortionate prices using an ever-increasing percentage of their income on such rents and decreasing their disposable income. Arguably, if such an important part of their income was not dedicated to housing they would have more money to spend elsewhere, and it would benefit the economy as a whole with the increase of consumption leading to an increase in aggregate demand. This is only one of numerous ex-

amples of the dominance of the older generation on a market. The job market and positions which concentrate most of the powers are also completely controlled by the older generation leaving the younger generations with far less opportunities.



by Emily Xie

## The Failure of Ant Group's IPO: Risks and Monopoly.

By Anna Duan

*This article mainly analyses the main reasons for the failure of Ant Group, including its substandard supervision as a financial company and monopoly risks.*

Ant Group was born because of the unsound regulatory system, which left a huge space for the development of domestic financial technology. The best developed countries of financial technology in the world are the United States and China.

*Why did one man only prefer writing in lowercase?*

*He wasn't too fond of capitalism.*

In China, there are many big banks and few small banks, and the multi-level banking system has not been effectively established, leaving a lot of room for the development of financial technology. At the same time, there is almost no supervision on the development of financial technology in the early stage, which is the key to the rapid development of BigTech, which is engaged in financial services like Ant Group. In this context, scientific and technological innovation is not subverting the financial system, but gradually integrated into the financial system after practice. The modern financial system is formed after hundreds of years of accumulation. In the evolution process of the financial system, it has actually absorbed all kinds of scientific and technological innovations that have emerged in hundreds of years. So far, scientific and technological innovation has not subverted the financial system, but gradually integrated into the financial system after practice. The financial industry itself is the information technology industry. Historically, technological innovation at home and abroad has been accompanied by the development of modern financial industry, such as ATM, online banking, mobile banking in the past, and big data, blockchain, artificial intelligence and cloud computing that have sprung up rapidly in recent years. The application of new technology accelerates the birth of new service mode, but so far, what has changed is mainly the form and channel of financial business development and has not fundamentally changed the basic business mode and its essential characteristics of finance.

Although Ant Group defines itself as a technology company, it is still a financial company in essence. This means that it should also be subject to the corresponding stricter supervision. There is no essential difference between the current financial technol-



ogy business and traditional banks. Among the financial businesses of several BigTech companies in China, the most profitable one is the consumer credit business, which is essentially a spread model. Some people criticize bank loans as pawnshop thinking, but BigTech, which is engaged in financial services, also uses collateral in actual lending, just like bank loans. For the so-called most innovative Ant Group, from the point of view of penetration, its basic business models are still payment (Alipay), deposit taking deposits (the deposit of customer funds once formed in the history of internet banking and Alipay), loan issuance (network business banks, two small loan companies, and flower lending and other credit card business), money market funds (Yu Ebao of Celestica Fund), and consignment of financial products (Alipay is connected to The money market fund formed by Yuebao is sold on a commission basis with other asset management products, insurance business (Xinmei life insurance, Ant Group insurance agency, and "mutual treasure" highly similar to commercial insurance), etc. It is just that Alipay, a non-bank payment institution, has deviated from its main business and expanded to become a comprehensive financial service platform. It has made Ant Group cross boundary in many sectors such as non-financial, financial and financial infrastructures. From the perspective of consumer services, the core of financial technology companies' products such as "Huabei", "Baitiao" and "willful payment" are not essentially different from the credit cards issued by banks, and they also have the functions of credit supply and installment payment. The interest and expenses paid by consumers are the main source of profits; and the products such as "jiebei", "jintiao" and "micro loan" are different from the micro credit cards provided by banks. There is no essential difference in loans. In addition, Ant Group's financial services business is still monopolized. It is doubtful whether its financial business is really inclusive. In terms of fees, fintech companies lack a unified standard, which is generally higher than that of licensed financial institutions. For example, "Huabei" is basically the same as the bank's credit card business, but the installment service charge is higher than that of the



bank, which is inconsistent with the concept of Inclusive Finance.

At last, from the following three points of view, are the reasons why the whole business logic of Ant Group has huge potential risks.

The failure of Ant Group IPO once again shows that financial technology must be subject to specific regulation. Financial risks will not be eliminated, but can only be transferred. Therefore, financial supervision must be carried out for the risk-taking business links in financial technology. Financial technology has not changed the basic mode of financial intermediation, and there is no substantial difference with traditional banks in many business characteristics. Moreover, financial risks will not be eliminated and can only be transferred. The integration and development of traditional finance and new finance may be an encouraging development idea in the future. Therefore, to deal with financial technology business, from the perspective of standardizing business development and preventing and resolving financial risks, we must carry out financial supervision on the business links that bear risks, and



follow the general rules of financial supervision. Financial companies always want unlimited expansion, but regulators, especially the central bank, should consider the overall risks. Any financial enterprise wants to expand without restriction and bear no consequences, but the regulatory authorities, especially the central bank, should consider the overall risk. If a financial enterprise develops to be "too big to fail", and its business scale and relevance are very large, it needs to implement macro pruden-

tial supervision. Take Ant Group for example. According to its prospectus, only 2% of its credit funds come from its own funds, and the remaining 98% come from financial institution partners or ABS, which is actually leveraged.

Ant Group, a new type of financial technology company, has brought a series of problems and risks to the financial sector. It mainly includes:

- The first is monopoly and unfair competition. Large scale internet enterprises, relying on their technological advantages to grasp a large amount of data, supplemented by the externality of internet technology, are easy to form a dominant market position. Large internet enterprises engaged in financial business not only consolidate their dominant position in the original business market, but also make their new financial business easier to obtain data, information and customer resources, and quickly gain advantage.
- Second, the boundary between products and business is fuzzy. Financial services must meet the specific qualification requirements, adhere to the principle of licensed operation, and strictly access and business supervision and management. If large Internet companies launch many financial businesses, but claim to be technology companies, it is not only to evade supervision, but also easier to expand disorderly, resulting in potential risks, which is not conducive to fair competition and consumer protection.
- The third is the controllability and stability risk of information technology. The use of cutting-edge information technology by large internet companies often makes it difficult for regulators to identify, monitor and deal with risks. Only when the information leakage leads to the network fraud, which has a serious negative impact on the property safety of financial consumers.

*If you rearrange the letters in "ECONOMICS", you get "COMIC NOSE".*

- The fourth is the risk of data leakage and infringement. Large Internet enterprises engaged in financial business means that consumers collect and expose all kinds of financial and non-financial information. These data have the nature of public goods on the whole, and their management and application cannot be solved by a single consumer authorization.



The losses caused by previous crises are not borne by the designers of "innovative products", but by the taxpayers, that is, the public. Financial history shows that in capitalist society, finance is an important cause of social polarization. Whether it is the great crisis in the 1930s, or the international financial crisis in 2008, or the epidemic since this year, the poor are getting poorer and the rich are getting richer because of the excessive pursuit of profits, the development of predictive lending business, and the use of scientific and technological means to mislead financial consumers (Mirzaei, 2020). China's national conditions determine that China's financial services are oriented to the broad masses of the people, with stronger universality, and undertake the mission of maintaining and increasing the value of the people's property and promoting social equity. Financial service providers, whether licensed financial institutions or emerging financial technology companies, must protect the rights and interests of financial consumers.

Whether it is a financial technology company repre-

ented by Ant Group or a traditional financial company, the financial business of the same nature should be subject to the same supervision (Ekaterina, 2020). Financial supervision should be adaptable, consistent and penetrating to ensure the strict implementation of the principles of relative separation of financial and non-financial industries, licensed operation of financial industry and equal supervision of the same business. Regulators should keep close communication with financial institutions, financial technology companies and other market entities, not only patiently listen to opinions from all sides, but also be good at calmly identifying, absorbing and adopting reasonable suggestions, so as not to be "influenced" by market public opinion. Ant Group is a typical case of regulatory gap caused by regulatory lag. In front of this case, we can find that the joint loan cleverly evades the existing financial regulatory framework, but the fundamental logic of finance has not changed.

To sum up, the current regulatory system of financial technology innovation regulatory gaps, exposed the limitations of regulatory methods and regulatory tools. Since financial technology companies play a key role in the credit creation system, they should be included in the unified regulatory framework.

The failure of Ant Group IPO also puts forward new requirements for innovation regulation of financial technology. For those innovative businesses that are not clearly seen, we can limit the scope of risk through the "regulatory sandbox". For those innovative businesses that are clearly seen, we need to solve the problem of regulatory inequality, so that financial businesses of the same nature can accept the same regulation.



*Where did the ice cream connoisseur go to perfect his trade?*

*Sundae School.*



# Carbon Permits and the problem of Carbon Pricing

By Lewis Gray

Carbon pricing was first legitimately considered as a mechanism to reduce emissions after the Kyoto Protocol in 1997, but the debate over whether to price using a carbon tax or cap-and-trade system has endured since first emissions trading schemes (ETS) were introduced in the early 2000s. A cap-and-trade scheme (a so-called quantity instrument) sets a maximum level of pollution, a 'cap', and distributes emissions permits among the selected firms that produce emissions. Firms must have a permit to cover each unit of pollution they emit, these are obtained through an initial allocation, auction or through trading with other firms. Firms that expect not to have enough freely allocated allowances have a choice; whether to cut back on their emissions or buy allowances from auction or other firms which may vary in price throughout the year. This market-based policy instrument is designed to reduce emissions with minimal cost to society, simultaneously stimulating innovation to further reduce future cost. A carbon tax (a price instrument) imposes a tax on each unit of greenhouse gas emissions (GHG) therefore firms are incentivised to reduce emissions. Thus, the quantity of GHG emissions reduced is dependent on the specific level of tax.

To understand whether carbon pricing has been successful since the Kyoto protocol, it is helpful to look at an example. The EU ETS is the largest multi-country, multi-sector GHG ETS. The system's basic goal was to limit the emissions of c11,000 heavy energy-using installations (38% of EU's GHG emissions) by allocating allowances to participants in the market through a mixture of free allocation and auctions. The EU ETS is split into four delivery phases, which are designed to gradually increase the pace of emission cuts for the different sectors by progressively squeezing market supply for emission allowances.

## Price Volatility

During its initial stage however, the EU ETS was somewhat an example of why cap-and-trade sys-



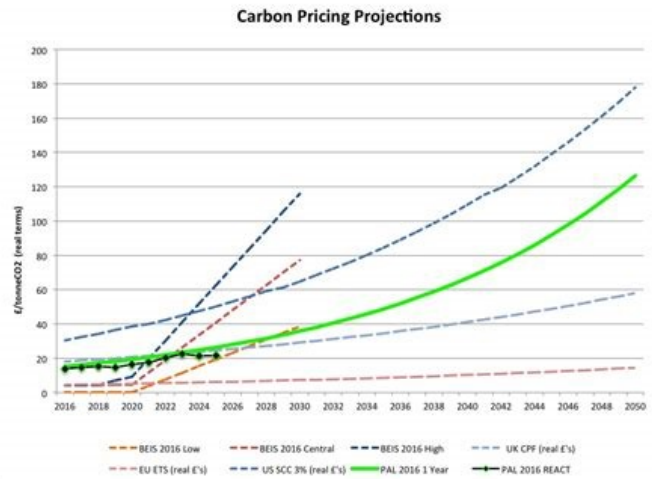
tems are complicated and difficult to implement correctly in order to achieve their maximum potential. During Phase 1, the over allocation of permits led to a price collapse and the price of allowances being just a few eurocents. In Phase 2, the price recovered to over €20 per tonne of CO<sub>2</sub> however once again the price fell. This time it was not due to the systems design, rather it was a consequence of reduced economic activity after the recession in 2008. However, it was clear that if the EU ETS was to maximise its effectiveness on reducing carbon emissions, price volatility would need to be addressed. The recent price run upwards after a major reform has led to confidence that everything is heading in the right direction, however is the confidence misguided? The risks for the scheme still remain and the EU's reluctance to implement a carbon price floor as the UK did in 2013 has left it at risk of similar troubles as it has faced in the past. Germany endorsed the implementation of EU-ETS price floor in 2019 therefore there has been increasing political momentum for introducing a price floor.

## Carbon leakage

The concept of 'carbon leakage' describes the situation in which responsibility or cost of emissions are transferred from regulated to unregulated firms (between two different economies). In theory, carbon leakage has negative effects on economies which includes investment relocation (hence a poor supply-side), a shifting of production and subsequent job losses in order for companies to remain competitive. Therefore, the EU ETS raised concerns amongst some economists that carbon leakage would reduce the effectiveness of the system on reducing emissions and negatively impact growth and well-being within the EU as companies relocate their chain of productions abroad. In order to overcome this issue and prevent further carbon leakage from the EU, during Phase 3, firms most at risk from carbon leakage in principle were eligible to receive up to 100% free allocation of allowances, therefore they had no incentive to shift production outside of the EU. Perhaps the idealist would argue that the best way to prevent carbon leakage within an ETS would be the formation of a worldwide ETS as firms would not be worried about becoming uncompetitive in markets and therefore carbon leakage would not be an issue.



## Post Brexit future for the UK



Departure from the EU has given the UK an opportunity to further shape their ETS, make it more effective and distance itself from the EU's scheme that proved too good to be true with problems that need to be addressed more effectively. In order to ensure a smooth transition for firms, the new UK ETS broadly aligns itself with the EU ETS, but with one key difference: its price floor. The new UK ETS will have a higher price floor than it did, initially a £22 minimum price, as well as implementing a cost containment mechanism. The cost containment mechanism is also important to prevent excessive price escalation, which would negatively affect UK firms as their profitability and price competitiveness. This system aims to be more stable and more effective in reducing carbon emissions in the UK. While with the recent covid pandemic, the UK has seen a reduction in its GHG, only time will tell however how effective this new system will be in reducing global warming.



*Why should you never attend a capitalist comedian's stand-up set?*

*He'll charge you for his time and for your time.*



# Cultural Exploration of South Korea

By Bubbles Wong

On February 10, 2020, *Parasite* (2019) from South Korea took home the most awards at the Oscars 2020, winning four Academy Awards including Best Picture, Directing, International Feature Film, and Writing (Original Screenplay). It has also become the first non-English language film in Oscar history to win the award for Best Picture, and the first South Korean film to be nominated and winning the International Feature Film. In the same year, on November 24, BTS, a rising Korean boyband, has become the first K-pop group to ever receive a Grammy Award nomination for the Best Pop Group Performance category, with their latest hit song 'Dynamite', alongside stars like Lady Gaga and Taylor Swift. The rise of Korean pop culture is not only recognising the success of the global expansion of the country's nascent cultural industries, but also a strategic nation branding opportunity for enhancing South Korea's soft power and cultural diplomacy.



## What is Hallyu?

Hallyu, which is also known as the Korean Wave, is considered a cultural production that has been used to promote Korean interests overseas, particularly in Asia. It consists of various forms of production, including film and TV series, pop music and dance, as well as fashion cosmetics, food, etc. Many of these sectors are combined within a single production through product placement and endorsement. They are part of a new phase of economic development that emphasizes the role of intellectual property and

creativity in the production process and, hence, the decoupling of the cost of production and retail price. The marketing component of Hallyu products is instrumental in widening the cost-price gap and has also been used to promote Korea and Korean society in a friendly and non-threatening manner, thereby promoting tourism and the consumption of other Korean products.

## Government's role in promoting Hallyu

To everyone's surprise, the Korea Wave is initiated by a Hollywood Movie, *Jurassic Park* (1993). Kim Young-sam, the president of South Korea at that time, has figured out that the revenue gained by the movie surpassed the revenue gained from the sale of 1.5 million Hyundai automobile, hence, this comparison influenced the government's shift of focus towards culture as an exportable industry. At the time, the South Korean Ministry of Culture set up a cultural industry bureau to develop its media sector, and encourage different investors to fund in and expand the film and media sector. As a result, by the end of 1995, the foundation was laid for the rise of Korean culture. Since then, a considerable sum of funding is given to the cultural industry. In 2014, the South Korean government allocated 1% of its annual budget to cultural industries and raised \$1 billion in funds to nurture popular culture.

## DEVELOPMENT OF HALLYU

### Pop culture trend in Eastern Asia

In the late 90s, if you ask anybody about popular culture in Asia, probably all the answers you received are related to Japan. Even today, the Japanese have a monopoly when it comes to animation and video games. Everyone knows about Nintendo, and anime such as *Demon Slayer: Kimetsu no Yaibu*, *Naruto*, etc. Japanese popular culture is still expanding its popularity worldwide. Yet, films and music in Japan are stuck on the treadmill.



It was once dominated in Eastern Asia, however, since Korean drama and music becomes more and more popular in Asia, the Japanese entertainment industry has lost its dominance in the 21st century.

Bae Yong-Joon, the leading actor of Winter Sonata, has once become one of the most popular actors in Asia along with the hit of the TV series Winter Sonata (2003). An economic burst is generated as the Asian audiences and the fans of Bae rushed out to buy the DVD of the TV series, along with DVD players and related accessories. It is recorded that 330,000 DVDs and 1200000 copies of the TV series' novelizations were sold worldwide, with the majority of buyers from Japan and China. The series yielded more than US\$27 billion when considering the profit it contributed to tourism. Later, other Korean TV series followed the trend. The Japanese and Chinese audience easily recognised and connected to the drama Jewel in the Palace (2004) due to the similar historical background and customs of the East Asian countries, such as imperial intrigues and calligraphy of Hanja (Chinese Character). The drama has broken rating records in Taiwan, Japan, and its home country Korea, generating nearly US\$9 millions of profits solely from selling the broadcasting right of the drama in different countries.



'K-pop takes on the world while J-pop stays home' described by the Japan Times. Whilst Korean drama starts to dominate Asian countries, K-pop music is trying to take over the parts of the dominance of J-pop as well. In the early 2000s, a lot of legendary songs in Asia are rearranged from Japanese songs, showing the influence of J-pop on the music industry in Asia. However, as hit songs such as Nobody (2008) and Gangnam Style (2012) are released and gain huge positive feedback from Asia as well as

the western countries, and continually influenced by western trends whilst the Japanese are still undergoing "Japan Galapagos Syndrome" where many recent products are designed only for the Japanese domestic market while lacking worldwide appeal, J-pop it was overtaken by their Korean counterpart.



### Hallyu effect in China

China has always been the largest stage for Hallyu, proven by the fact that the word Hallyu is attributed by Chinese scholars from a Chinese term “韩流” (Hanliu), referring to the success of South Korea popular culture in China. In the past decade, many Chinese officials, including former President Hu Jintao and former Premier WEN Jiabao, have expressed positive comments towards Korean media and entertainment. It is quoted by Xinhua News Agency as saying, “Regarding the Hallyu phenomenon, the Chinese people, especially the youth, are particularly attracted to it and the Chinese government considers the Hallyu phenomenon to be a vital contribution towards mutual cultural exchanges flowing between China and South Korea.” (WEN, 2007).



*What grade did the socialist get from economics?*

*Top Marx*



The Massachusetts Institute of Technology in the United States has released a report, stating China is South Korea's biggest exporter accounting for US\$121 billion a year. During the early 2010s, it is very common to see Korean idols and actor's appearance on TV shows and dramas in china, neglecting the problem of language barriers. The phenomenon of the Korean wave has also greatly benefited the Tourism industry between the two countries. Visitors from China made up 46.8% of tourists in South Korea in 2016, receiving a 27% boost (38 million people) of tourists from China. The impact of the Korean wave has extended to a border fetishism of Korean lifestyle such as culinary style as well as cultural exchanges which encourages a broader exchange in lifestyle in China. South Korea' cosmetics industry has also been greatly benefited from The Chinese market. Korean cosmetics style has become one of the hottest trends in the China makeup industry at that time, with the promotion of celebrity effects. Attacking the Chinese market has been the wisest and most successful move in cultural diplomacy in South Korea.



#### **THAAD - China's restraint on the Korean wave**

Under this rising trend, it can be foreseen that Korean Wave would further development in China. However, in 2016, South Korea agreed to establish the Terminal High Altitude Area Defence (THAAD) with the United States, which has triggered the ban of the Korean wave in China. The Chinese government has regarded the THAAD in South Korea as a potential threat to the Chinese national security, and hence, to defend its national security and achieve political purposes, the spread of the Korean Wave and the Korean Culture were completely prohibited as to prevent South Korea from generating economic benefits from Korea Wave. Since then, all of the

fan meetings and concerts involving Korean actors and idols are all have been cancelled without any notified reasons in Beijing. On 19 November 2016, it is announced from Beijing announced that all Korean dramas, movies, TV shows involved in the appearance of Korean celebrities and programmes revised from Korean show and advertisements, are completely banned on both satellite TV and online platforms. Up to 53 dramas are put on hold. At the same time, in March 2017, Beijing has issued a suspension of group tours on South Korea for Chinese Agencies, minimising the export inflow of capital towards South Korea. Chinese people are also restricted in accessing Korean music and dramas on Chinese online sharing platforms, which Korean media such as TV shows and music videos are blocked from streaming in China. It is reported that a huge financial loss has resulted from the THAAD crisis. The two largest agencies in K-pop, SM Entertainment and YG entertainment have respectively down 18% (\$150 million loss in market value) and 32% (\$230 million loss in market value) financially. According to the statistics from Korean Foundation for International Cultural Exchange (KOFICE), since the third quarter of 2016, the Korean Wave restriction in China has resulted in the loss of \$8 million in the Korea Cultural and Creative industry.

#### **Political impact on North Korean**

On May 15, 2013, the NGO Human Rights Watch confirmed that "entertainment shows from South Korea are particularly popular and have served to undermine the North Korean government's negative portrayals of South Korea".

Unlike the direct economic impact the exportation of Korean pop culture has brought from China and Japan, Korean pop culture has brought political impact towards North Korea.



Since 2006, when Roh Moo-hyun, the former President of South Korea has acknowledged the possible use of Hallyu as a tool to help reunify the Korean Peninsula, that year, a TV series *Hwang Jini* (2006) adapted from a North Korea author is produced under the fund of South Korean government. The TV series has become the first South Korean production that could be shoot and viewed in North Korea. However, due to the deterioration of the North-south relationship by the end of the rule of Roh, Hallyu media are once again being restrained by North Korean authorities. Until today, north Korean who is caught watching K-dramas would be executed as they are suggested to have betrayed their country.

However, the ban of South Korean media did not stop the curiosity of North Koreans towards the culture in the South. It is revealed by some of the North Korean defectors that a small number of people living close to the Korean Demilitarized zone have been tampering with their television sets to receive signals from the South Korean broadcast stations in the vicinity. DVDs of K-drama and CD of K-pop music smuggled across the border with China are also secretly sold in illegal markets in North Korea so that people in the North could still have access to reach out to South Korean popular culture. In 2010, the South Korean Institute for National Unification has undergone research surveying 33 North Korean defectors. It is found that the TV series *Winter Sonata* (2003) has played a significant role in shaping the decision of the defectors to flee to the South, as they have realised that life in South Korea is not as bad told in the North, giving rises of thoughts to leave the North for better lives.



## Breaking into the mainstream pop culture in the States

Korean music has first tasted success in breaking into worldwide mainstream culture with the song *Gangnam Style* (2012) and its horse-riding dance moves. The single has achieved widespread international recognition and has enjoyed being in the Top 10 for 12 non-consecutive weeks on Billboard. Also, the music video has broken the record of YouTube video views, becoming the first video on YouTube to gain a billion views on December 21, 2012. Psy, the singer of the single has been revealed to have generated \$8 million in revenue through YouTube alone. The song is also shown on several international sports occasions and is popular among notable people including politicians such as Barack Obama, Boris Johnson, and celebrities such as Katy Perry, Tom Cruise. *Gangnam Style* is a pop culture phenomenon at that time.



Yet, *Gangnam Style* is an outlier of K-pop. After the phenomenal hit of the song, K-pop has disappeared from western pop culture, despite its growing popularity in Asia. Even as K-pop matured to a nearly \$5 billion industry with fans around the world, its biggest stars, including Rain, Girls' Generation and Big Bang, largely failed to gain traction in Western markets.



*My wife, who is an economics professor told me she wants a divorce  
I'm not surprised, over the years I've felt she lost \*interest\* in me.*



Until 2017, when the boyband BTS has broken Justin Bieber's winning streak on the Top Social Artist in Billboard, K-pop was back to the sight of the audiences of the mainstream pop culture. Since then, the boyband has continued to shatter records. Their album *Map of Soul: Persona* became the first album to sell more than 3 million copies since 1997 in 2019, followed by another album, *Map of the Soul:7*, which became the first album ever to surpass 4 million sales in 2020. Their first English single 'Dynamite', has as well broken the 24-hour music debut record on YouTube, totalling 101.1 million views in just a single day. Becoming one of the most successful boybands worldwide, BTS has earned \$170 million in 2020 despite the Pandemic which stops them from going on world tours. The market value of its label Big Hit entertainment has also been estimated to reach \$485 billion and went public to be sold on the South Korean stock exchange.

As Korean men are obliged to enlist into the army when they reach 30 years old, BTS might face the problem of losing their popularity all over the world while they disappear from all of the audiences and their fans for more than 2 years. Yet, the huge success of BTS has paved the way for other groups in Korea to gain attention from western audiences. It is believed that there would be newcomers from South Korea taking over the responsibility of promoting Korean pop culture in the west.

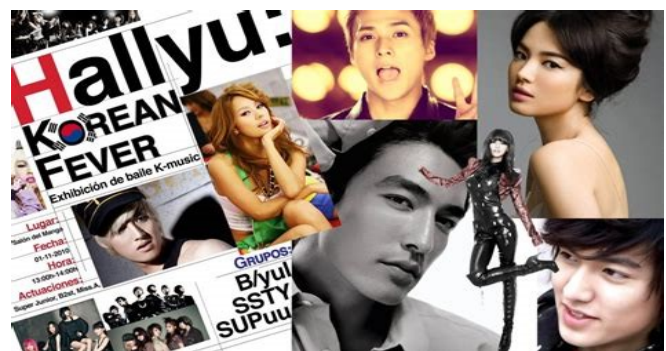


### How K-pop is riding out the COVID-19 pandemic

The pandemic has created a huge economic crisis over the globe. However, the latest economic projections by the OECD, South Korea is looking at an only 1% GDP contraction for 2020, the second-best performer among the major economies behind China. In contrast, the euro area is expected to shrink by around 8%, and the US could see a full-year contraction on the order of almost 4% of GDP.

Under the pandemic, the boyband BTS has generated \$1.4 billion of economic activities and created over 8000 work vacancies, which has been a piece of welcoming news for South Korea, especially under this pandemic. At the same time, under the pandemic, despite the world tours of different idol groups, which generate the most of their revenue, are cancelled, different labels have been doing paid online concerts to maintain the profits earned and the Korean wave from surging high. The online live concerts streaming services are undergone with the use of AR and VR technologies, which allow over 104,000 paid viewers from 129 countries to watch the concert in real-time. SM Entertainment, one of the largest agencies, has generated over \$3.6 million in half a year. Impressed by the huge number of fans drawn into the online concerts and the revenue generated, the government plan to invest in digital infrastructure for the virtual concerts to continue to happen next year. The government is expecting K-pop to give an economic boost during the pandemic. Ministry of economy and finance said it has put aside about 585 million USD for next year's budget to promote the Korean wave and that's a jump of about 43%.

It is described by John Han, the project Manager of Global Festival Business Team, CJ ENM, "It is A challenge at the same time an opportunity for the player in the industries as currently there are no more offline concerts and it is an opportunities to



come up with new ideas and creative ideas to connect fans with artists through the virtual world."

At the same time, the pandemic has also provided an opportunity for K-dramas. Due to different restrictions occurring worldwide, lots more people are now forced to stay home.

It is believed that K-dramas could provide comfort and escapism in the stressful time of the pandemic.

The pandemic has provided time for international viewers who stay home to acknowledge Korean culture. Due to the language barrier and cultural differences, a lot of time is required for international audiences such as people from Southeast Asia and English-speaking countries to embrace Korean content. However, due to the pandemic-led lockdown, more time is given to international audiences to make that kind of 'investment' in Korean productions, such as looking up K-pop song lyrics or staying glued to their screens to catch the subtitles of K-dramas and variety shows. In the last 3 months, it is reported that India has climbed up by a few ranks to become the top 5 or 6 countries contributing to YouTube music video views of K-pop bands like BTS and BLACKPINK, becoming one of the biggest importers of Korean music. This phenomenon also happens in other Asian countries, as well as other English-speaking regions.

### Conclusion



It is believed that cultural exportation in Korea has been a successful strategy in gaining attention from the rest of the world and increasing the country's competitiveness. Audiences of K-dramas and K-pop have gained an interest in Korean culture, as well as due to celebrity endorsement, increasing the purchase of Korean goods. Moreover, it is expected that, after the pandemic, there would be an increasing trend of tourism of South Korea, creating an increase in export of Korea economy. At the same

time, a huge amount of job vacancies would be created to cater to the increase in tourists to the country and support the increasing exportation of goods. As a result, after the pandemic, there is no doubt that the Korean economy will quickly recover from the economic crisis and further gain competitiveness among the major economies.

## 1MDB Scandal

By Timothy Zhang

In 2014, an R-rated movie about a grant economic fraud was nominated for 5 Academy Awards. The investment of this movie is a hundred million dollars. What's behind this movie, *The Wolf of Wall Street*, is a much more dramatic financial fraud than the story of the movie mixed with politics finance, and gossip, which caused a prime minister and a prince of Saudi Arabia in jail, while the actual mastermind ran free. The infamous case was called the 1MDB scandal.



Low Taek Jho is a Chinese Malaysian. In 1998, Low went to the Harrow School for high school. He is good at socialising. In Harrow, he made connections with royal members of Brunei and Kuwait and became friends with a university student, Rita Aziz, whose father Najib Razak was the Malaysian minister of education at the time. During his gap year, he took a trip to the Middle East. With his friends, he paid visits to the most wealthy and powerful Middle Eastern families to make connections with them.

*Why are books about the social contract and demand-side economics so hard to find?*

*Because they're kept firmly under Locke and Keynes.*



Low became acquainted with the diplomat of the UAE, Yousel Al Otaiba, and Khaldoon Ak Mubarak, who took control in a Sovereign wealth fund, Mubadala in Abu Dhabi.

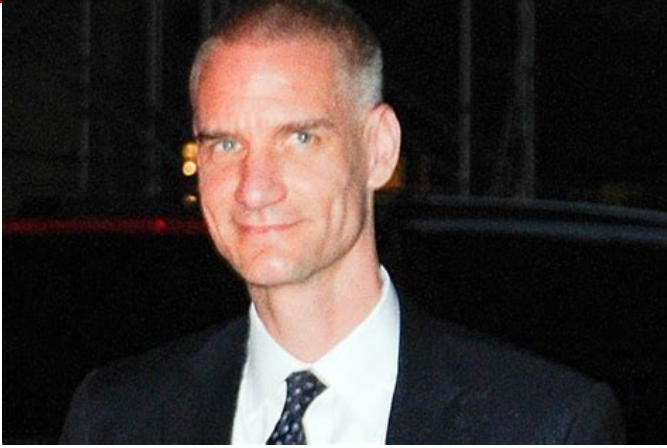


After Low graduated from Wharton university, he registered his first company in British Virgin Island, Wynton Group, and planned to trick the Middle Eastern investors to invest in Malaysia. With the help of Richard Aziz, he made connections with Najib Razak's wife and brother. At that time, Najib has become the vice minister. Low knew that although Najib has great power and position, the Malaysian officials' income was neither high enough to afford a top-class villa like Najib's, nor pay for Aziz's school fees with salaries only. In 2007, for the election next year, Najib needed some political achievements. Meanwhile, the SWF of Malaysia, Khazanah Nasional Berhad was looking for a partner to develop an area in the south of Malaysia, close to Singapore. The area was called Iskandar Development Region. Low seized his opportunity by emailing Mubarak to introduce the fund of Mubadala and arranging for the manager of KNB to go to Otaiba and Abu Dhabi. With the recommendation of Low, Mubarak decided to invest 500 million dollars in Iskandar Development Region. Through this opportunity, Low has made proof to Najib that he is capable of finding the investors, and to Mubarak that the investment in Malaysia is promising. However, he did not get any commission and he had to find another way.

Soon, Low had a brilliant idea. He bought two construction firms to take part in the development of the Iskandar Development Region. However, how to convince the banks to take out a loan become his major problem. To do so, at first, Low invested in another firm in BVI, ADKMIC. Then, Low send some gratuitous shares of his company to Otaiba and the officials of Kuwait and Malaysia and made them shareholders of his companies behind their back. By convincing the bank that his company is founded by the most powerful individuals, he got a loan of a million dollars. He used it to buy those two construction firms and land right next to the area that Mubadala was assigned to develop, rendered him looking like a part of the partnership. His plan on this area was to fool someone to purchase the area. Low registered two shell corporations on Seychelles. With bearer bond, Low can change the owner of these two companies without anyone noticed, and therefore bearer bond became illegal in most countries but not Seychelles. Low convinced others he is a partner with officials of Malaysia and Kuwait, Otaiba, Abu Dhabi Investment Authority and Kuwait Investment Authority. He tricked one of the wealthiest men in Malaysia, Taib Mahmud. Low made 110 million dollars in this case.



(Taib Mahmud)



Wall Street started to notice Low. Tim Leissner, the head of Goldman Sachs in Asia, made connections with Low. He decided to establish an SWF in Malaysia. He established Terengganu Investment Authority by depending on his connections with Goldman Sachs and tricking the owner of the oilfield in Terengganu, Alexandra Milchan. Low planned to use the future income of oil as a mortgage to issue bonds worth 1.4 billion dollars. However, Milchan went back to his word and decided to delay the issue of bonds, but Low issued the bonds despite that. Meanwhile, Milchan heard about how Low fooled Taib Mahmud, which rendered Milchan lost faith in Low. However, Najib won the election and became the new prime minister of Malaysia, who promised Malaysia well to become a developed country in a few years, hence needing financial support. Low suggested to Najib again about establishing SWF, and made a tempting offer, using SWF to collect political party funding. He also introduced a prince of Saudi Arabia, Turki Bin Abdullah. Eventually, a new Malaysia SWF was founded named, 1Malaysia Development Berhad, 1MDB.

Soon after, Milchan was kicked out of 1MDB by Low. Najib was also tricked by Low since most Saudi Arabian princes were considered wealthy and powerful, but in fact, Abdullah had 19 siblings, and his father, the king does not care for him much, and his business has not been successful. He owns a shell company called PSI and became partners with 1MDB. They forged a certificate proving PSI worth

3.6 billion dollars. Eventually, 1MDB invested 1 billion dollars to corporate with PSI to develop oil-fields. The whole process only took place for one month. However, Deutsche Bank found out these 1 billion dollars were separated. 300 million were remitted to the account of PSI in Switzerland. The rest of 700 million was remitted to Coutts Bank provided only the account number. According to 1MDB, this account also belongs to PSI, and the Malaysian central bank allowed the transfer. Coutts bank is a private bank that only serves the most wealthy client, and the account belongs to a company registered in Seychelles, Good Star. As you may assume, The only shareholder of Good Star is Low. Soon he distributed this money to Najib, Abdullah and managers in PSI who took part in this.



Low brought the rest of his money to the US by laundering the money differently. He decided to establish a movie production company named Red Granite Pictures, claimed sponsored by Richard Aziz. Their first and only movie is Wolf of Wall Street. However, when the movie was about to start shooting, Low had spent all his money. Low and his partner in Goldman Sachs managed to meet Prince Mansour Al Nahyan, the chairman of IPIC and one of the richest man on Earth. The plan was that Goldman Sachs will issue a corporate bond worth 3.5 billion dollars for 1MDB to invest the thermal power stations around the world. After purchasing these power station, 1MDB would register a corporation for these power station and would be listed on the Malaysian market. Through purchasing and packaging these shell companies, they could make 5 billion dollars. Low was hoping IPIC could vouch for these corporate bond so that the investors would believe and invest. Prince Mansour agreed to the proposal.

*What is the difference between an economic recession and a broken down escalator?*

*One is a terrible state of affairs the other is a terrible fate of a stairs.*



However, the plan was still a fraud designed by Low. The actual purpose of Low was simply to make money from 1MDB with a proper excuse, while the profit of Goldman Sachs was 190 times as much as that of regular cases since Goldman Sachs would be in charge of finding buyers and taking all the risks. To increase the achievements and prizes of the Goldman Sachs Asian department, they eventually passed this crazy proposal. Low used his trick again and Goldman Sachs remitted 560 million dollars to a company registered in BVI, which belongs to Low himself. To avoid being spotted, they transferred this huge sum of money to a Swiss private bank, Falcon Private Bank that belongs to Low's partner. In the following two years, Low and his partners shared 1.4 billion dollars with the same trick.

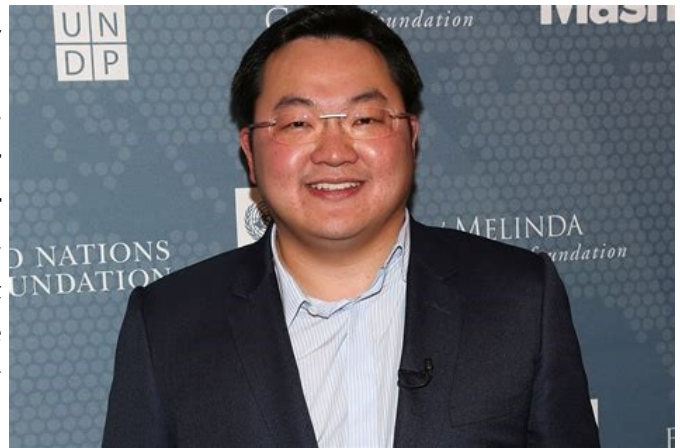
However, with Low's reckless squanderer, people started to wonder about Low's background and the ways of his income. The first one to notice was Jordan Belfort, the prototype of Wolf of Wall Street. The media started to look into Low, and for his safety, he said his money was inherited from his family. To avoid being noticed since he got too much money from 1MDB, he asked PSI to register another shell company and put two oil drilling vessel under this company. Then, 1MDB would buy this company at the price of 2 billion dollars, the same amount as Low extracted from 1MDB, which seems like 1MDB spent 20 billion on the subsidiary company of PSI.

# 1MDB

1Malaysia Development Berhad

By doing the same trick with Goldman Sachs again, Low managed to raise 610 million dollars for the election in 2013 for Najib, since his rival Anwar Ibrahim promised to Malaysians that if he is elected, he would shut down 1MDB. Eventually, Najib won

the election. However, the bigger issue has come. The media started to wonder whether Low's money was all from 1MDB and revealed his close connections with SWF in Abu Dhabi. The bigger issue is that 1MDB is in debt of tens of billions of dollars, while there were only 20 million dollars left in the account. He convinced the banks to give a 250-million loan to 1MDB. Whereas Low did not use this money to save 1MDB, but bought a luxury leisure boat, for himself to escape if things were revealed. Soon, a part of emails of 1MDB was revealed and Low was asked to redeem the 2.3 billion he claimed he invested to Cayman Island. However, after buying his boat, Low only had 100 million dollars left. He transferred this amount of money to his shell company in Cayman Island and transferred it back to 1MDB. By transferring between his shell company in Cayman and 1MDB several times, it seems like 2.3 billion were fully redeemed to 1MDB.



Eventually, on 28th, February of 2015, Sarawak Report uploaded an article, which revealed how Low used shell companies to transfer the properties of 1MDB, with emails and documents as evidence. Facing the accusation, Malaysian police had to take actions to investigate 1MDB, with the help of the central bank and the Malaysian Anti-Corruption Commission. In the following week, they found out from 2011 to 2014, Najib's account received more than 1 billion dollars. Meanwhile, Khadem's butler revealed Khadem's deals with Low and 1MDB. He was soon kicked out of IPIC. Najib and Low were preparing to escape.

Afterwards, Najib used his media to claim the 1MDB scandal as the vilification of political opponents. However, the police revealed his personal account. Najib then replaced the member of the investigation group of the police. On that night, the headquarter of Malaysia police was on fire, and many documents about 1MDB were burnt. He dismissed the many ministers who questioned him and forbids further investigations into 1MDB. In September, a prosecutor, DDP Kevin was killed and filled into cement. After his death, no one in Anti-Corruption Commission dared to investigate Najib anymore.

However, the FBI has noticed him. The FBI collected much evidence with the help of Swiss and Singaporean enforcement agencies, and Low's mansions, private jets, collections and even his gift for Leonardo DiCaprio was collected. In 2018, Mahathir Mohamad became the new prime minister and started to investigate Najib and 1MDB. Najib was prepared to escape with his wife but was found out and stopped by the citizens at the airport. Afterwards, all people connected to this incident was captured except Otaiba Prince Mansour and Low. In 2020, Goldman Sachs and the Malaysian government reached a compromise. To keep the credit, Goldman Sachs paid 3.9 billion dollars to avoid being prosecuted.

However, this case was still not finished, because Jho Low is free without being punished. This heist of the century lasted 10 years and has rendered Malaysia under great financial pressure. What's behind this story was the hopelessness and pains of broken families. Through this fantastical story, we can see another rule without the limitations of laws and ethics. Under this rule, money is justice, and banks, corporations, law firms and even the law itself serves it.

## Is the Pandemic the Perpetrator of Proliferating Property Prices?

By James Mainwaring

Ever since the day of the first lockdown, all 68 million inhabitants of our cramped island have been homebound. The conditions have varied, for example, a resident of North Wales in the rural county of Conwy has enjoyed views of Snowdon, long walks through mountainous hills, swims in lakes and picnics in the sun. Yet they would be in a minority, as 80% of the UK population live in some kind of settlement, from town to conurbation. So although lockdown for some was lonely but spacious, this was most certainly not the case for all. Especially for the less economically well-off in society, such as those stuck in a one-bedroom flat with views of other buildings only, slowly rotting away as the screens of Netflix become dull and bland. During lockdown, we have seen rates of depression sore as people are locked at home away from family and friends. Much of the architecture in cities is rarely designed to house a resident for days on end, after all, the joy of a city is the rush of people and the conveniences that brings. This has led many of those who can afford it to rethink their lives and their homes. In many cities, most notably London, house prices are exceptionally high. The pre-pandemic average of house prices there was close to half a million, double the national average. For that cost you also do not get a lot for your money.

*What is the difference between an economic recession and a broken down escalator?*

*One is a terrible state of affairs the other is a terrible fate of a stairs.*



This has been the argument for the increase in property prices in more rural parts of the country. Let us investigate the extent to which our new lifestyles have impacted the houses we want to live in.

Below are three different houses in different locations:



All three are roughly the same price at around 800 thousand pounds but quite clearly vary in size and appearance. And in my opinion, it is pretty obvious which house I would've rather spent my lockdown.

The sole reason in the variation of their size and luxury is their position around the country.

The house at the top is fairly cheap for the reason that it is centred at the bottom of Powys in Wales.

The house in the middle is a 5-bedroom converted farmhouse is in the village of Hermitage in Berkshire, in fairly close proximity to London.

The house at the bottom is positioned in Richmond on the outer rim of London and thus explains its high price for its low real estate.

Yet this variation of amount for the money you pay could be one of the leading factors to the increase in house prices. Why would you stay in your small two-bedroom flat when you can move to a much prettier more comfortable part of the country? Especially when there has been a rapid increase in virtual contact between businesses, we no longer need the vast office spaces and rows of desks, when we have zoom and the comforts of our homes. And with a home like the one in Berkshire you can most likely drive into London once a week if contact is necessary. At the end of the day COVID has changed the way we work and our lives.

Such is evident with the company Zoom worth today almost a 140 billion USD. The larger question is, however, whether this 'new normal' is our future normal and if so what sort of effect we are going to see on the housing market.

For one, since March 2020, house prices in London have increased by 6.2%, thus going against our rising unemployment and receding GDP. This has come as people seek to move from their flats into semi and fully detached housing. As the lockdowns have trudged on the need for a garden has become ever more necessary.

For example, homes with no outdoor space, balcony garden etc. had a fall in value by 10%. Yet it was not the smaller and cheaper properties below 500 thousand pounds that saw the greatest increase in the numbers being sold. It was instead those above 500 thousand towards 1 million, in London there was a 26% increase in the number of these types of homes being sold and bought. Thus, as usual it is the wealthy that can afford to move.

Yet arguably it is not the sole effects of the lockdowns and people becoming tired of their own homes leading to an increase in property prices. But some of the indirect outcomes are derived from government schemes, such as the stamp duty holiday and 95% government-backed mortgages. All in all, this provides a great environment for first time buyers to move from renting to owning their own homes. Thus, as more and more people are looking to buy homes, demand goes up faster than supply, thus increasing the average price of houses.

To conclude, Covid has been a large part in the current mini housing boom. This is due to both governmental reactions (e.g. tax cuts) and new working and living environments that people are beginning to experience. As people work from home, the location of their homes in relation to their workplace becomes less important. Instead, people seek more space, more greenery and overall a better living environment. However, as shown by the graph below, house prices have been going up steadily since 2016 and have actually been rising since the 2008 financial crash. Thus, the entire increase in the cost of housing in the UK is not solely dependent on Covid as you can argue that Covid just increased rate of a trend already prevalent in previous years.

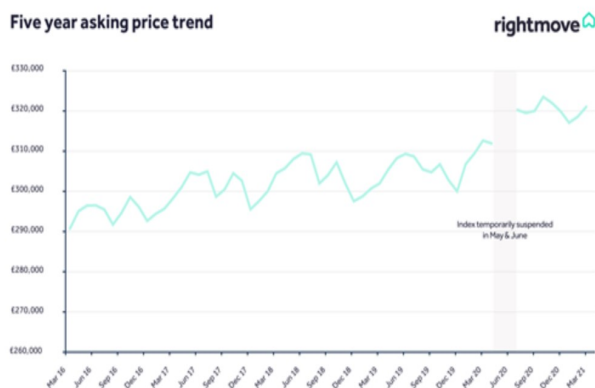


Figure 1 Average house asking price since March 2016

## Poverty Trap - Endless Cycle of Generational Poverty

By Steven Brakespeare

As one of the longest facing challenges in the world over the past centuries, poverty stands as an urgent yet difficult problem that requires solutions. With nearly 10% of global population (705 million) suffering from extreme poverty with less than \$1.9 per day, poverty remains as one of the biggest challenges in our times. It is in fact so difficult to relieve that the extreme poverty population even rose by 10 million over the past 5 years.

Poverty cycle, as suggested by Rowntree in 1901, is one of the major causes for this endless struggle. In economics terms, the 'cycle of poverty' is the 'set of factors and events by which poverty, once started, is likely to continue unless there is outer intervention'. ('Cycle of Poverty') In order to be rich, one needs savings for investments. Such effects of being poor is reversely acting as causes for a continuation of poverty, hence the name 'poverty cycle'. However, how does the cycle start in the first place? What obstacles are the poor facing?

### Generational Poverty

The most common poverty cycle starts for an individual when he/she is born into a poor family, also known as 'generational poverty'. Although not deliberately causing poverty, the child is involuntarily suffering in such conditions, which is likely to continue for the remaining time due to following :





### Rich Education, Poor Education

An effect of growing up poor is the quality and quantity of education received as a child. Education is a crucial factor of escaping the poverty cycle. As introduced in the chapter of 'No Degree, No Way Back To The Middle' in 'Class Matters', Mr Jeff Martinelli struggled to be employed after losing his only constant income from his previous factory job, described as 'his ticket to middle class'. The reason for his unemployment was his absence of college degree. "For a guy like me, with no college, it's become pretty bleak out there," said Mr. Martinelli. Although the report was referring to the US, such statement is applicable worldwide, suggesting the importance of education for a lower-class individual. As they lack other capitals such as money or network, education is argued to be their only capital for social mobility.

According to a study on 'effects of parental wealth on children's outcomes' by LSE, there is a positive correlation between parental wealth and education attainment of the child. In 2011, economist Michael Lovenheim from Cornell University found that 'for every \$10,000 increase in housing wealth for a low income family the chances of the child going to college increased by 5.7 percentage points.' Such researches echo with the explanations above, suggesting that wealthier children have a head start in education. This causes the cycle to repeat on its own endlessly as poorer children have lower possibilities for a high academic attainment, reduced competitiveness for a well-paid job, resulting in unemployment or low income, locks them within the cycle of poverty. Such cycle repeats when they give birth to a child who then grows up in a less wealthy family.

### Culture of Poverty

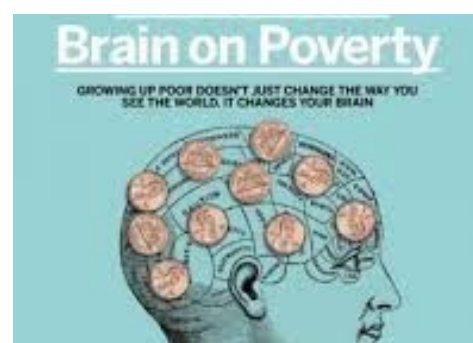
Another theory that supports the idea be referenced from 'the culture of poverty' theory based on the cycle by generation poverty, with references to personal and family behaviours and mindsets on a micro-level. The 'culture of poverty' theory is introduced by Oscar Lewis (1914-1970), an American anthropologist, in 1966. By examining the families who reside in Puerto Rican slum, the study suggested that 'membership in a group that has been poor for

generations constitute belong to a separate culture', referring poverty as a type of culture. By comparing poverty with a type of culture blended within lifestyles, it suggests the destined limitations once born in poverty.



Protection for childhood for example, is challenging. In most families suffering from poverty, both parents are committed to their jobs and leaves minimal attention to the child as a result. Such qualities not only suppress the individual's growth and mental state, but also form a permanent obstacle in the future road of education and work, making it difficult to break the poverty cycle.

Furthermore, the study claims that 'Once the culture of poverty has come into existence it tends to perpetuate itself.' 'By the time children are six or seven they have usually absorbed the basic attitudes and values of their subculture. Thereafter they are psychologically unready to take full advantage of changing conditions or improving opportunities that may develop in their lifetime.' Instead of resisting the conditions, the child would accept and tolerate poverty as a part of his life. This makes it extremely challenging for the individual to break poverty cycle from a psychological aspect, as they find taking opportunities difficult to achieve.



# Gilet Jaune

By Carys Crowther

In March 2016, former investment banker Emmanuel Macron launched a new political movement which stood neither in the left or the right. This move would shake the political landscape of France just a year before presidential elections. The name of this new political movement was “En Marche!” or “Forward/Onwards”. Throughout his bid for President, Macron stated that his top priority was “liberating people through access to employment” and promising to further reduce France’s high employment taxes. Unemployment remains an issue for the French economy, being stagnant year after year following the economic crisis in 2008. Although the rate of unemployment in France steadily increased between 2009-2016, it still remained a problem with 10.1% of the population jobless. Macron was elected on a platform of economic reform, with the aim of reducing unemployment and to kick-start the economy.

Emmanuel Macron went from being a virtual political unknown to the leader of the world’s fifth-



largest economy in little more than a year.

When Macron came into power in 2017, he had many aims, one of those being to combat climate change. He had pledged to cut France’s carbon emission by 2030 by 40%. This is when the proposed

increase of the fuel tax came from as it was designed to address this very problem. The higher prices would hopefully deter consumers. However, diesel prices had already seen an increase of about 23% over the past year on which Macron had blamed world oil prices for the 75% increase of price, but he still insisted on higher taxes on fossil fuels to help fund renewable energy investments. Additionally, there were talks of a new lower speed limit on motorways both of which were deemed as necessary measures in order for France to achieve their “ecological transition”.

However, these proposed orders infuriated a huge percentage of the French population, particularly the fuel tax. This is because not needing a car has become a status symbol in France—only those rich enough to live in the capital or major cities like Bordeaux and Marseille had the ability to do without them. The fuel tax was intended to finance tax cuts for big corporations. However, it was clear the burden of the government’s tax reforms were falling on the working and middle classes, especially in rural and peri-urban areas. The tax is regressive as it has far less impact on the wealthy compared to their poorer car-owning counterparts who for the majority of the time couldn’t afford to live near to their workplace. In 2015, two out of every three cars purchased consumed diesel fuel and France is a large country where the wealth and employment tends to be concentrated in the cities which therefore leads to those living in the countryside struggling more than before. In addition, ever since the economic crisis in 2008, there has always been economic problems rooted in the French economic system. For example, income tax is a rather small part of contributions in France, at 27%. However, the major item is VAT which stands at around 50%. This points to one of the major problems, with so much weight on indirect regressive taxes it should be no surprise that the poorest members of French society are the most hurt and indignant. This results in a decline in the purchasing power of the lower part of the income distribution,



coupled with measures which have significantly improved the economic situation for the wealthiest—the wealthiest 1% increased by 6% for example.



Macron's proposed fuel tax increase had unfortunately turned into a fight in which the environment is set against improving the well-being of the poorer parts of the French population. It is in the France périphérique that the gilets jaunes movement was born after an online petition had attracted nearly a million signatures after many felt ignored by political parties.

The “gilets jaunes” or the yellow vests are a group of protesters who have staged some of the most comprehensive protests seen in France since 1968. They get their name from sporting a distinctive yellow high-visibility jacket, which French law requires all drivers to have in their vehicles and to wear during emergency situations. For them, the yellow vests were chosen as “a unifying thread and call to arms” because of their convenience, visibility, ubiquity and association with working class industries. This new movement had no official leaders, no clear demands and no structure.

What's more, the protesters originated from a range of backgrounds with members coming from factory workers to retired people and the unemployed. What they all have in common is a reliance on cars to get around and with them being those who struggle to make ends meet every month, the increase in price at the petrol station is one of the demonstrations of this increase in constrained expenditures. It is important to take into account that recent polls have highlighted that the French would actually be prepared to pay higher taxes if

they thought that they would be used productively, and that the wealthy and the large firms would bear a bigger share of the burden. However, the message from the government was that it would be likely to cause firms and wealthy individuals to flee France. The “gilets jaunes” wanted a reintroduction of the solidarity tax on wealth, a minimum wage increase, and the implementation of citizen's initiative referendums. They are a movement for economic justice—they want to voice their own worries.



President Macron attempted to dispel concerns in early November by offering special subsidies and incentives however, the protests began on 17th November 2018 and they attracted more than 300,000 people across France. With growing sentiment of injustice, the movement grew and by the 26th November, an official estimated that the riots in Paris during the two previous days had cost up to 1.5 million euros in damage. They had wrecked restaurants and shops in some of Paris' trendiest neighbourhoods. Not only that, but retailers also lost around one billion euros in revenue and shares in tourism related activities dropped. The euro fell against the dollar by 0.6%. In fact, private sector business activity contracted for the first time in two years. In the December of 2018, the French economy was sharply down at 49.3 from November's reading of 54.2. (a figure below 50 allude to a contraction rather than an expansion of the economy). These protests had clearly had an economic impact on the French economy.

As a result, the government has been forced to bow down to pressure and change its economic course. Macron is bearing the brunt of the protester's anger for his extension of policies implemented under François Hollande's government. For many, he had become "the president of the rich". On the 10th December, President Macron addressed the nation in response to the movement declaring a state of economic and social emergency. This political speech is the most viewed in French History (23 million).



Within the speech, he pledged a 100 euros per month increase in the minimum wage in 2019. In addition, Macron stated there would be an exclusion of charges and taxes on overtime hours in 2019 and on any 2018 end of year bonuses paid to employees. Plus, in the ten most affected cities by degradations, including Bordeaux, would receive 300,000 euros. However, Macron stood by his replacement of the solidarity tax on wealth with increases in property taxes.

Unfortunately, following the address, it became apparent that the minimum wage itself would not be raised by 100 euros a month but that those eligible would see an increase in the activity bonus paid by the CAF. What is promised is an increase in the "prime d'activité". This is different because it does not count towards the pensions of those involved, does not concern all who earn the SMIC and does

not increase the contributions paid by the employer. This manipulation to lighten the load of firms did not go unnoticed by the population. Therefore, although Macron had abandoned the planned fuel price hike back in December, the "Gilets Jaunes" protests continued long after. They have also erupted over other issues, including calls for higher wages, lower taxes, better pensions and easier university entry requirements. The movement's core aim was to highlight the economic frustration and political distrust of the lower class. During these protests, the law enforcement doctrine was passed, allowing the police to arrest people they come into contact with. In addition, crime squad officers had a violent nature; using explosive grenades and flash ball weapons which once again caused a divide between those of poorer backgrounds and the wealthy.

Taking into account all of the above information, the impact of the gilet jaune is clearly significant. Eight out of ten French people approve of their actions – unexpected given their devastating economic impact. Restaurant trade had declined by between 20-50%, the French retail federation had lost about 1 billion euros since the protests first began on 17th November and tourism saw a huge decline in numbers. Hotel owners reported fewer reservations with the addition of high cancellations with many deterred for safety and security concerns. Historic monuments such as the Arc de Triomphe were damaged, and the Bank of France estimates losses to the economy at 4.4 billion euros – a figure some analysts fear could more than double. The gilet jaune was an outlet for French citizens to express anger; reaction to measures that have hurt the poor while benefiting the wealthy and large firms. In the future, if the government intends to introduce green policies, strong consideration should clearly be given to equality first or given the points highlighted above, the polices are likely to be rejected and can potentially provoke economic damage.





# Trainers – just for wearing?

By Theo Parsons

Many would certainly not associate trainers with economics. Their purpose is just for walking, running or exercising, isn't it?

The answer is no. This perceived mundane commodity is no longer mundane. The days of trainers being just 'a covering for the foot' are over. Their newfound, diverse purpose, ranges from artwork to investment propositions. In 2021, the global sneaker market was valued at \$70Bn, and this figure is predicted to surpass \$100Bn by 2025. The market for reselling shoes has surged in popularity and gained attention from both teenage enthusiasts and experienced investors. Reselling shoes can be both an enjoyable hobby and a lucrative business. This article



will focus on the website 'Stock X', the largest reselling platform for trainers, to investigate how this industry has been so successful in the 21st century.

Stock X is an online marketplace, self-proclaimed as the "stock market of things", where users buy and sell trainers and luxury clothing. The company launched in 2015, as a simple price chart for the online sale of trainers. Six years later, it is worth \$3.8Bn, with more than 200 million buyers and sellers across 200 countries. So, how does it work?

There are thousands of different trainers on the site, all displayed with a lowest asking price, a highest bid, charts, information points and a graph of recent sales. You have the choice to conduct the transaction straightaway, by pressing 'Buy Now', or you can place a bid to the seller and exchange offers until you meet at an agreed price. It is a very straightforward and efficient process. One of the major attrac-

tions to Stock X is the 'middleman' service that the company provides. This barrier between buyers and sellers mitigates the sale of counterfeit products, providing customers with reassurance that their goods will be legitimate. 'Legit-checking' has become an essential process in the trading of sneakers due to the rising abundance of fakes. I take Kanye West's 'Yeezy' trainer as an example. For every one authentic Yeezy produced, there are six counterfeit pairs on the market.

The purchasing of fake trainers is often intentional, to avoid the extortionate pricing of the legitimate counterparts. Although, in many cases, buyers are scammed into purchasing supposedly authentic sneakers for large sums - Stock X prevents such activity.

An NBA feature writer said that the rising costs of trainers is less of a supply-side phenomenon and more of a demand-fuelled business. He also stated, "When I was growing up in the 90s, it was really fuelled by your favourite players and the performance of the shoe, and now it's totally shifted and become more about the visibility and the status".

Not only is it a "demand fuelled business" but is a highly inelastic demand fuelled business.

Avid collectors are often prepared to pay any price for a shoe that they desperately want.

The addictive feeling and sensation of need that some experience can lead to very poor financial decisions. Consumers feel they have to have certain shoes, or they need to own every shoe in a certain collection. On top of this, certain people buy very expensive shoes with the knowledge that no one else will have them, to reign superior and utilise sneakers as a symbol of fashion status - a prime Veblen good. An article in the FT, entitled 'Dear Economist: Are shoes an inelastic fashion accessory?', highlights the diminishing marginal utility of sneakers. The first pair acting as an essential feet protector, followed by many more, in the case of collectors, that likely never get worn, gathering dust on a display shelf.

The majority of transactions fall in the £200-300 price range, with resellers usually earning around £50-100 profit. However, of course there are many

expensive Nike shoes in Stock X history'. I am afraid to say, the lowest asking price shown in the image above is not a typo. I will now try and attempt to provide justification as to why a trainer is changing hands for the price of a sports car.

Only 202 pairs of this shoe were released, each one unique. They were launched at an exclusive art exhibition in Paris, and the artwork in question is that of the French painter, Bernard Buffet. 'SB' stands for skateboarding, making the SB Dunk Paris a prime example of how trainers are straying from their initial intended purpose. This trainer in particular incurred a redirection from the skate park to the art gallery.

However, rarity, artistry and popularity are not the only price determinants. Sizing is also a crucial factor, with significant variation in demand for different sizes. The price difference between a Size 7.5 and Size 10 SB Dunk Paris trainers is currently around £50,000. The lowest ask for my size surpasses the six-figure mark – I think I'd choose the sports car instead.

Size: 10.5▼


£95,304  
Lowest Ask

Buy or Bid

£24,068  
Highest Bid

Sell or Ask

[View All Asks](#) [View All Bids](#)



Nike Dunk SB Low Paris

technology had caught up, 1500 pairs of these shoes were released in 2011. The shoes, or rather prized collector's memorabilia, were auctioned on eBay, with all proceeds donated to The Michael J Fox Foundation. This iconic shoe averaged a resale value of \$25,000. To reference my question "Trainers – just for wearing?", Nike actually advised against frequent recreational usage – far better suited to a display cabinet.

Certain pairs of sneakers are widely regarded as art. This of course links to the question, 'What is art?'. Such a question is highly subjective, lacking a definitive answer. However, collaborations with creative directors and designers, features in art-based auction houses and wide-ranging production tech-

niques and materials, certainly provide a strong case for sneakers being regarded as works of arts. Virgil Abloh, artistic director of Louis Vuitton and CEO of Off-White, argued that "sneakers are a new form of art that speaks to my generation". He also



ing the most expensive sneaker ever sold at auction, with a \$437,500 final sale, nearly triple the high estimate price.

I reference my statement, 'wide-ranging production techniques and materials', from my list of reasons as to why sneakers can be considered as works of art above. I think material choice is essential. Material selection and design, are to a shoe as paints are to a canvas. The Sean Wotherspoon Air Max 97 used a range of colourful corduroy fabrics, the Jordan 3 'Animal Pack' used faux leopard, zebra and tiger fur, and the Nike SB 'Strangelove' incorporated two shades of velvet, suede detailing and embroidery. These are three examples of how trainers are no longer just synthetics on a foam sole.

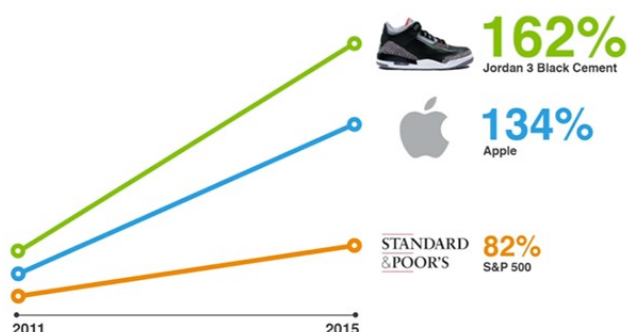




fur, and the Nike SB 'Strangelove' incorporated two shades of velvet, suede detailing and embroidery. These are three examples of how trainers are no longer just synthetics on a foam sole.

Despite the evident success of Stock X, the company has not avoided controversy. In 2019, the site was hacked, exposing the data of millions of customers. Hackers sent an email to Stock X users, announcing 'system updates'. A component of the 'system updates' was a request for users to change their passwords. More than 6.8 million records containing account information were leaked and sold on the dark web. Although, the growth of Stock X was surprisingly only halted temporarily, speedily resuming to their usual upward trajectory in sales. Last year, a second scandal occurred where Stock X reportedly had positive COVID-19 tests amongst their employees, yet they continued to operate.

Nevertheless, I believe that the positives of Stock X far outweigh the negatives. This is especially for teenagers; the acquirement of transferrable, entrepreneurial skills with reselling, such as negotiation, will be extremely useful in the future. Unlike passive investment in the S&P 500 or the FTSE 100, the active nature of buying and selling sneakers is far more enjoyable and beneficial to this demographic. The historic dividend stocks pay-out is sub 10%; it is not uncommon however to sell popular sneakers for 100-200% more than their retail prices - a far more attractive return.

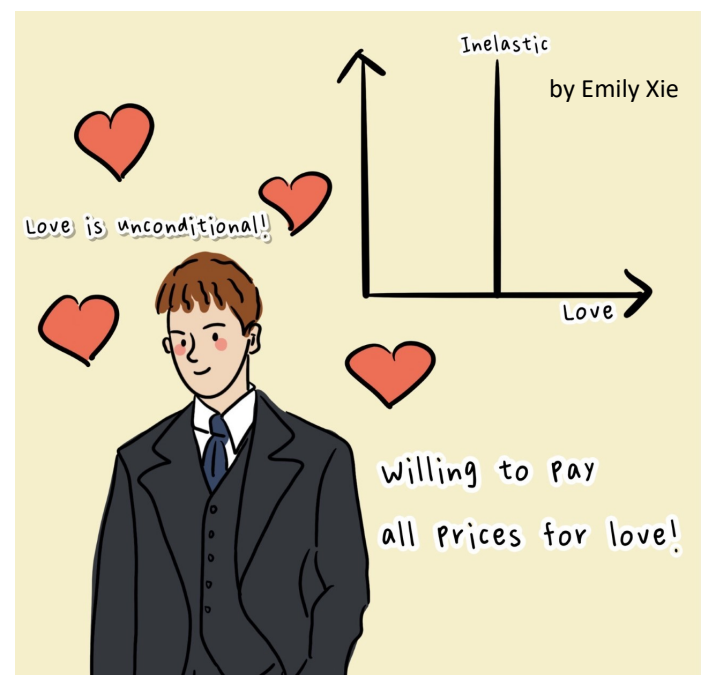


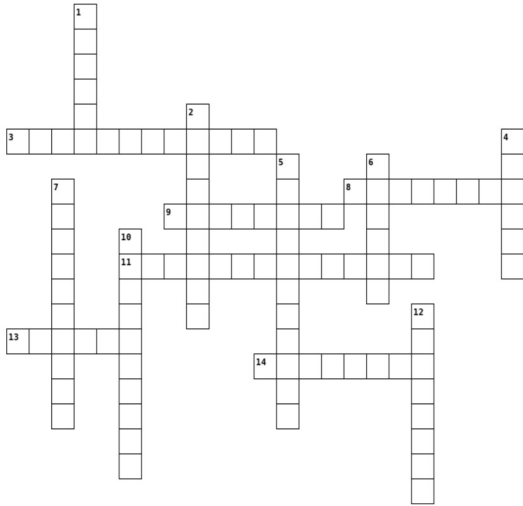
I haven't mentioned a crucial difficulty in entering into this industry however. Getting your hands on a sneaker that will achieve 100% of its retail price is often a case of luck. With the utilisation of robots and instant detail insertion software, sneakers can sell out in a matter of seconds. Many are also sold

via draws or raffles, where it really is just a case of crossing your fingers.

Overall, ever since the dawn of 'sneaker culture' in the mid-80s, the industry has boomed. Famous collaborators, attention to detail, surging demand and insufficient supply are just some of the elements required for a successful, lucrative pair of trainers. Nike is the leader in this industry, continuing to hit these criteria. I have highlighted the diverse range of purpose in the 21st century sneaker market: collector's items, investment propositions and pieces of artwork. Forbes have even accredited sneakers as an emerging alternative asset class.

Therefore, to answer my question, trainers are most certainly not just for wearing.





**Daily-Economics Crossword**

- |  |   |
|--|---|
| <p><b>Across</b></p> <ul style="list-style-type: none"> <li>3. proposals that addresses climate change whilst also achieving other social and economic aims, which was raised by US Congresswoman A.O.C. in 2019</li> <li>8. this happens when one country retaliates against another by raising import tariffs or placing restrictions on their imports, mainly due to unfair trading or upholding protectionism</li> <li>9. An American game retailer whose stock price was pushed by a team of Reddit traders in light of short-selling by Hedge Funds in early 2021</li> <li>11. a form of electronic commerce which allows consumers to directly buy goods or services over the Internet, like through Amazon and Deliveroo etc.</li> <li>13. the Chinese term for the Korean Wave, an increasing global popularity of South Korean pop music, TV dramas and movies</li> <li>14. a state of emergency in which people are not allowed to move freely</li> </ul> | <p><b>Down</b></p> <ul style="list-style-type: none"> <li>1. an economic phenomenon where asset prices appear to be based on implausible or inconsistent views about the future</li> <li>2. a merit good; the service provided by Shrewsbury School and many other of its kind :)</li> <li>4. the practice of attacking and robbing ships, which threatened Eastern African economies and hindered international trade</li> <li>5. The former UK health secretary that was responsible to tackle the COVID epidemic but irresponsibly violated his own social-distancing rules</li> <li>6. the withdrawal of UK from the European Union and the European Single Market</li> <li>7. the UK cabinet minister who is responsible for raising revenue and for controlling public spending</li> <li>10. one of the major problems existed in African governments that caused poverty and instability there</li> <li>12. The worst-ever global health crisis of this century, that struck the world both economically and socially</li> </ul> |
|--|---|



**Economists**



**Crossword answers**

- 1. Bubble
- 2. Education
- 3. Green new Deal
- 4. Piracy
- 5. Matt Hancock
- 6. Brexit
- 8. Trader Joe's
- 9. Gamestop
- 10. Corruption
- 11. Online Shopping
- 12. Pandemic
- 13. Hallyu
- 14. Lockdown



## Many thanks to:



**Chief Editor**– Steven Brakespeare

**Publisher and Head of Laughter** - Isabelle Urquhart

**Creative Director** - Theo Parsons

**Designer** - Gordon So

**Artist** - Emily Xie

**Editors** - Irene Souny

Rico Mak

Tim Antelo

George Collings

### Contributors

Ella Biggs	Steven Brakespeare	Matt Chan	Nicole Cho
Nathan Chow	George Collings	Carys Crowther	Anna Duan
Annie fan	Lewis Gray	Ivan Ivanov	Henry Lees
James Mainwaring	Rico Mak	Lem Mandara	Faye Monk
Theo Parsons	Lily Rogstad	Gordon So	Irene Souny
Isabelle Urquhart	Bubbles Wong	Emily Xie	Timothy Zhang