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University of Edinburgh Economics Magazine

SEX, LOVE & GENDER

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Diverse people make us stronger

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Letter from the Editor-in-Chief

Welcome readers, old and new.

We are proud to present this latest issue of Insight, which tackles topics often sidelined in both popular and academic discourse. Articles within seek to shed light upon the views commonly held by economists, and the general population, regarding sex, love and gender. These discussions often draw attention to the required recalibration of our expectations and policies as the conversations around these topics advance.

Over many years, academics have struggled to find consensus over the modelling of the emotional concept of love, often consigning it to the status of 'non-pecuniary gains' or simply unexplained error in models. Sex, whether for pleasure or procreation, is of course part and parcel to this, and in an age of increased agency alongside stretched resources, the externalities of our choices have arguably never been greater. Additionally, implications of our treatment of gender are beginning to receive long-overdue recognition in both business and social settings.

As ever, many thanks to the writers, the editors and the School of Economics for enabling this issue to come to fruition.

Alex Everett

March 2016

THE UNIVERSITY *of* EDINBURGH
School of Economics

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Love in the Age of the Machine

Alec Edgecliffe-Johnson examines the economics of online dating and its effects on society.

Courting and marriage culture has been a defining element of society for millennia. Whilst customs have changed gradually throughout the years, with the liberalisation of certain values, spatial and time constraints imposed by traditional dating have made radical disruption of culture rare. Now, however, with the meteoric rise of online dating, we may be forced to cast aside or reconfigure whatever is left of these traditions. What started out as a small pool of potential partners has morphed into a multi-trillion dollar industry and has managed to attract millions of users worldwide. Global adoption of this new form of courtship can be attributed to several broad societal trends, including a global aging population that is more likely to look for love later in life, increased access to the internet in developing countries, and separation from friends and loved ones that might otherwise introduce potential mates.

As people spend increasing amounts of time working away from their home network and less time courting, taking time to find a partner and develop a relationship is comparatively harder. The success of large, general sites, such as eHarmony and Match.com, lies in their ability to create a 'thick market' with aggregations of large amounts of potential mates that users can browse through with ease. These sites boast thousands of potential matches and many claim that they produce happier, longer lasting partnerships than conventional dating.

COMMITMENT AND CREDIBILITY

Online dating profiles may make date selection faster and easier, but to what extent can users trust the profiles they view? Statistics released by the online dating service OkCupid indicate an implausibly large number of American men over 6 feet tall and roughly four times the number of people earning $100,000 dollars. There is, after all, a strong incentive to bend the truth, particularly if you suspect that if everyone else around you is doing so.

An equally problematic aspect of online dating services is a lack of ability to signal for commitment. Outside of the digital space, where time is a limiting factor, each person can only date so many others, but the digital space is far less constrictive. To address this issue, an online dating site in Korea introduced a novel commitment scheme. Over a 5-day period users who paid a ~$50 fee were permitted to send only 10 dating requests and were given two virtual roses to signal to recipients that they were particularly interested in them. In essence, users paid additional funds to sacrifice additional choice in order to increase credibility.

MARKET-MAKERS

While online dating eases time constraints on dating, it does not completely remove spatial constraints. Most urban users of major online dating sites look for potential mates within their cities, and as a result, online dating sites facilitate 'markets' of potential mates that abide by conventional market laws. The relative oversupply of men in a city like San Francisco, makes it more difficult for men to find mates and more necessary for them to differentiate themselves from their peers. Furthermore, an older user who has fewer years to marry before death can afford to be less picky than a younger one. As such, older users are more likely to 'settle' in their search for mates. These individuals eventually reach a point where having someone now is more valuable than expending more resources indefinitely to find someone only marginally better.

The market-making power of online dating sites has given rise to a number of niche dating sites. Wherein greater market segmentation is possible, this allows for faster selection. For example, online daters can choose to segment themselves according to religious affiliation with sites like JDate and Christian Mingle. Other sites cater to even more specific population segments, such as fans of Ayn Rand novels, gluten intolerant users, and moustache lovers. Some niche sites even cater specifically to cultures with more rigid courting and marriage practices. The Indian service, BharatMatrimony, allows people to provide information about religion and caste, and makes it possible for relatives and other stakeholders to vet potential mates.

Despite all of their potential benefits for busy courters, online dating sites and mobile applications enjoy their fair share of criticism. Many suggest they are responsible for a growing 'hook-up' culture and are undermining the value we give to meaningful relationships. Others point to sites like Ashley Madison, a site designed for married couples who wish to have extra-marital affairs, as evidence that the online space increases infidelity and destroys conventional ideas of marriage. Although the long term effects of online dating on society have yet to be established, there is little doubt that the online space will continue to redefine courting, partnerships and perhaps even love itself. ■

Assortative Mating and Household Income Inequality — an Inevitable Connection?

Heidi Karjalainen explores the implications assortative mating has on household inequality and social mobility.

NEVER MIND — I'LL FIND SOMEONE LIKE ME

Assortative mating is a simple concept: mating is not random, as we are much more likely to marry someone who is similar to us in terms of education, wealth, income and other background characteristics. It is clear to see why mating is generally non-random: as university students, we mix with like-educated people both at university and in future jobs, and thus we are more likely to marry someone from those circles than, say, a high-school dropout working in a fast food restaurant. Assortative mating (especially in terms of education) has been increasing in the US since the 1960s, and interestingly household inequality has followed a broadly similar trend. This gives rise to an important question: is assortative mating at least partially to blame for the increase in inequality, and if so, what can we do about it?

Educational assortative mating is particularly important for income inequality, because education is a significant determinant of income. However, it is worth noting that the increase of female labour force participation also plays a large role in creating the link between assortative mating and inequality. Assume we have two highly educated (and high-earning) lawyers, and two lower-earning cleaners with no high school degree. Some decades ago the females would probably have left the workforce after marriage, thus evening out the differences between the two (now single-income) households. However, with more and more remaining in the labour force throughout marriage and child-bearing, household inequalities are exacerbated, as people with similar earnings potential join together (like lawyers or cleaners respectively). This may be further exaggerated by the fact that high-earning women in particular often remain in the labour force — as their opportunity cost of staying at home is higher — and thus poorly educated families might still rely on just one income.

NO MORE RAGS TO RICHES

What is important from a policy perspective is that not only will assortative mating result in income inequality for the current generation, but it will also have an extensive effect on future generations. It seems to be an important part of people's moral notion that a child's future outcomes should be based on their ability and motivation and not their family background, as exemplified by pledges that governments all over the world have made to eradicate childhood poverty and create equal opportunities for all. The extent to which the notion of equal opportunity is true can be measured by social mobility; how easy it is for a person to move to a different income or educational status class from their parents.

If we again consider our university-educated lawyer couple, studies show that this couple is more likely to have less children and at an older age, spend more on improving their human capital, and furthermore have a family culture (connections, reputation, social skills) that will improve the child's prospects in life. This is problematic from society's point of view because it leads to persistence in education, income and wealth across generations: the lawyers' children are more likely to become highly-educated high-earners as well, whereas the cleaners' children will struggle more to achieve the same status. Thus the process of assortative mating leading to inequality is self-reinforcing, as the children of these couples are less likely to mix with other classes and this will further increase inequality in the next generations.

Interestingly, even if the issue of reduced social mobility is problematic for societies, the government lacks means to affect people's mating behaviour. However, instead of trying to impact people's mating behaviour directly to counter this trend, the government could attempt to break the self-reinforcing cycle by boosting children's chances across the socio-economic spectrum. One way to achieve this is by providing equal access to all levels of education. If a person's educational level is independent of their parents' income or educational level, the persistence of income transmission between generations is reduced. This could be especially effective in countries such as the UK and US where social mobility is low and private schools are prevalent, which means that one's background plays a great role in determining their educational level. As such, the issue of assortative mating and the resulting reduction in social mobility can act as justification for a more wide-spread public education system that provides equal opportunities for all. ■

The (Fe)male Economy

Elsa Kyander discusses the impact of economics on gender equality and how current economic policies might be enforcing inequality.

The substantial differences between men and women's positions in society are undeniable. With feminist parties emerging throughout the world, gender equality is increasingly seen as one of the most urgent topics of today. However, economics is lagging behind in this progress and has only recently begun to adopt feminist thoughts.

The rise of feminist economics has led to a discussion about whether certain fundamental principles within mainstream neoclassical economic theory might have slowed down or even counteracted the progress towards increased gender equality. Despite considerable differences in the opinions among feminist economics, there is a widespread agreement that the role of women in economics has to be reconsidered.

Harald Kreutzer

WHO IS CONTRIBUTING?

A young girl in rural Zimbabwe who from dawn till dusk is responsible for all kinds of domestic chores on her parents' farm is according to neoclassical economic theory considered to be economically inactive and not contributing to GDP. In her ground-breaking book *If Women Counted,* Marilyn Waring — one of the most prominent feminist economists — uses this striking example to stress the fact that a large share of women's work is seen as adding nothing to the economy. The question what, and who, is seen as economically valuable has emerged as one of the key concerns for feminist economists.

BY MEN, FOR MEN

Across the world, women stand for a disproportional large share of unpaid domestic work. Some studies suggest women's unpaid work burden are two to ten times higher than men's. Neoclassical economists would explain the difference in unpaid domestic care burden with dissimilarities in men and women's preferences about work and leisure. However, this explanation fully neglects underlying social structures such as deeply rooted norms and values, factors that indirectly keep women away from the paid labour force.

Furthermore, not only does omitting unpaid work from the GDP undervalue women's contribution to society in a social sense, it also entails severe implications. For example, social security systems such as compensation for unemployment fail to acknowledge the unpaid work most women perform at home. As a consequence, women are left in a vulnerable position and often dependent on financial support.

The underrepresentation of women in economics is striking. Only 6 percent of economics professors in the US are women. In the UK, female students stands for a quarter of all undergraduate economic students and the number has been on a steady decline over the last few years.

Some feminist economists argue that the marginalisation of women in academia itself is harmful for gender equality. Moreover, studies suggest that policies implemented along the lines of contemporary neoclassical economics to a large extent are favouring men over women. The UK based Women's Budget Group on a regular basis evaluates the impacts of the British government's budget and policy resolutions from a gender perspective. Their conclusion is that fiscal policy reforms such as tax reductions are predominantly advantageous for high-income citizens, a group where men clearly are overrepresented, and thus further increase the gender gap.

Furthermore, cuts in government spending and an emphasis on privatisation might reduce the quality of public services such as childcare. Since women stand for a large share of the domestic care burden, they are therefore most likely to be the ones affected by budget reductions. Whether the unjust fiscal policies are a result of the imbalance between men and women in economics is hard to tell, nonetheless is it crucial to encourage women to embark on a career within the field of economics.

In a report published in 2013,

Alfred Palmer

the International Monetary Fund praised the extensive economic benefits of increasing the number of women actively participating in the labour force. Providing women with a source of income and consequently decreasing their dependency on financial support is clearly a significant tool in the process towards a society with higher gender equality. Yet, including women in the labour force is only one piece of a greater puzzle. Several other issues, such as the types of job available and the pay level, must not be ignored.

Nonetheless, several prominent feminist economists claim that the IMF does not address the question of the gap in wages between men and women in a sufficient way. Moreover, they argue that IMF's focus on privatisation and decreases in government spending rather have deteriorated the process towards gender equality on a global level.

Furthermore, it is sometimes argued that developing countries have benefited vastly from the gap in wages between men and women. This quite controversial line of thought reasons that the prospect of economic development is heavily dependent on the access to cheap labour, a group mostly consisting of women and children. The effect is amplified by the shrinking gap in the level of education between men and women. Across the world, women are having increasing access to higher education. Though, despite the rise in the number of well-educated females women's salaries are lagging far behind their male colleagues'. For businesses this could possibly be a profitable strategy since it allows them to employ qualified personnel at a low cost.

FEMINA ECONOMICA

Homo economicus, the idea of an economically desirable human being who is entirely rational, autonomous and takes utility maximising decisions is a common concept in neoclassical economics. Even though few economists truly believe in the economic man, some do argue that there is a need of a female equivalent, the femina economica. The advocates of this model claim that a femina economica should be enable the adoption of what they call 'feminine values' into economics and therefore facilitate economic analysis from a female perspective.

However, there are concerns that such a clear segregation of traits considered to be male and female rather would cement gender roles and norms. The main objective of feminist economics should be to unify the science of economics, not split it into two separate parts.

THE WAY FORWARD

Though there is widespread agreement about the problematic relation between economics and gender equality there is little agreement about how the problem should be tackled.

The IMF stresses the importance of changed macro policies, such as reforms of pension and childcare legislations, mainly focusing on increasing labour force participation among women. On the other hand, the Women's Budget Group suggests a fundamental change in the objectives of policy making and launched the so-called Plan F, proposing an alternative feminist way of tackling the aftermath of the financial crisis in 2008. Among other recommendations, the Women's Budget Group advises the government to prioritise and increase investments in the public sector as a way of creating long-term economic growth benefits for both sexes.

Yet, studies have revealed a widespread assumption among academics that feminism could only contribute very little to the progress of economic thought. The reluctance to acknowledge the importance of increased gender equality is extremely harmful, not only for women but also for the society as a whole. Economics has the potential to be a crucial tool in the battle against gender inequality. Nevertheless, economics as science must be fundamentally reformed in order to convert this potential into action.

'Economics is a very dangerous science,' John Maynard Keynes once wrote. For just over half of the world's population, he might have been correct. ■

The Economic Potential of Gender Equality

Scott Burrell explores the economics of gender equality and its potential to motivate us to address inequality.

The year is 2016, and no country has fully closed their gender pay gap. In the words of Christine Lagarde, managing director of the IMF; 'Women's empowerment is not just a fundamentally moral cause, it is also an absolute economic no-brainer.' Shamefully, the moral obligation we have to stamp out gender inequality does not appear to be motivation enough. Framing the problem in an economic context offers a new perspective from which to view, and try to improve, the situation. Reporting on the economic gains of greater gender parity can hopefully push policymakers into doing more to combat far-reaching inequality.

DADDY DAY CARE

In almost every developed country around the world, paid maternity leave is mandated. Paid paternity leave, however, is not nearly as common. The average length of paternity leave taken across the UK and US is two weeks. Firms and fathers alike seem reluctant to discuss the issue of increasing mandated paternity leave; their reluctance, however, comes at a cost.

Japan has seen its economic growth rates steadily decline since the late 1980's. This slowdown in economic expansion was preceded by a shrinking Japanese workforce; the impact is compounded by the fact that figures from as recently as 2013 show that seven of every ten Japanese women will drop out of the workforce after having their first child. Japan needs more workers, and this requires greater participation in the workforce by those of a working-age.

In most advanced economies, women are the largest idle group of potential workers. There are rewards to be reaped; economists report that the integration of more women into the workforce boosts long-term productivity. Japanese Prime Minister Shinzo Abe acknowledged that getting new mothers back into work could boost the country's GDP by up to 15 percent. The Japanese policy solution to this issue has so far been to boost maternity leave for mothers. This doesn't work. Greater leave for mothers worsens the job discrimination they face.

The answer is to boost paternity leave, as per countries such as Sweden and Norway. Swedish fathers take four months paternity leave on average, and the country has a female employment rate of 72 percent. This type of policy makes a significant contribution towards gender equality. As long as women are the only parent taking a prolonged absence from work, no improvement will be made on the underrepresentation of women in the workforce, particularly in senior-management positions. UK Law firm Slater & Gordon found that, of 500 surveyed managers, 40 percent admitted they were hesitant to hire a woman of childbearing age. The increased role of fathers at home could begin to alleviate the temporal inflexibility of to-be mothers that is so often an issue for employers. For the firms and fathers who may doubt the causal link between paternity leave and a more gender balanced workforce, it is worth noting that Norway and Sweden have the third and fourth lowest gender gaps respectively, according to the World Economic Forum's global gender gap index.

SOLVING THE SKILLS SHORTAGE

In their latest analysis of the UK labour market, the Women in Science and Engineering (WISE) campaign found that women represent just 12.8 percent of the science, technology, engineering and maths workforce (so-called 'STEM' careers). This proportion has increased by only 0.2 percent since 2012. Gender imbalance in STEM fields has its roots in education; higher education statistics showed that in 2014, only 40 percent of female undergraduates were enrolled on a science course, compared to 52 percent for male undergraduates. The impact of this under-representation in Britain's STEM industries - the foci of innovation, research, development, and creativity – is significant. The WISE campaign estimates that by 2020, Britain will need almost 1.3 million STEM professionals and, as of now, universities and other higher education institutions provide only 71,000 candidates a year. Greater equality in gender representation has a key role to play in filling Britain's skills shortage. First and foremost, women are the best hope of filling the skill-gaps in STEM sectors. To do so will require a bottom-up approach. An OECD study found that girls 'lacked confidence in science and maths' irrespective of having results as good as those of boys, if not even better. Executives at Teach First, a graduate teacher

Stefan Jaffe

training programme, highlight that teachers have the power to reverse this lack of confidence. Policies for improvement will have to consider that this is a cultural issue. The skill shortage is constraining British industry. The Chambers of Commerce summarised the shortage as 'preventing businesses from reaching their full potential and hurting productivity'. UK businesses are at more risk of losing work to foreign competition where skilled labour is more plentiful. The gender imbalance in STEM-industries is hurting gender equality too. STEM careers offer higher starting salaries due to the skillsets they demand. For engineers, this can be up to 16 percent higher than for the average graduate. The UK's gender pay gap currently stands at 14.2 percent, and the lack of female representation in STEM sectors contributes to the problem.

ORCHESTRATING INEQUALITY

The prevalence of unconscious gender bias in management hierarchies is a barrier to female advancement in industry. A report by Catalyst Research found that the hidden personal biases of influential figures in company talent management systems exacerbate gender-biased decision-making. The proportion of female executive directors at Britain's top companies is less than 10 percent, as of 2015. Despite the representation of women in non-executive director roles at FTSE 100 companies now exceeding 30 percent, the rarity of female executives is problematic. Catalyst found that companies tasked with promotion decisions valued candidates who mirrored the characteristics of its incumbent executives. The unconscious bias problem becomes a self-fulfilling prophecy through continual male managerial dominance. Worryingly, Catalyst found evidence to suggest that in evaluating candidates for promotion, 'traits perceived as feminine were seen as less vital to leadership'. To counter gender bias will require companies to acknowledge the existence of unconscious stereotyping. Harvard economist Claudia Goldin contextualises this problem in discussing the revision of orchestra audition policies in the 1980s. The implementation of blind auditions not only boosted future female representation, but highlighted the unconscious bias of male judging panels that previously turned away female candidates only to choose these same candidates in the blind auditions. Greater female representation in executive roles can have a multiplier effect. Christine Lagarde describes women as 'the ultimate agents of aggregate demand', accounting for over 70 percent of global consumer spending. Firms with greater female leadership will undoubtedly become better at understanding and providing the goods and services desired by the world's largest consumer group.

LOOKING FORWARD

The continued existence of global inequality is proof that more needs to be done. Perhaps the economic potential of gender equality will motivate change where morality has so far fallen short. The various frameworks within which this argument has been explored highlight the micro- and macro-level gains that could be realised. Japan is not alone in facing an ageing population and a shortage of workers. Long-run female participation in labour markets is vital, and paternity leave can be the catalyst. Solving the skilled-labour shortages in STEM sectors will require bottom-up initiatives to motivate and inspire more young people to strive for a career in these industries, particularly girls.

The prevalence of unconscious gender biases is uncomfortable, but accepting their existence and finding ways to control for these in contexts such as hiring practises is the best solution. There is no easy fix for gender equality, but some are trying. The Way Station bar in Brooklyn demands its female patrons pay only 77 percent of their bar tab in line with the country's gender pay gap. A trivial solution, but the message is clear. ■

Seeking Alphas

Lucy Victoria Herriot explores the repercussions of the under-representation of women on trading floors.

When asked what single thing he would do to avoid a repeat of the catastrophic losses seen by banks during the 2008 crisis, financial journalist Michael Lewis replied 'I would take steps to have 50 percent of women in risk positions in banks.'

Mr Lewis is not alone in drawing a connection between excessive risk taking in finance and the over-representation of men in the industry. In the United States women make up just 29 percent of the Sales & Trading segment of the financial industry, according to data from the Bureau of Labour Statistics.

Testosterone has never been in short supply in trading, dating back to a pre-digital era when workers in trading pits would physically shout orders towards one another from across the room. A 'work hard, play hard' culture blossomed during these early days, with trading floors inheriting initiation rituals oft seen in fraternities. In one of his books, Mr. Lewis recounts how salesmen at Solomon Brothers would undergo a hazing ritual in which they were required to 'blow up' one of their own clients, or dupe the unsuspecting buyer into incurring huge losses by selling them an essentially worthless asset. The hyper-masculine culture of the industry became self-perpetuating, as women were turned off from trading and ever more men were drawn into it.

SAVVY GAMBLERS

The over-representation of men on trading floors has a huge impact on the industry. Men are commonly seen to be more risk-seeking than women and have more confidence in the validity of their own decisions, potentially leading them to incur unnecessary risks or simply have a greater propensity towards short-sightedness!

A recent study of 2.7 million personal investors found that during the financial crisis of 2008, men were much more likely than women to sell shares they owned at stock market lows. Male investors, as a group, appeared to be overconfident and typically believed they could make sense of every piece of short-term financial news, whereas women were far more likely to acknowledge when they didn't know something and ask questions. As a consequence, women shifted their positions far less frequently, and made – or simply maintained – significantly more money as a result.

A separate study on the dynamics of trading floors found similar patterns. Among 1200 interns who traded on the simulated platform run by the study, male traders incurred 50 percent higher losses than their female counterparts. They proved more erratic and executed double the trade volume on average, incurring higher brokerage fees and settlement costs.

Still another study at a major bond trading floor in the City found that traders whose testosterone levels exceeded a certain threshold experienced dramatically impaired risk assessment abilities.

Psychological assessments of behaviour in high-stakes activities have consistently shown men to be more prone to the illusion of control, which is associated with diminished trading performance, whereas women are quicker to identify gaps in their knowledge and are warier of risk. Psychologists who have worked with traders and portfolio managers say that the increased consistency in women's trading performance is precisely due to the 'softer' skills they brought to the table – not a result of emulation of macho, alpha-male behaviour. If this could be proven on larger-scale studies of the industry, Lewis and his call for gender parity in risk-taking roles at banks could gain more attention.

BOOK BALANCING

It is one thing to obtain a diverse selection of recruits but quite another to maintain profitability in adjusting to lower levels of risk. Despite increases in regulation, betting upon uncertainty and speculation is remains an important component of the generation of banking revenue; in order to maintain bottom lines traders must make risky transactions on a daily basis. A gender balance matters here because women have the ability to balance the books by reducing trading losses and diluting the likelihood of crisis, thereby steering banks towards a more sustainable system of profitability in the longer term. Breaking down the key issue of a gambler group mentality by diversifying the talent pool helps to prevent the tunnel vision which fuels an unsustainable strategy in banking; firms will be better positioned to earn sustainable profits with women on the trading floor generating it.

Are women the solution to excessive risk-taking in finance? A demographic group less prone to overestimating their own abilities and warier of making impulsive decisions might indeed seem valuable in roles which involve making large, calculated risks.

CATCH-22

Although women may be a remedy for a culture of excessive risk on trading floors, getting them

Rafael Matsunaga

there has thus far proven tricky. An examination of gender representation in 2,350 front-office (i.e. revenue generating) banking roles in London found that male to female ratios varied from around eight-to-one to around seventeen-to-one.

Gender imbalances are not unique to banking, but even when compared to other male-dominated industries the numbers are sobering. Why do women remain so under-represented?

The culture on trading floors remains perhaps the biggest obstacle. In a world where testosterone is king, women may not only be repelled in the first place, but those who do apply may not be seen as qualified by current traders if hyper-aggressive behaviour is viewed as a prerequisite for success.

Nepotism may also be to blame, particularly in the United States. With men already over-represented on trading floors and women scarcely so, connections gained in college fraternities may prove far more useful in securing a trading job than those gained in sororities. Networks in which hiring bankers select fraternity heads and other potential drinking buddies to candidates with better credentials are almost invisible and impenetrable to those on the outside – it's hard for women to break into areas traditionally populated by old boys' clubs.

Media portrayals of trading also do little to entice more women into the industry.

Leonardo DiCaprio's character's lifestyle of prolific cocaine use and sexual excess in 'The Wolf of Wall Street' is unlikely to hold the same appeal among women as it does among young men (although the real-life Jordan Belfort was a stockbroker, not a trader). Tellingly, one of the only female characters in 'The Big Short', a movie depicting the infamous prediction of the 2008 crisis by a group of traders, is a stripper.

There are claims that the industry has improved in recent years, with the most brazen elements of its macho culture left behind in the 80's. Even so, accounts of insiders who 'got out' and popular media originating from the financial industry still paint a grim picture. 'Goldman Sachs Elevator Gossip', a satirical Twitter account which publishes quotes supposedly overheard on Wall Street, is rife with tales of debauchery and sexism.

The culture of the trading floor is remarkably immune to shame and although front-office finance loves to play the villain, change will have to come soon as gender reform becomes increasingly urgent. Calls for more women on trading floors are not new, but it's high time they were finally heeded. Hiring managers wouldn't simply be bowing to political correctness, they would also be boosting their own bottom lines.

Women have time and again proven to be both risk reducers and profit boosters. Banks would be foolish not to hire more of them. ■

The Cost of Being Transgender

Barnaby Cooper examines the economic reality of living as a transgender person in contemporary society.

In 2014, Rolling Stone Magazine declared 'The Biggest Year in Transgender History' owing to huge improvements in transgender rights, resources, and equality. Yet with the rising profile of the transgender community alongside magazine covers from transgender celebrities such as Caitlyn Jenner and Laverne Cox, it is somewhat easy to forget the harsh personal and economic reality transgender people still suffer.

A Home Office study estimated the number of trans people living in the UK to now be between 300,000 – 500,000, and this number keeps growing. An example of the pressure that non-gender conformed people experience is to cite a Guardian article which found that 48 percent of transgender people under the age of 26 had attempted committing suicide (compared to just 6 percent of all the whole age group).

SKILLED, WILLING AND JOBLESS

Employment is known to be by far the biggest discriminatory problem faced by transgender people. Consequently, the UK has numerous discrimination and equality acts in place aimed at reducing the effect that one's gender group has on employability. Still, research by trans campaigning groups suggests that over 50 percent of transsexual people suffer harassment and discrimination at work. In fact, one in four trans people in the UK felt obliged to leave work and find another job elsewhere due to the bullying and harassment they experienced. Furthermore, many transgender people suffer from feeling isolated and separated from society at a young age. Education is burdened and many youths identifying with LGBT+ are left homeless. In the US, 40 percent of all homeless youths identify with being LGBT+, making further education highly unlikely.

The effect of unemployment, however, leads to far more significant problems. Although accurate figures are scarce, it's estimated that between 20 and 30 percent of the transgender population turn to drugs to deal with the insecurities that discrimination and joblessness ensue. This contrasts with just 9 percent of the general population. In fact, consumption figures for drugs, alcohol, and cigarettes are notably higher for trans people across the UK.

CHANGING SEX, CHANGING HOUSE

The discrimination transgender people endure puts them at a far greater risk of becoming homeless or in housing situations where they are at risk. Stonewall Housing, a charity that specializes in housing the LGBT+ community in safe conditions, states that two-thirds of people who approach them for help see their housing problems as directly related to their gender identity and their sexual orientation. The issue is largely one of a communal reaction to transgender people. A quarter of respondents to a survey suggested that they once had to move out (often becoming homeless) due to the transphobic reactions of the community and feeling excluded and isolated from the neighbourhood in which they live.

The UK can diminish the impact that discriminatory attitudes are allowed to have and create a higher chance of success stories for all transgender people. Building on the numerous existing legislations against LGBT+ discrimination, these policies and acts of equality need to be implemented consistently, strictly and effectively. However most critically there needs to be radical change in education towards promoting acceptance of individual differences. Education needs to be improved and compulsory in order to suppress the current prejudice we witness throughout society. The UK government acknowledges that 70 percent of pupils in schools are bullied for expressing gender variance, highlighting the systemic nature of discrimination. Until government policies can mitigate views towards non-gender conformity we will continue to see prejudice that results in homelessness, joblessness and an unjustifiable quality of life. Of course, acceptance can be improved from other directions. Coverage of high profile celebrities such as Caitlyn Jenner increases knowledge and awareness. However, it is vitally important to recognise the problems as being harsh, widespread, and with economic ramifications fixable only with the correct strategies, policies and actions of the government. ■

Quinn Dombrowski


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The Pill and the Economic Empowerment of Women

Marek Vosicky — runner up for the Spring 2015 Insight Writing Prize — explains economists' views upon the impact of oral contraception availability on demographic change.

The combined oral contraceptive pill, more commonly known as 'The Pill', is a standard practice of modern medicine that millions of women worldwide today use as a form of birth control. However, do we appreciate how much of a breakthrough, not only in pharmacology, the introduction of The Pill was? While developing a safe dosage of hormones that temporarily inhibits female fertility was a tremendous success in its own right, let us consider instead how the availability of this revolutionary method of contraception has impacted female human capital investment and labour market participation.

In April 1967, seven years following its legalisation in the US, The Pill starred on the cover of Time Magazine in which the tablet was praised for its potential to transform family life around the world. More recently in 2014, Bloomberg Businessweek ranked the oral contraceptive as 9th in the '85 Most Disruptive Ideas' introduced since the company's inception, surpassed only by inventions such as Google, the jet engine or TV. So, why would mainstream media bring up the controversial topic of sex and birth control and celebrate The Pill, a tablet we can easily substitute with other contraceptive methods?

WHY THE PILL?

As economics Nobel laureate Gary Becker once wrote, the growing knowledge about contraception has increased the capabilities of women by separating their decision of birth control from that of engaging in sexual intercourse. As many argue, no other form of contraception has ever achieved such an effective decoupling of sexual activity from reproduction, followed by a surge in the economic empowerment of the women involved.

Firstly, The Pill inhibits female fertility in a discrete and reliable way. Compare this to traditional forms of contraception such as the rhythm method, timely withdrawal or complete abstinence – all highly susceptible to failure and non-compliance. Secondly, The Pill gives women control over their own fertility independent of their partner, a feature that barrier methods such as condoms lack. Before the successes of first-wave feminism in the 19th century, independent control was only attainable by delaying marriage, for which any net benefits were eliminated through social pressures. Finally, The Pill is a form of reversible birth control, granting women flexibility over the spacing of pregnancies. Merely one century ago, who would have envisioned that women could soon pursue high-level careers *and* nurture fulfilling family lives by controlling their fertility based on personal judgement?

In effect, The Pill freed women from the fear of unplanned pregnancy, facilitating the pursuit of higher education, career development and equal opportunities with men. To support its accolade of The Pill, Bloomberg Businessweek included one single metric, the share of US employed women in professional occupations (doctors, lawyers, executive management), which rose from 20 percent in 1970 to 51 percent in 2011. However, how much of this change can we attribute to a tablet as opposed to an overall transformation of societal values? To find an answer, economists study the timing of The Pill's introduction relative to the subsequent developments in demographics.

SHORT TERM IMPACT - EDUCATION

In 1960, the United States became the first country to approve The Pill but only in 1972 was provision extended to all unmarried American women. Similarly in the UK, family planning clinics were given the mandate to prescribe oral contraceptives to single women in 1974. It was exactly this diffusion to young women that led to the so-called 'Power of The Pill', a term coined by Harvard economist Claudia Goldin referring to the resulting rise in career investment by women. According to Goldin, the new contraceptive technology significantly i) lowered the cost of professional education for women and ii) increased the age at first marriage of female college graduates after 1972. Martha J. Bailey from the University of Michigan claims that given these changes to female human capital investment, The Pill accounts for 30 percent of the convergence of the gender-wage gap in the 1990's.

Nowadays, male and female high-school graduates consider near identical costs with respect to their university decision – tuition fees, costs of living and forgone income. Before The Pill, Goldin believes that young women additionally had to consider the costs of experiencing

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abstinence, uncertainty regarding pregnancy and the depletion of the ‘marriage market’. One can easily imagine how oral contraception alleviated the first two problems. Bailey also observed that university enrolment was 20 percent higher after 1970 for women with access to The Pill. The effect on running out of potential husbands, however, is less clear and requires an explanation of the associated spillover effects.

LONG TERM IMPACT - SPILLOVER

The diffusion of The Pill decreased the probability of students dropping out of university due to pregnancy; Bailey estimates the dropout rate in the 1970s for women with access to The Pill to be 35 percent lower than for those without access. Universities could then trust that more female students would complete their degree programmes. As female university enrolment grew, so did women’s campus and alumni networks, and the institutions became more attractive for prospective female students.

The admissions departments could then accept more young women from larger pools of applicants that were planning careers more diverse than in any previous generation, even encompassing lengthy professional education in the traditionally male-dominated disciplines. Therefore, the expectations of the single population shifted to accommodate this greater proportion of women choosing university over marriage, eliminating the worry of sacrificing family life for an ambitious career.

In the workplace, progression to senior roles became easier as attitudes towards female employment changed given this increasing level of education and ability to time pregnancy. To contrast, women had to traditionally opt for jobs with low entry and exit costs – low entry costs because of less relevant education and/or work experience relative to men, and low exit costs so that withdrawing from the labour force temporarily would not decrease expected earnings after re-entry substantially. Therefore, the provision of The Pill that gave women the option to postpone conception spilled over to tangibly affect decisions regarding female participation in education and the labour market.

However, can these changes in the economic role of women really be attributed to The Pill rather than the progressively changing social norms in the 1960-80 period? For example, second-wave feminism was specifically concerned with female reproductive rights and employment opportunities. Similarly, the Sexual Revolution featured cultural change with more liberal attitudes towards pre-marital sex and contraception. Economists must always question if observed correlation implies causation, or in this case, if all phenomena worked together in a reinforcing cycle. Fortunately, in her work Claudia Goldin isolated the effects of oral contraception on female career investment, to conclude that the timing of these other events with the demographic changes is not as convincing as the full legalisation of The Pill in 1972 and the observed spike in the age at first marriage of female US college graduates in the years following.

EVALUATING THE PILL

By analysing population data, economists have measured how the provision of oral contraception has transformed the US economy. Apart from advancing women economically, statistics show that The Pill has improved child poverty rates, reduced teen and unintended pregnancies, and ultimately saves the government billions in healthcare costs each year. The Pill is by no means the perfect solution to birth control (namely, it does not prevent STIs) or the closing of the gender-wage gap. However, the evidence for policy makers in countries that do not freely offer oral contraception to women is clear – with female empowerment central to economic development, it is difficult to think of a more impactful and efficient method with which to achieve this than The Pill. ■

The Economics of Long-Distance Relationships

Tara Biglari explores the underlying economic factors that are vital in sustaining long-distance relationships.

In this day and age, love has a price tag. When one unwittingly enters the portal to happiness and passion that is love, the costs are somewhat invisible and seemingly irrelevant at first. Living in the moment of a love affair is pure bliss; freedom at its finest. By solidifying the feeling of infinite connection, no external factor could possibly influence an alternate outcome. It is only when one is forced to snap back to reality and to objectively analyse the real-world implications of such a seemingly unbreakable bond that the economics of love comes into play. Within the realm of contemporary modern society, it is impossible to operate under the blind assumption that love affairs will work themselves out and that the creases will be timely ironed over. In a long-distance relationship, economics is everything.

ALL ABOUT COSTS

We are living in a highly connected world, characterised by globalisation, and this has direct implications on the maintenance and sustenance of long-distance relationships. Unlike decades ago, expectations are eons higher. Goodbyes are no longer set in stone, letter-writing has been replaced as the main means of communication, and ship-boarding is not necessary for verbal contact. However, despite the advent of the internet, the costs of a long-distance relationship are significantly higher than one may initially presume. Whether in the form of Skype credit or the £10 phone credit top-up, the £20 surprise special delivery or the £300 flight to reunite once more, these costs all add up. Conserving the sanctity and beauty of a relationship across space and time is by no means an easy (or cheap) task.

But what are the advantages? Fickle relationships are weeded out, as prioritisation of finance trumps the desire for companionship. Stable relationships are strengthened and kept alive by the monetary spending to sustain love. It is the unfortunate reality that in this era, the sustenance of a long-distance relationship boils down to costs. When two humans are separated by seemingly endless miles of land and water, monetary spending seems to be the only functional way of drawing the couple closer together. Hope is fostered in the belief, the assurance, that one day the two will reunite by virtue of money.

BEHAVIOURAL CONSIDERATIONS

In any long-distance relationship, the financial mind-set of both individuals is undeniably altered from the norm; tailored to consider a multitude of additional factors. Decisions on personal spending are more actively considered, in view of saving money for travel costs or the next surprise gift. *Spend that £40 on a new pair of shoes? Or send a bouquet of flowers or box of chocolates to my lover?* The mind-set of a single individual is characterised by freedom of choice, whereas that of one in a long-distance relationship is riddled with cost-benefit analyses. Seeking advice from a partner is a common component of economic decision-making in a long-distance relationship; it is highly unlikely that one will commit to a valuable purchase without initially seeking the opinion of their other half. Just one of dozens of methods by which economic considerations tie two separated companions together, amidst the backdrop of the earth's vastness.

Furthermore, the economic decisions leading up to the next foreseeable reunion are dominated by the feeling of longing; this plays an incredibly important role in decision-making. In today's unpredictable economic era, a duo must also factor in this volatility with regards to financial decisions. The insecurity that derives from potential exogenous shocks to income, or the relationship itself, plays a crucial role in economic decision-making as a couple and individual. This accentuates the intensity of cost-benefit analyses that go into basic monetary spending on a daily basis. Long-distance love drastically affects economic decision-making and personal budget allocation, both in the short and long term.

Paradoxically, maintaining a long-distance relationship is no easy feat despite the interconnected world of today. In fact, it is unsustainable without accounting for the economics of love. Nevertheless, this is a larger reflection of the world we live in today, whereby economics dominates the most basic aspects of the human experience, even love. Despite the economic costs that undoubtedly characterise a long-distance relationship, it is the emotional costs that trump all else. Material goods are incomparable to the internal void that arises from prolonged separation. ■

Government and Childcare Provision

Angus Phimister takes a look at some of the issues surrounding public provision of childcare.

Increasingly we live in a world where childcare, to a certain extent, is provided by the state. With moves to extend public subsidisation and provision in the UK already in full swing, and with childcare likely to be high up on the agenda in the upcoming Scottish elections, it's worth now taking a closer look as to why the state might want to intervene in the market for pre-school childcare.

EQUITY

The first argument for state intervention in the market is that of equality, for both mother and child. Equality of opportunity is an ideal championed in liberal society, and ensuring that all children have equal access to pre-school education is an important part of defending that ideal. This is especially true given the increasing weight of evidence that early positive intervention in a child's life has discernable lifelong positive implications on earning and behavioural outcomes. In one influential study started in the late 1960s, the Perry Preschool Project, a random sample of low IQ, low income black children between the ages of three and four were enrolled in a developmental nursery school programme, and then their outcomes from the age of 5 to 40 were compared to a control group from the same population. This study found that there were significant positive differences in IQ between treatment and control group children by the age of five, with positive behavioural effects lasting to the present day. Treated individuals who attended preschool were found to be significantly more likely to have passed high school, earn above $20,000 by age 40, and found to be less likely to have been arrested more than 5 times! Whilst it is unclear if the marginal effects of such programs are as large across the broader socio-economic distribution, it is obvious there is a positive effect from early intervention programmes, particularly for the worst off members of society – important if we want to ensure a fair chance for everybody.

Another important consideration behind the move to encourage state provision of childcare is the reduction of the gender wage gap. Pregnancy and early care of infants creates large gaps in a women's employment, even if they return to the same position when they return to work. With extended employment gaps workers may find that their previous skill set is not entirely up to date. That is to say, after taking 26 to 52 weeks of maternity leave, the office may have implemented a new software system with which new mothers are no longer familiar, or changed accounting procedures - this human capital depreciation effect could help explain gender pay differentials. Programmes such as preschooling serve as a substitute for parent childcare to some extent, so greater implementation of this kind of scheme that seeks to decrease the amount of time women spend away from the workplace could help bring male and female pay closer together.

INFORMATION

Additionally, the government may be better informed about what constitutes good childcare arrangements relative to the general public. Most childcare arrangements for young parents tend to be organised around recommendations from friends and family, and new parents may be uninformed about the benefits of early socialisation and tuition or even the availability of childcare around where they live. Governments then have a role in disseminating information and possibly subsidising existing formal childcare centres which emphasise early development in order to encourage a greater take up.

EXTERNALITIES

Considering the empirical evidence that high quality child care can discourage anti-social behaviours and improve outcomes in later life, there is a clear social gain for a child receiving quality childcare above and beyond the private gain the parents capture. This mismatch between social and private gains implies that high quality childcare is undersupplied by the market, suggesting that that the state has a role in plugging the gap. Additionally, if such programmes made young children better able to learn when they entered school, have better earning potential upon its completion, and be less likely to end up on the wrong side of the law in later life, there could be significant savings for the public purse - from prison and policing costs to potentially reducing future welfare payouts.

Smart government policy should think past the short term political cycle and consider the longer term implications of spending decisions. Given the growing weight of evidence it makes more sense than ever for the state to look to improve the market for childcare, be that through giving advice and information, subsidisation or even state provision. ■

The Cost of Raising Children

Matthew Cao - winner of the Spring 2015 Insight Writing Prize - discusses whether starting a family is a sound investment for your future.

The act of raising a child is one of trials and tribulation, but nevertheless it is an experience that many are willing to endure. Becoming parents helps us develop as individuals and couples, bringing about a special kind of maturity and responsibility that cannot be otherwise achieved. However, as economists we mustn't let hormones influence our decisions, for that would be irrational. Raising a child is not a cheap endeavour. It is one with a hefty opportunity cost; not just of money, but of time as well. So before making that big decision we must first ask ourselves: is having children an investment decision worthy of our time and money?

COST OF CHILDREN

The average overall cost of raising a child of 21 years is around £230,000; a number which keeps rising at a rate higher than the real rate of GDP. Education, food and daycares represent the majority of costs from raising a child, and they are not easily cut. Reducing education lowers the potential future earnings of the child which reduces the expected return. Similarly, a malnourished child will likely find themselves with lower than expected future earnings. Decreasing the cost of daycare is not viable as it either requires a parent to take time off work, or settling for a dubious daycare centre. This inelasticity of demand is why daycare costs exceed any other relevant cost of bringing up a child.

This is not to say that there are no methods of reducing the costs without affecting quality of investment. The most expensive period of these 21 years is during the first four years, which accounts for around 30 percent of the total cost. The UK Government is currently providing future parents with a programme that can reduce this initial cost entirely and almost all are eligible. The scheme in question: adoption.

The government programme is considerably more valuable in comparison to their other financial schemes like 'Help to Buy' for real estate. Adopting a child at the age of 4 or under could potentially save £70,000, reducing the average cost of a child to around £160,000. Furthermore, studies indicate that first memories tend to appear around the age of 4. This means early adopters still have a large influence over development. Therefore any rational economists seeking to invest in children should utilize adoption to reduce the costs.

Let's now imagine that you have made the decision not to invest in children; what other options can you take? The optimal decision would be to invest your funds in either real estate or common stock as they are only two asset classes which have grown faster than inflation according to historical data. The average growth rate in the stock market is around 5 percent, which means that if you had invested that £230,000 in monthly instalments you would have earned £177,000 after 21 years.

THE OPPORTUNITY COST

The opportunity cost cannot just be quantified in monetary terms. Choosing to start a family also means that you must sacrifice your career opportunities. Raising a child, especially a young one, reduces your own geographical mobility which not only limits the range of jobs available to you but also contributes to general inefficiencies within an economy, as labour can no longer be efficiently distributed. In addition, if you did not take the rational option of adoption, then you would typically have needed to stay home with your baby for an entire year before enrolling them at a childcare centre.

EXPECTED RETURN

Would a rational economist sacrifice these returns for a child? Unlike stocks and real estate children unfortunately cannot be resold for a set return on investment. However, if one was to expect children to repay their parents for the gift of life — by aiding them in their old age or even help repay some of the costs — then this investment could have some actual financial returns.

The cost to stay in a residential home for one year is £28,500. The average life expectancy in the UK is 81 years, so it is likely to cost the average individual £313,500. If your (adopted) child is willing to take on the full burden of these costs then you have just made a return of £153,500. This does mean that the marginal return of each child decreases substantially, as any additional child would simply share the fixed residential home cost, rather than yielding you higher returns. Despite this, the return is still uncertain as unlike shareholders, or your

Vera Kratochvil

grandchildren, you are not entitled to part of your child's profits or liquidated assets if there happens to be a 'bankruptcy'. Furthermore, if your child inherited your Homo Economicus genes, then they would be thinking of the opportunity cost of elderly parents and whether that will be a financially worthwhile decision. In this case the returns on elderly parents would be rather low and thus they would have little incentive to invest in your retirement, besides that of reciprocity.

IS IT RATIONAL?

The returns may be uncertain, but there are always the non-financial returns of parenting. Seeing how that little investment you made with your significant other grows up over the years is indeed a journey like no other. The lack of substitutes for this experience makes it difficult to evaluate. It is shown that parents end up having more life satisfaction.

In a certain sense, it is rational to have children, if you live in an underdeveloped nation. The costs of children are lower as it only costs around $900 per year which also means that they are not burdened by the opportunity cost. The people in these developing countries are likely unable to make any other meaningful financial investments. This is partly due to their low income, but also because of a lack of alternative investment opportunities. In addition, children often yield relatively higher returns as they tend to work and become productive earlier, owing to the agricultural nature of many developing countries. The more developed a country, the higher the opportunity cost and the less likely that the most optimal decision is to invest in children. So if you're reading this, it is most likely that a child won't be the best investment for you.

Having children is a significantly costly endeavour and unlike bonds they may never mature. Even so, couples in the UK are unlikely to be dissuaded from starting families. After all, we have primal urges that drive us to reproduce, which implies that we are simply slaves to our selfish genes. Another reason could be pressure from society for couples to have children, for fear of being cast out. Or, maybe, we simply don't want to die alone. These factors seemingly drive us to irrationality, but perhaps we need to change our perception of what is rational. As economists it is important to make the most rational decision as individuals but as Homo Sapiens there is a point in prioritising the survival of our species. ■

Marriage, Divorce and Children

Olivia Nyikos explores how marriage and divorce economically affect children and the role of the growing gap between rich and poor.

Marriage was once one of the great social institutions and used to be the norm for everyone. For richer or poorer, it was celebrated by all sectors of society.

Today, individual marriages are falling apart and cohabitation has not proved stable either. What's more, getting married does make a difference to one's life chances and their children's prospects. Whether through the loss of contact with one parent, the psychological impact of parental separation, or financial strains, children living in lone parent families tend to fare worse on almost all social indicators. However, before discussing how divorce may impact the social and economic opportunities of children it is important to discuss the growing marriage gap between the rich and poor as this explains some of the differences arising in future opportunities of children coming from different households.

THE MARRIAGE GAP

New figures show that marriage, with all the advantages that it confers, is becoming the preserve of the rich, with fewer couples from poorer backgrounds getting married than at any other point in time. Recent data analysed by the Marriage Foundations shows that couples from poorer backgrounds are four times less likely to tie the knot than wealthier couples. This marriage gap has doubled in the last decade. Even though matchmaking has evolved since the 1860s, the underlying principle of assortative mating *(as noted on page 5 of this issue)* seems not to have changed, bringing with it deep implications for social cohesion. Bradford Wilcox, director of the National Marriage Project at the University of Virginia, argued, '...more educated, more affluent and also more religious people tend to get married in the first place. That gives them and their children a starting advantage over their peers who aren't married.' This explains the growing concentration of wealth through marriage, resulting in even more economic disparity throughout society. To worsen the problem, this disparity becomes more long lasting once children are brought into the picture.

The trend of not getting married or getting divorced among the least well off greatly undermines their family stability and leads to increased social problems for their children. Even though, supporters defending single parents raising children on their own argue that poverty, not marriage status, is to blame for their children's social problems, studies show that married couples and their offspring fare better than their counterparts in a variety of measures. One reason as to why those at the top divorce less is that they are more able to invest time and money in their marriage in order to stay together. Also — reinforcing the trend of divorce and marriage gap — in adulthood, children of divorcees are two to three times more likely to experience a divorce compared to children who did not experience a divorce growing up. Inequality of marriage is thus not foretold to disappear, but instead widen.

It's sad but true: love doesn't always last, and marriages do fall apart. Both marriage and divorce are results of what is assumed to be rational decision

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making by individuals seeking to better their lives within the boundaries of available alternatives. The choice between marriage and divorce affects individuals' well-being, and the latter is very costly. And often it is the children who end up paying the biggest price. Difficulties in their studies; hard times getting and keeping higher earning jobs; and struggles of their own with getting married and staying married. There are no absolutes in this argument but figures do show a broad trend.

Research of the Marriage Foundation has shown that those who marry have a far greater chance of survival as a couple than those who cohabit, and their children perform better. In fact, nine in ten married parents are still together by the time a child is five, as opposed to only two-thirds of unmarried couples. This is a growing issue, as the number of children born outside of marriage has since 1964 grown from 7 percent, to just over 40 percent. Worryingly, the average British 15-year-old is more likely to have a smartphone than a father in the house. These separations also have legal implications, because the way the law treats the children of unmarried parents before and after separation varies hugely. Divorce has disproportionately negative consequences on low-income familes, too. We see that single parent households are more common within this demographic, which means that post-divorce, families which were previously near to the poverty line are subject to further constraints in spending. This has significant impact upon subsequent welfare, particularly where bread-winning fathers leave mothers (often with limited earnings potential) to raise children.

AND THE CHILDREN?

Based on Isabel Sawhill's research, a child born out of wedlock in the bottom fifth of family income is three times more likely to stay in the bottom fifth than a child to a continuously married mother with equally low family income. Once again, not all of this is the pure effect of family structure, but even after adjusting for many of the other differences between married and unmarried parents, the impact remains. Children are developing emotionally, educationally, morally, physically, socially, and spiritually. Research shows that divorce can affect children in each of these developmental areas. Some scholars believe children of divorce may be less likely to learn how to negotiate, compromise and cooperate which result in obtaining less well-paid employment and having difficulties when forming a family. Another area that could also affect future economic opportunities is change in academic achievements. Children of divorced parents perform worse in school and have less academic success than children of intact families. Divorced parents are often less able to carefully monitor the child's performance and are less able to afford private lessons, educational toys, books, home computers or such that facilitate academic success. More financial strains can also force families to live in neighbourhoods in which school programmes are poorly financed and services are inadequate. Also, parents might be limited in their capacity to finance higher education. It is important to note that these are merely trends, and that in individual cases children from troubled backgrounds are still very able to excel academically.

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One mustn't forget: successful families do come in all shapes and sizes.

In England and much of the US, couples don't have a wide choice of legal contracts; they are either married or are treated as unrelated by the law. The problem with the latter is that cohabiting parents who don't marry and subsequently separate have few legal means of sorting out their inheritance, post-breakup maintenance, asset-sharing and child custody. Therefore, to avoid harming children it is reasonable to legislate so couples should be allowed to have a variety of rights similar to those that marriage entails.

LOOKING BEYOND THE STORM

Quite clearly, divorce is no small thing to children. It is the violent ripping apart of their parents, a loss of stability and often a complete shock. While most of the kids return to a stable life after two to three years, some children of divorce may experience social and economic damage for the rest of their lives.

The long-term goal is obvious: healthy and capable children/adults no matter their background. However, changing legislation is only one of the first steps to be taken. By tackling low pay, a lack of family-friendly jobs, and expensive childcare, society can reduce family poverty. Most importantly, however, single parents and their children must be supported: not stigmatised. ■

To Marry or not to Marry?

Morgane Perez-Huet discusses whether marriage is economically practical in Scotland.

Throwing aside the symbolic aspect of marriage, and considering the cost of marriage, the costs and benefits of divorce, as well as the rate of divorce, would it make sense to marry? Since 1985 Scotland has seen a decrease in divorces from 14,000 to 10,000 granted per annum. Though, as much as this trend may seem positive for romance, how much is spent versus saved in taking a marriage vow?

CAN MONEY BUY LOVE

Though many say that one cannot buy love with money, both concepts are undoubtedly 'married' to one another. The average cost of a marriage in Scotland totals around £19,507, with an average of 13.4 months of planning to make the moment unforgettable. Though as incredulously expensive this act of love may seem, it contributed approximately £537 million to the Scottish economy in 2013. In 2014, 29,069 marriages were granted in Scotland. Of these marriages, approximately 9,619 were terminated with divorce, meaning a 33 percent rate of divorce for the year 2014. But what about the cost of divorce? And does the cost of divorce outweigh the cost of getting married?

WHAT IS THE COST OF DIVORCE?

Divorce is not only emotionally draining but also financially cumbersome. Not only is legal aid from solicitors or lawyers often necessary, but certain fees may be payable to courts. An application for a 'simplified' divorce or dissolution costs £104 while an application for an 'ordinary' divorce or dissolution will cost £148 in a Court session or £136 in a Sheriff Court. Those figures are solely for the cost of the application to those respective courts; other costs such as fee per 'minute' of record is about £60, and each day of debate costs £223. In all, court fees can total approximately £1737 if all costs are added up.

Other than looking at court costs, one must consider the cost of seeking advice from a solicitor or lawyer. Seeking advice from a solicitor charging an hourly rate can cost upwards of £2,000 to £3,000 for a negotiated financial settlement, or up to £30,000 or more for cases that go all the way to a contested final court hearing. The last cost that must be considered is the cost of a mediator who typically charges £100 an hour. In most cases, couples have between three and four mediated talks before a settlement is agreed upon, summing up to about £400 in total for a mediator. Thus, the grand total for divorce in Scotland can be estimated to range from £5,137 for a negotiated financial settlement or £32,137 for a case that goes to the lengths of contesting in court.

DIVORCE OR MARRIAGE?

Not all marriages find their end in divorce: the majority of marriages in Scotland do result in eternal happiness. Though the initial cost of demonstrating one's love through marriage may amount to two months' salary, there are financial benefits that can be gained from being wedded but those costs can be neglected due to varying circumstances of married couples. For example, in the case of a death in a married couple, inheritance that is to be passed onto the widow will become exempt from inheritance tax, no matter the sum of the deceased partner's property; unlike unmarried

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couples, who are taxed 40 percent inheritance tax if the deceased partner's property exceeds the sum of £325,000. Other benefits include state bereavement benefits, which allow bereavement allowances to widows over the age of 45, and pensions which are distributed to widows based on the contributions their deceased partner has accumulated. These benefits are quite generous but, are only distributed to the widow when 'unto death do us part' becomes a reality!

Therefore, the question is, to marry or not to marry? Would it be financially sensible to marry in Scotland considering the costs and benefits of marriage and the cost of divorce? It is only in the unfortunate passing of a loved one that the benefits of marriage outweigh the costs of divorce, so unless you have found your soulmate, is marrying financially feasible? Though this article delves into the initial cost of marriage and the final outcomes of both divorce and death, there are other financial benefits that can be accrued during marriage. Breaking down the romantic concept of marriage into numbers may seem narcissistic, though it would seem that money does buy love. ■

Insight Scoop

David Candon

Senior Teaching Fellow in Economics

Main interests: Health Economics, Labour Economics, Applied Econometrics

Place of origin: Dublin, Ireland

Academic background:
I completed my BA, MA and PhD at University College Dublin in 2015 and this is my first academic job.
The warm and friendly reception from both the staff and students has made me feel right at home!

Current research:
My PhD research focused on the economic impact of cancer.
This included testing the cost-effectiveness of new cancer drugs and the effect of cancer on labour supply.
My current research examines the impact of selection bias on estimators.

Hobbies:
Given that I spend most of my time behind a computer screen or in front of a lecture audience it should be no surprise that I like to get fresh air when I have free time.
This includes either going for runs or walks.

Dimitra Politi

Lecturer in Economics

Main interests: Labour and Health Economics, Economic Growth and Development

Place of origin: Rethymno (Crete), Greece

Academic background: I was an undergraduate in International and European Economic Studies, majoring in International Economics and Finance, at Athens University of Economics and Business. I spent my third year in Paris, France, as an Erasmus exchange student at Université Paris 1 – Panthéon – Sorbonne. After graduation, I moved to the US, where I earned a PhD in Economics from Brown University, in Providence, RI.

Current research: My research focuses on early life determinants of health, and their importance for later-life outcomes. I am very interested in how health inequalities relate to disparities in income, education, and individual choice, particularly in the context of economic growth and development.

Hobbies: I love making music with other people, so I regularly sing in a community choir. I also enjoy cooking and hosting big, loud, informal dinner parties. I occasionally like getting lost in a good book or binge-watching TV series, but I try not to do that too often, otherwise I might forget to show up to my lectures!

Ina Taneva

Lecturer in Economics

Main interests: Economic Theory, Information Economics, Mechanism Design.

Place of origin: Plovdiv, Bulgaria

Academic background: I did my undergraduate and MSc degrees in economics in Germany, after which I moved to the US. I obtained a PhD from the University of Texas at Austin and joined Edinburgh in 2014.

Current research: My current research focuses on the role of information in strategic settings. In particular, I am interested in the design of incentives through information disclosure. For example, if you knew something that a group of people did not, my work seeks to understand how much, to whom, and what sort of information you should reveal if you would like them to end up behaving in a certain way.

Hobbies: I like playing sports and running -- the latter mostly with my dog Penny. I also enjoy traveling and hiking. Meeting up with friends to see a movie, listen to live music, or just hang out is pretty much unbeatable.

Jonathan Thomas

Professor of Economics

Main interests: Contract Theory particularly applied to Labour, Reputation Effects in Game Theory.

Place of origin: Cardiff, Wales

Academic background: I studied undergraduate economics at Cambridge and then did an MPhil and DPhil at Oxford. I have since worked at Cambridge, Bristol, Warwick and St Andrews before coming to Edinburgh in 2002.

Current resarch: I have a long standing interest in trying to understand better what goes on in recessions. Combining this with an interest in long-term strategic relationships, I am currently working on models where considerations of internal firm equity are important. The idea is then to see how this helps our understanding of how wages and employment jointly respond to recessionary shocks.

Hobbies: I enjoy sport, though these days this manifests more in terms of watching rather than participating. I manage some golf, and skiing on occasion. I also enjoy languages and history.

Kristyna Duong le Hang

Exploring Ethiopia and its Path to Development

Chloe Martin recounts the Go Abroad Economics trip to Ethiopia in December 2015.

Ethiopia was the destination for the Go Abroad Economics trip at the end of 2015, and twelve lucky students and two lecturers were able to spend two weeks there during the winter break. Meetings conducted during Semester One gave us a whirlwind tour of the economy and many of the cultural aspects that we would encounter in Ethiopia. Clued up and expectations set, we left Edinburgh for Addis Ababa, ready for some much-needed winter sun and the opportunity to explore this intriguing country further.

Our first day in the capital was filled with a lot of new experiences. We ate injera, a sour and spongey flat bread made of super-food teff. It comes topped with different curries and stews and is an Ethiopian staple, eaten at the majority of meals. We also tried Ethiopian coffee, which resembled a thick, strong espresso that is quite different from the Americanos we are used to in the UK. The city was extremely busy, especially the roads, where cars seemed to pull out whenever, and people would walk in the roads carrying various items on their heads.

Addis Ababa is becoming more and more urbanised, with a multitude of high rise buildings, a small number of upmarket restaurants and cafes and a growing urban population. A day spent exploring with a local guide opened our eyes to life in the city. Addis Ababa is full of buses and small blue minivans shouting destinations and crammed with people. A single journey on either costs around 2 Ethiopian birr (£0.07), much cheaper than a single £1.50 journey in Edinburgh! Transport links are also improving, with a new tram line built by the Chinese that connects areas of the city much faster and more cheaply than before. Our guides took us to both urbanised and developing areas of the city. Whilst some areas are much more developed, others consist of tin houses and lines of little shops which all seem to be selling the same items. We were also able to visit Merkato, a neighbourhood which resembles a giant, hectic market, where you could purchase everything you could think of.

Spending time in Addis Ababa, it was easy to forget we were visiting one of the poorest countries in the world. Ethiopia's GDP per capita is $1,380, and although poverty rates have been dropping, around 30 percent of its 100+ million population still live below the $1.90-a-day poverty line. However, Addis Ababa offered a slightly sheltered view of Ethiopia, so on a day-to-day basis, we were not always reminded of the large poverty issue still at hand. When you look at the structure of the economy further, and the continued dependence on agriculture as a source of income, it is clear that Ethiopia is very much still a developing country.

AGRICULTURE

Agriculture plays a large role in the Ethiopian economy, comprising nearly 50 percent of GDP, with over 80 percent of the workforce employed in agricultural activities. Although perceived as a traditional sector, visiting the Ethiopian Institute of Agricultural Research highlighted the continued effort to modernise agricultural productivity. Their work concentrated on conducting research into crops and livestock, creating new varieties or improving already existing ones. We saw this first-hand when visiting one of their research farms 40km south of the capital in Debre Zeyit. The extensive land holding conducted a variety of research, such as developing or improving chickpea and teff strains, or innovations to ensure farming methods are cheaper, such as creating a low-cost chicken feed on-site. Talking to our host, it was clear that the necessary advances are being made to render this sector as efficient as possible, but that the difficulty lies in ensuring their uptake with farmers across the country. Relaying information about new techniques and varieties is a challenge due to poor road and telephone infrastructure across the country, and even when information is delivered, farmers can be dubious and are not always willing to try new methods.

Information was also key to the success of the Ethiopian Commodity Exchange. The ECX provides a platform for farmers to trade agricultural products. Introducing ninety electronic pricing boards across Ethiopia has provided rural farmers with access to the current price of their crops. An SMS service, delivering the same price information, was also introduced, as well as an online trading portal, increasing in popularity as more Ethiopians gain access to mobile phones and the internet. We were able to see trades being conducted on the trading floor, where buyers and sellers entered into a designated area for a limited time to bargain over quantities and prices. Deals are sealed with a high five, a far cry from the trading floors we are more familiar with! As exciting as this process seemed, our host informed us that only 200 or so trades could take place each day in this manner, but that the introduction of the online

MANUFACTURING

trading portal improved efficiency with nearly 2000 percent more trades now taking place in a day.

As Ethiopia continues to develop, it is clear that the manufacturing and industrial sectors are building in stature. With an abundance of cheap labour, a relatively stable population and financial incentives from the government, Ethiopia is an increasingly attractive destination for foreign investors. Industrial zones are being constructed across Ethiopia by the Industrial Parks Development Corporation, specialising in textile production, food processing and other areas, with a focus on goods being produced for the export market. Whilst travelling to the farm in Debre Zeyit, we drove past one of these vast industrial hubs that included the Huajian Shoes factory, an already huge building owned by the Chinese that was expanding with construction nearby.

The growing middle class in Ethiopia has increased domestic demand for manufactured goods. We visited a biscuit factory just outside the capital, where all goods produced were for the domestic market. In order to be affordable, the biscuits were produced using cheaper ingredients, meaning they did not necessarily taste like the biscuits we were used to back home, but it was interesting to see how they were produced and packaged. We were also lucky enough to visit the St. George brewery, one of the many domestic beer producers in Ethiopia. Despite being purchased by Castel, the beers remain for domestic consumption only, and at roughly 14 birr (£0.30!) a beer, we definitely tried quite a few during our visit!

Whilst our itinerary was packed with economics-related appointments, we found lots of time to experience the cultural side of Ethiopia too. We took a two-day trip to the north of Ethiopia, visiting Gondar, the old capital of Ethiopia, and Lalibela, for Ethiopian Orthodox Christmas. Lalibela is famous for its ornate churches chiselled out of rock in the ground, and we were lucky to be able to visit at such a special time, when around 400,000 Ethiopians make the pilgrimage to Lalibela for Orthodox Christmas each year. At night in Addis Ababa, we experienced Ethiopian Jazz and Azmari, lively traditional Ethiopian music and dancing. We even managed to meet Haile Gebrselassie thanks to Linn, a gold-medal Olympian and probably the most famous person in Ethiopia!

It's safe to say any expectations I had before the trip were well and truly exceeded. We are extremely lucky to have been able to experience so many different aspects of the country and have seen how quickly it is developing and improving. Ethiopia is a beautiful

Chloe Martin

Gender Gap in Education within Developing Countries

Melissa Parlour explores reasons for the discrepancy surrounding educational achievement and its impacts on developing economies.

Education has long been a cornerstone to development, with many arguing that it is an essential component to growing an economy. A more educated population implies a more educated workforce, which will be more productive and potentially attract foreign capital into the country. The global focus for education, however, has been solely focused on increasing the number educated on aggregate rather than promoting education across different groups of people. Thus, while boys are increasing enrolment in schools, girls are falling behind. This is creating a gap of approximately 10 percent in both enrolment and in educational achievements, including literacy, in Sub-Saharan Africa and South Asia.

WHY THE GENDER GAP MATTERS

While the gender gap in education started to receive considerable attention in the literature in the 1990s, girls continue to face severe disadvantages in schooling from a young age even today. In South and West Asia the non-enrolled school age population shows a glaring gender gap: 80 percent of non-enrolled girls are unlikely to ever enrol in schooling in comparison to 16 percent of boys. This implies that there is a large portion of the female population who will never enrol or re-enrol in schooling, limiting their potential and future opportunities.

Beyond the intrinsic right to education, there is an economic aspect to be considered with educating girls. The World Economic Forum's report of the global gender gap argues that the most important factor for a country's macro level growth is a country's competitiveness on a global stage, which is directly related to human capital. Given that in most countries around the world half of the potential workforce is female, they argue that the gender gap is not just a moral issue but also one of economic efficiency.

While the aforementioned report argues that women can have a role in the workforce that can help grow an economy, there are also many positive externalities of educating young women that can lead to economic gains in the long-run. UNICEF studies found that girls who attend school are more likely to delay marriage and childbearing, are less likely to contract sexually transmitted diseases such as HIV and AIDS, and are more likely to acquire skills which lead to an increase in earning power. In addition there are macro impacts of an increase in female educational attainment, including a decrease in fertility and gender discrimination, and an increase in capital accumulation, savings, and female achievement.

REASONS FOR THE DISCREPANCY

There are many reasons behind education gender gaps around the world. Some centre on demand side issues, such as perceived lower returns to education for girls, the costs associated with education, and societal norms, which do not promote education for girls as equivalent to boys. Other reasons can be attributed to supply side issues such as not providing a sufficient amount of schools to cover demand in the area or quality issues which do not cater to female students.

The costs of education are generally prohibitive in developing countries, but they are often more limiting to girls, both economically and socially. A 2013 World Bank survey conducted in Uganda found that parents cited money as the main reason for children to drop out of school, and in the case of girls this was an even larger factor as parents often shift tight financial resources towards their male children. In addition when the surveyors asked the teachers about reasons behind dropping out the gender gap re-emerged. Boys mainly cited lack of interest and preference for employment as key reasons for dropping out, in contrast to girls who dropped out mainly due to pregnancies and child marriage, with these linked to poverty, poor employment prospects, and cultural factors.

BREAKING THE POVERTY TRAP

Studies show that low-income countries that have high social and educational gender gaps are more likely to have high fertility rates and low economic growth. These conditions often form poverty traps, which perpetuate until one aspect is broken. High fertility and high child mortality rates are commonly attributed to the demographic effects of having low education rates in the female population. Thus by educating women it would be more plausible to break the fertility trend and break the poverty trap.

When a country decreases its fertility rates there are many positive impacts on both a national and individual level. Firstly, there is a reduction in population growth and


UK Department for International Development

thus investments have larger per capita impacts. This leads to capital deepening in comparison to capital widening, which implies providing more capital per worker instead of equipping a growing number of new workers with increasingly stretched stocks of existing capital. Thus, with capital deepening, workers are better able to increase productivity as the capital-labour ratio increases. As productivity rises, gains are able to accumulate and investment rates increase - increasing macro level economic growth. In addition, with fewer children, the dependency burden at the family level decreases allowing the family level savings rate to increase, which also helps push growth and development forward.

LOWERING BARRIERS TO EDUCATION

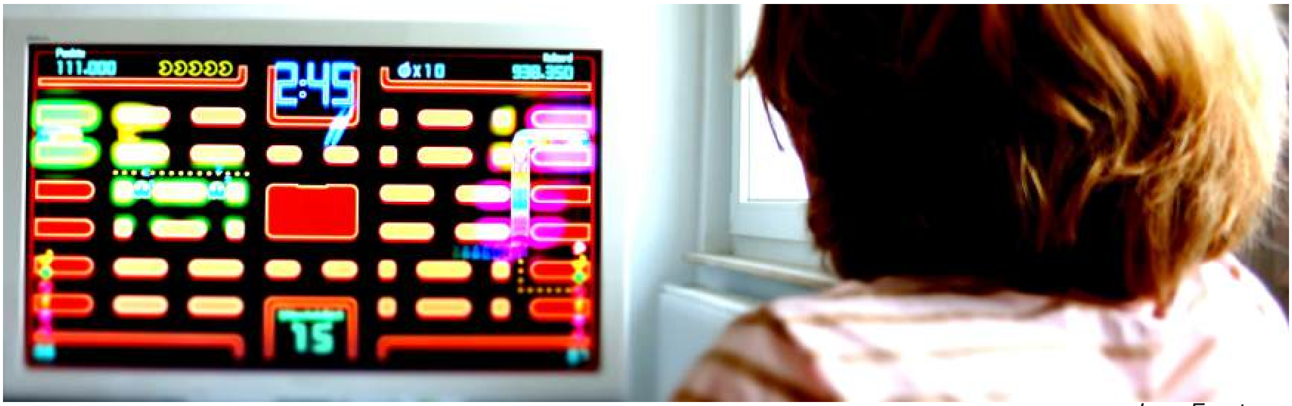
In a World Bank study, researchers found that girls have higher marginal returns to education, implying that each additional year of schooling for a girl has a higher return then the same additional year for a boy. This suggests that many developing countries are not investing in the optimal mix of female and male education. In response to this, many economic researchers have conducted studies focusing on the gender gap and promoting girls' education. They find that by providing girls with more education there are not only the aforementioned externalities, but also additional externalities in regards to the quality of education for both boys and girls, and the classroom environment as a whole.

Kremer, Miguel, and Thornton conducted one of the largest experiments to this effect with the Girl's Scholarship Program (GSP) in rural Kenya. The programme provided merit-based scholarships to the girls who received the top 15 percent of test scores on a national examination. They found that there were statistically significant improvements in attendance and test scores in all of the girls, but also that there were significant improvements in teacher attendance and test scores in the boys even though neither group received any direct benefits from the program. The study then argued that by targeting the best female students in this way that there were positive externalities, or benefits, to the other groups as there was an increase in stimulation in the classroom and thus an increase in quality of education, which affected both girls and boys.

While the GSP program in Kenya focused on the cost of schooling, in India the NGO, Save Mandir, saw school quality as a larger barrier to attendance for girls and implemented a program focusing on quality in order to increase girls attendance. They found that by hiring a second teacher in the classroom that had to be female there was a statistically significant decrease in teacher absenteeism that led to schools being open 5 percent more, but more impressively that girls attendance increased by 50 percent. So, while costs were a major barrier for girls in Kenya, improving quality was a more efficient solution in parts of India.

RELEVANCE FOR POLICY

The current gender gap in education in developing countries suggests a sub-optimal level of investment in education. By increasing female educational attainment there can be a potential increase in economic as well as social welfare. This improvement in the individual's lives is not to be understated, for an education can increase potential incomes and allow for social mobility. However, the national impacts of decreasing fertility and increasing the educated population are what makes this focus on female education particularly relevant and important. In conclusion, as development policy focuses on education it is important to keep in mind the role of the gender gap. Decreasing this can benefit individuals and the country on a broader level while being a cost-effective way to increase long-run economic growth. ■



Lars Frantzen

‘Press Start to Begin’: Misogyny in the Video Gaming Industry

Max Leslie explores the damaging, pseudo-economic incentives deployed by writers and software developers that glorify the marginalisation of female characters in video games.

“You saved my life. A bit of joy as recompense is not too much to ask…”

[Offers her breasts to protagonist]

“I’m intrigued. It has been a tough day. I think some joy might do me good.”

[Cuts to sex scene]

Sadly the tale of Geralt of Rivia, the scarred, muscular main character of The Witcher 2: Assassins of Kings (2011), is but another poor regurgitation of a cliché storyline. This being where the male character bravely rescues or recaptures the helpless female, before being willfully and gladly granted his wicked way with her. Acting under a framework of pseudo-economic incentive mechanisms, countless single-player video games feature this exact plot, with little meaningful variation. The player delves onward to acquire the female prize, who too often behaves passively and aids minimally in her own rescue. The protagonist bears the cost, in order to reap the rewards of female gratification. But what is the future for women in the video gaming industry, as consumers, producers, and virtual characters, if even to this day traditional plot lines are being dusted off and refashioned to profit on misogynistic female marginalisation? The truth is the market for these products has been traditionally heavily male-dominated from production until consumption, and what we are witnessing is a gradual (if indeed often conflict-ridden) economic transformation of the market structure for the video gaming industry.

WOMEN AS TROPHIES

As Anita Sarkeesian, the strongly outspoken critic of misogyny in video games, correctly highlights, there is a repeated reduction of women in video games simply to gain economic rewards. For these marginalised female characters, they often experience insignificant active participation in the decision-making of the video game and are to be used solely as plot or character development for the typically male protagonist. Sarkeesian summarises this theory by concluding: ‘female bodies [are portrayed] as collectible, as tractable or as consumable, and positions women as status symbols designed to validate the masculinity of presumed straight male players.’ Not entirely convinced? Here are four key features that video game writers and producers deliberately incorporate into their products, aimed at incentivising players through female-based rewards:

1. The rescue sex or rescue kiss – From innocent, child-targeted video games, such as Teenage Mutant Ninja Turtles (1989) where the courageous hero receives a kiss from the scantly-clad female journalist, to the episode from The Witcher 2 featured above, female gratification has been a direct reward for a bold victory since the video game industry began.

2. Easter eggs – The popular Tony Hawk’s Pro Skater 4 (2002) employed a simple button sequence idea to unlock a new playable character: a sexualised female skater

who deployed stripper-like skating tricks. Even the children's game Ratchet and Clank (2002) allowed players to jump around female characters in order to increase their breast size. All of these examples encouraged players to exploit and experiment with female characters sexually for their own amusement.

3. Unlockable costumes – Despite the large number of playable female characters in the Resident Evil franchise, their gender progressive appearance was severely undermined when they released a series of incredibly sexual alternative costumes to be bought or won. Indeed, the character Sheva Alomar, one of the few black female protagonists in the history of video gaming, is given a shockingly offensive 'tribal' outfit consisting of a leopard-print bra and nothing more than a few well-placed feathers. This harks back to a sickly colonialist viewpoint – both racist and misogynist.

4. Sex for experience, trophies and bragging rights – The God of War series employs the classical character of Kratos, who gains XP for freeing half naked women from cages and having sexual orgies with prostitutes. Furthermore, The Witcher (2007) goes so far as to make the protagonist's sexual conquests actually collectable, by gifting the player a trading card featuring a naked image of the female character after each event of sexual intercourse. These are stored in the 'inventory' section for unlimited viewing. The player is encouraged to 'collect' all the women.

To many of us, this is clearly morally abhorrent. But the question arises as to whether video game producers and investors have independently engineered these possessive and disempowering views of women, or rather do these companies' products reflect (and so aim to sell towards) the inner desires of their targeted consumer base: young, heterosexual males? The answer is difficult to discern and open to interpretation. However, what is for certain is that incredibly successful video game producers such as Rockstar North Ltd., who developed the Grand Theft Auto series whilst based here in Edinburgh, have profited hugely from the glorification of a masculine image which embraces violence towards women and the marginalisation of their role as exclusively providers of sexual pleasure.

THE VOCAL MINORITY

It is clear that video games should not be taken as an isolated section of society, for this industry continues to have a strong impact on the media, press, and social attitudes of young individuals. Although purely fictional in its intention, video games often seek to create relatable emotional triggers and reflect social interactions. Video games have the potential to reinforce and justify fantastical desires, possibly warping cognitive development. This means incredibly successful video games can often simultaneously reflect and alter the real world. However, Gamergate highlights the extraordinarily backward core sector of this industry. 'Gamergate' refers to the controversial harassment campaign which began in August 2014. It is most notably characterised by the widespread social media attacks on female game developers – e.g. Zoë Quinn and Brianna Wu - and others who spoke out about the misogyny and lack of gender progressivism in the video gaming industry – e.g. Anita Sarkeesian.

What can be deduced is that many of the passionate consumers and major producers in the video gaming industry not only tolerate, but openly support and encourage aggression towards a more progressive representation of women and female involvement. Violence against women is glorified and/or justified in too many video games. Although clearly not representative of the entire consumer base, the fact that these hard-core gamers, who display these misogynistic views either consciously or subconsciously, are likewise the most vociferous online, means that the silent progressives are not accounted for in continued video game production and development.

THE QUEST FOR EQUALITY

Demographic data has come to support the notion that female gamers are increasingly growing as a proportion of the gaming population, but how long shall this increase in female consumer base continue before video game producers fully incorporate this new target market into their business development models? This is unclear as the industry faces a persistent dichotomy. Although there are increasingly more progressive and empowered female characters entering the protagonist role, there are still video game producers who seek to cash in (and subsequently profit hugely) from the distinctly traditional use of female characters in their video games. The result is not an elimination of misogyny in the video games industry, but rather greater product diversification. Let us hope that this diversification allows for a greater scope for more progressive female involvement in the video gaming industry, on- as well as off-screen. For, as we can see, the future requires a further decrease in the current inequality in the power distribution between male and female virtual characters. Currently, female characters are repeatedly being marginalised as rewards or incentives, removing their potential influence in favour of further empowering the male protagonist.

Through emphasising and understanding the cognitively damaging, pseudo-economic incentives present in video games, and reforming them to incorporate a more progressive view of female roles even in the fantasy world, we can finally say 'GAME OVER' to misogyny in the video gaming industry for good. ■

Virginity for Sale

Paulina Szymczak unravels the unpleasant reality of the Cambodian elitist trade in virgins.

Imagens Evangélicas

Human trafficking and sexual exploitation date back decades in Cambodia, one of the least developed countries in South-East Asia. A number of non-governmental organisations are working in the region to secure the rights of victims of sex slavery, and the issue continues to attract international attention. Yet the trade in virgins, one of the most endemic problems in the country remains largely unknown to the wider public - dwarfed as it is by more dramatic tales of enslavement in brothels. Characterised by a degree of consent on the part of the victims who surrender their bodies to help their families, the phenomenon hardly conforms to orthodox definitions of slavery. According to Chhiv Kek Pung, President of Cambodia's leading human rights organisation Licadho, this 'consensual' slavery causes trouble among foreign aid donors and pressures many NGOs to dodge the issue. Additionally, the full picture of Cambodia's secretive virgin trade remains blurred because of the lack of hard figures.

POVERTY AND CULTURAL MYTHS

So where to begin untangling the story of mothers selling their underage daughters' virginity to high-ranking state officials and businessmen? A specific combination of economic and cultural factors provides fertile ground for this business to develop.

Cambodia, with a population of 15 million, is classified as a low income country by the World Bank. Despite the high rates of economic growth over the last 15 years and significant poverty reduction, almost one fifth of the population still lives below the international poverty line set at US$1.90. The growth is predominantly urban-focused and does not include the rural areas where 91 percent of the poor live. Economic conditions are particularly dire for Cambodian women, who earn on average 27 cents for every dollar earned by a man, according to the Asian Development Bank. Poverty and social factors are the key influences behind the decision to engage in illegal activities. Female workers usually find employment in agriculture or the garment industry where their pay fluctuates around $55 per month. Unable to feed their families and lacking access to any other income generating opportunities, mothers often perceive selling their daughters' virginity as the best solution to make ends meet. The sums are enough to provide for the family for a couple of years.

Virginity in Cambodia is highly valued. The clients belong to the country's financial elite - male state officials, businessmen, military or even police officers prepared to pay between $800 and $4000 for up to a week with a virgin. The demand is soaring due to cultural myths and other local factors that contribute to the profitability of this very discreet and upmarket trade. Sex with virgins is believed to give men magical powers to stay young and healthy. Additionally, in South-East Asian culture, women are thought to exist for men's benefit just as children are for their parents'. The concept of children's rights is little-known in rural areas. The victims subordinate to their parents' will, seeing it as their duty towards the family. As a fine line remains between acquiescence and coercion, it is imperative to remember that it is the men who buy virgins that should be held accountable for this act in the first place.

TIME FOR ACTION

Any form of sex work is criminalised under law in Cambodia. However, even though the constitution prohibits prostitution, the laws are poorly enforced due to widespread corruption, frequently at the very top of the social ladder. Corruption and substandard police resources explain why no one has ever been convicted of purchasing virgins. The Cambodian government has been placed for a third consecutive year in the Tier 2 Watch List in the 2015 U.S. Department of State's Trafficking in Person Report for not fully complying with the minimum standards for the elimination of trafficking. Eradicating the virgin trade is slow and painstaking, with the process being underpinned by structural problems. Yet it could surely be hastened if law enforcement made catching brokers and buyers a priority. After all, it is human lives, traumas, and personal tragedies that are at stake. ■

Arbitrary Red Lines

Alvaro Conesa Vidanagy criticises economists who hold a benign view of policy makers in their models when governments arbitrarily curtail basic individual freedoms.

In 1857, Dred Scott, an enslaved African American, was denied his freedom by the US Supreme Court. Naturally, the outcome of the ruling would have been different in the 21st Century. However, would this have mattered to Scott? Would he have been better off in 1857 knowing that centuries later he would have been considered a freeman? Probably not. Seven out of the nine Supreme Court judges of the time were on the wrong side of history. Nevertheless, were they aware that they were doing the 'wrong' thing and that their ruling would be considered a dismal failure for the US judicial system in the future? Probably not. One thing for sure though: Scott died as a slave and the Court's mistake remains in the collective memory of all Americans, and that can never be changed.

'GUARDIAN ANGELS'

Economics works with simplifications of the real world called models. Economists are aware of this limitation and acknowledge that some of the assumptions they formulate can be unrealistic. We all have at some point come across the assumption of Homo Economicus, that is, forward-looking agents displaying perfect rational behaviour. Although sometimes hard to believe, this is not the biggest assumption in economics. By far, the strongest and most pernicious supposition of this social science is considering that policy makers actually care about the wellbeing of the agents and, therefore, try to maximise their utilities.

Alex Borland

I argue that real life politicians are not altruistic citizens: they have their own personal interests and motivations, and their behaviour is driven by them. Even when they truly have good intentions, the longer they remain in a powerful position the larger the temptation becomes and the easier it is to succumb to it. Further, even in the cases in which they do not surrender to temptation, they still remain in control of what can and can't be done. It is precisely this last aspect that I would like to analyse.

The immense discretionary power that we have blindly granted gigantic herds of parasite politicians and bureaucrats - who not only drain us from our legitimately earned money, but also from our rights as both individuals and groups - has turn them into the new controlling oligarchy. Or in Orwellian terms, Big Brother. In fact, government expansion has not stopped growing since the eve of the 20th century. Even after two world wars, the calamitous social experiment of the USSR, and the latest bail-outs of big banks, we still consider (and model!) policy makers as altruistic guardian angels. This is known in psychology as the Stockholm Syndrome.

In sum, the individuals forming the government have become transitory semi-gods: transitory because at least we can vote them out; and semi-gods because they decide what can and can't be done.

BECAUSE I SAY SO

The ridiculousness of government involvement has reached a new peak in the past decades. State intervention has become so intrusive that it can now interfere in extremely personal matters such as marriage, sexual orientation or sexual intercourse. The arguments given to justify these interferences tend to be efficiency, tradition or health. However, they are plagued with inside contradictions; and eventually the justifications all boil down to: because I say so!

For instance, being homosexual, bisexual or transgender is banned in some countries for religious reasons. In the worst cases, there are nations that publicly execute LGBT+ individuals. This is absolutely unacceptable and it clearly demonstrates how governments authoritatively curtail the most personal individual freedoms one can think of. But here is another more controversial example for the reader: a section of the Swedish Liberal party argued that necrophilia so long as the deceased person agrees to it before dying should be legalised. Unsurprisingly, most consider this repulsive. Nevertheless, who are we to ban people from doing it?

Is it the case that we know what is 'right' and what is 'wrong' just as the seven judges who denied Scott his freedom did? Our freedom to choose who we love, who we marry, with whom we decide to start a family and who we have sex with mustn't be limited by any government or institution.

DYSTOPIA

Letting the government restrict our most basic personal individual freedoms is an invitation to a dystopian future. Suppose you wake up one morning and you find out that, in the name of equality and prosperity, the government has decided to start arranging marriages so that wealthy children marry children coming from less affluent families? Imagine further that in this dystopian future it has been scientifically proven that arranging marriages actually reduces inequality. Would then government curtailment of our right to marry who we wish be justified? Although this is unlikely to occur, the mere fact that it could happen should frighten us.

The reader might believe that this is an extreme example, but history has repeatedly proven that our governments are capable of the worst atrocities. I therefore urge the reader to become conscious that some of our very basic rights are (or could be) at peril, and arbitrary government intervention is the cause of it. Hence, it is our social duty to limit and reduce governments' power. Although one might think that things are improving, never forget that those who created the problem in the first place are now the ones trying to fix it: in Friedman's words 'most of the energy of political work is devoted to correcting the effects of mismanagement of government.'

ECONOMIC IMPLICATIONS

Government involvement in one's most personal life issues also has its economic implications: forbidding a considerable portion of the population from freely choosing what they want is probably the largest distortion any economist can witness. This distortion (like many others) is fully due to government intervention.

For years, LGBT+ citizens have been forced to choose suboptimal levels of consumption and leisure. Moreover, they could not be employed because it was illegal to hire them, and they lived under constant stress of being 'discovered'. Worse still, there are products and business that would have liked to target this group of people and because of government intervention these profitable business opportunities have never been realised! Additionally, let us not forget about prominent characters such as Turing, who committing suicide after being prosecuted for being gay and sentenced to chemical castration. Apparently decrypting the Enigma machine and being the father of computer science and artificial intelligence wasn't enough…

LOST POTENTIAL

In The Price of Inequality, Joseph Stiglitz regrets how many gifted Ivy League physicists went to work for investment banks. He argues that these talented students would have been more useful in other industries such as the aerospace sector. However, they were dragged to where the big money was made: the financial sector. This is such a shame: mankind will never know what could have happened if all these brilliant minds hadn't ended up in the stock market.

I think it is fair to draw some parallels between those exceptional physicists who joined Wall Street and LGBT+ citizens. We will never know what could have happened had LGBT+ people been able to live normal lives. One thing is for sure: many of them died in the darkness, alone and misunderstood; society's mistake remains in the collective memory of all of us, and that can never be changed. Does it sound familiar to you? ■

Anne R Morse

Annemari Mägi

Shanghai: China's New York

Olivia Nyikos writes about the most recent Go Abroad Economics trip to Shanghai in February 2016.

In recent years, Shanghai has become a base for many international corporations, and stock listings for leading Chinese firms. Strategically positioned at the T-shaped junction of two major economic belts in China, Shanghai quickly developed into a major financial centre within a century after the early 1840s. However, Shanghai is referred to as the New York of China not just because of its financial importance and strong entrepreneurial spirit, but because of its lively and vibrant atmosphere. There are people, cars, restaurants, shops, businesses, museums, banks, places to visit…etc. everywhere! Within walking distance from our fairly central hotel there were two 0-24 Family Marts, Shanghai's local equivalent of Tesco. After a twelve-hour flight from London this was only the first of the many surprises awaiting us. Chinese culture is very different to the Western culture many of us are used to, though it bears striking similarities too, especially within cosmopolitan Shanghai. The goal of our nine day trip this February was to discover, live and enjoy these similarities and differences. Research beforehand had prepared us to some extent, though holding facts and figures in our head was not the same as walking through the city of immense skyscrapers whilst wearing a mask!

FROM SMALL TO BIG

During our visits many of our hosts pointed out how Shanghai transformed from a 'small fishing town' next to the Huangpu River into the incredible mass of buildings you see today. The first person to talk extensively about how the advantageous location spurred the formation and growth of Shanghai was our tour guide, Esther. Shanghai has experienced three eras of urbanisation, each stage exhibiting distinct characteristics in terms of industry, population, role in national and regional financial systems, urban expansion and so on. The day's tour showed us how these complex historical processes have left their mark on the city; each one transforming the urban fabric of Shanghai. The Jade Buddha temple, Yu Garden, Tianzifang and Xintiandi are just a few of the places that still remind locals and tourists alike of the 'old' China, unexpectedly emerging from the forest of glass and steel buildings.

However, visiting these amazing historical places was never easy as it might have been, and it wasn't until we 'lost' Emma for over an hour that Shanghai's vast population – 24 million – was put into perspective. Visiting the Shanghai library, taking the subway during rush hour, shopping on Nanjing Road and many of our other activities further confirmed the high population density we learned about before leaving on our trip. Supporting such a population, of course, requires a substantial public transport system: the motor of a well functioning metropolis.

METRO VS. TAXI

Shanghai has been one of the fastest developing cities in the world for the last twenty years, and in order to manage its big population a metro, train and bus system had to be built. The Shanghai metro is probably the most impressive traffic management system we had experienced. With 14 lines and 366 stations, the 588km long metro system can rapidly bring you almost anywhere, and for only a few pounds. To our great surprise, besides the cheap price and easy access, the metro was really easy to use; everything is written down using the official phonetic system (Pinyin) which transcribes the Mandarin pronunciations of Chinese characters, and every metro station and major tourist sight is announced in English. However, there is much more to Shanghai's mass transit system than a regular passenger can see and experience.

Fortunately, our group of economists were able to spend a day at the Shanghai Rail Transit Training Centre where Lin Hong, department manager, introduced us to the 'secrets' of Shanghai's modern metro system. We were impressed how, despite the technical challenges due to the city's sandy and water-saturated soil, this massive system was constructed in merely 20 years after China's 'Reform and Opening Up.' Lin Hong also told us the government's aim to expand this extraordinary metro network to around twice the size of the London system by 2020. The day included access to the control room of Longyang Road metro station, the emergency back-up metro car and the metro training centre. Furthermore, we took a first class round trip (58km) on the world's fastest maglev train that travels at 431 km/hr!

In contrast to the well organised (albeit crowded), fast and clean metro system, the surface may seem rather chaotic to the innocent foreigner. We saw countless bicycles, motorbikes and cars who paid little to no attention to pedestrians, lanes or traffic lights.

As our tour guide Esther also pointed out: Shanghai is not a car-friendly city, and compared to Europe has coped much differently with the rise in traffic over the past years. In order to access the motorway during rush-hour, one has to own a Shanghai licence plate that costs at least 80,000 yuan (nearly £9,000) when distributed by auction. To our good fortune most of the taxis in Shanghai did own such plates. "Taking the taxi is cheaper than walking" — one of us voiced what we were all thinking when we had to choose how to get to the restaurant one corner away. After having discovered that we can travel across the city for £2/person (4 sharing 1 car) there was no stopping us!

DIFFERENT CULTURE

Having researched Chinese culture, we were prepared for how to behave in public and restaurants, including not to be surprised if we are photographed or invited for drinks…

However, Shanghai is also very different in terms of business culture. China is to some extent still a high-context society which places a great deal of emphasis upon relations cultivated over a long period. In many instances, deals in Shanghai are still based on the traditional Chinese practice of relationship building; guanxi. When we met Tim Huang, the Chief Operating Officer of Bank of America Merrill Lynch China, besides telling us about business strategy, planning and reporting, and business development initiatives, he also talked about regulators and government officials. After telling us how some parts of the Great Wall can be closed for a day in order to impress and courage business with foreigners he further emphasised the importance of relationship building and how differently business is done in China. Still, this was not such a surprise for us, considering that almost all of our visits were arranged through family connections.

During our stay we came across many types of businessmen/women: deal-hungry ones who discount traditional relationship building and propose deals from the beginning of the meeting such as our guide Esther who tried to sell us tickets to acrobatic shows, massages, extra visits; lovely old couples living in the first ancient water-town in China selling hand made pictures of Suzhou for £0.50; pushy promoters who 'invite' young and white foreigners into a private club with free entrance and free drinks; angry merchants who do not want to settle for the real price of what their fake silk is worth at the fake market.

We were 'wowed' so many times during our stay in Shanghai: by the very vibrant and lively city, by the curious and friendly people, by the low price of food, by the even lower price of taxi fares.

Overall, researching a country is very different from actually visiting the place. This trip made us realise how similar Shanghai is when we look at transportation, shopping malls, hotels, banks, and restaurants, yet how different when it comes to prices of goods and culture! We were lucky to have studied, lived and enjoyed the New York of China. ■

Alex Everett

Thank you for reading this issue of Insight!


Alex Everett
Editor-in-Chief


Tom Schueneman
Head of Production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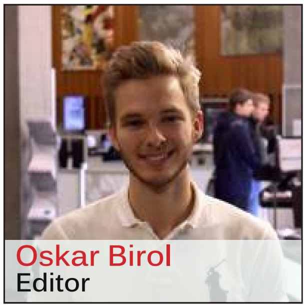
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Or get in touch – *insight.edinburgh@gmail.com*
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Karen Davidson and Jill Timmins - economics.sso@ed.ac.uk

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insight.edinburgh@gmail.com