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insight.

Bridging the Gap

Letter from the Editor-in-Chief

Welcome to Insight Spring 2021! For this issue, we wanted to look at some of the more optimistic and positive developments happening at the moment - policies to reduce discrimination, increase sustainability, and restructure our lives and economy in the wake of the Covid-19 pandemic; policies to bridge the gap between where we are and where we could be. We have a varieties of articles on offer this semester, ranging from reducing gender disparity by improving parental leave to how renters have been affected by the Covid-19 pandemic.

I hope you enjoy this semester's issue of Insight. As always, huge thanks must go to the writers for their fantastic articles, to our team of editors for their work, and to the School of Economics for making this magazine possible.

All the best,

Amber Murray

The Insight Team

Oliver Monteith
Head of Production

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Olivia Vera
Senior Editor

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Spring 21

Contents

Bridging the Gap

Econ School

The ~~In~~visible Hand

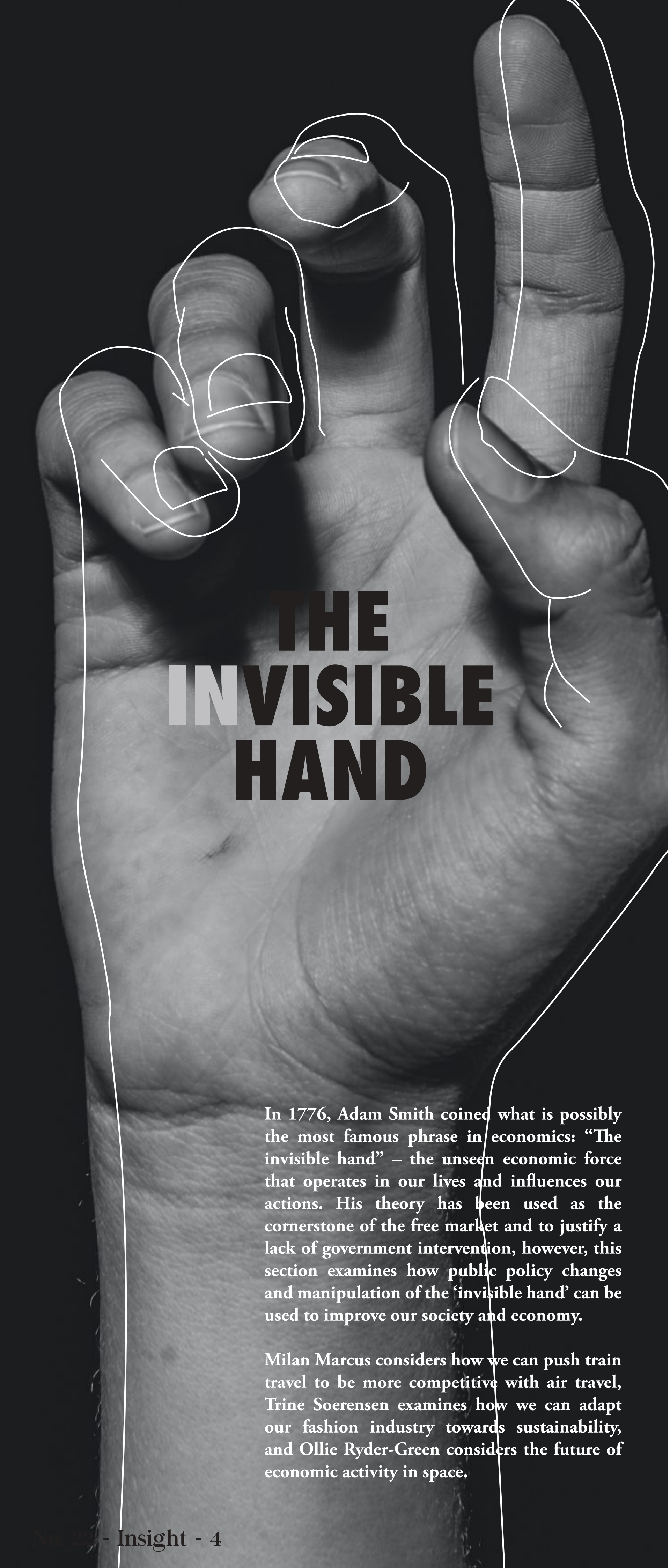
'Flight Shaming' and 'Train Bragging'
Runner-up for the Insight Prize
page 8

We're All in This Togther

The Parent Trap
Winner of the Insight Prize
page 14

In the Wake of a Pandemic

insight.edinburgh@gmail.com
www.insightmagazine.uk
@insightedinburgh
Insight Magazine Edinburgh



THE INVISIBLE HAND

In 1776, Adam Smith coined what is possibly the most famous phrase in economics: "The invisible hand" – the unseen economic force that operates in our lives and influences our actions. His theory has been used as the cornerstone of the free market and to justify a lack of government intervention, however, this section examines how public policy changes and manipulation of the 'invisible hand' can be used to improve our society and economy.

Milan Marcus considers how we can push train travel to be more competitive with air travel, Trine Soerensen examines how we can adapt our fashion industry towards sustainability, and Ollie Ryder-Green considers the future of economic activity in space.

The ~~In~~visible Hand

Space: The F Frontier

Ollie Ryder-Green explores the commercializa Low Earth Orbit and the future of economic ac Space.

It has been 60 years since Yuri Gagarin became the first human to transcend the boundary of Earth's atmosphere, and in that time, our collective fascination with space has not subsided. Yet, unlike other pioneering ventures, mankind's quest into space hasn't brought about manifold global rewards. Instead, near-Earth space remains almost as vacuous and under-utilized as it has ever been, a celestial parking lot for a scattering of satellites and space debris. Thankfully, that may be about to change with the rapid development of Low Earth Orbit (LEO)—a region of planetary orbit convenient for transportation, communication, and observation—that may prove to be the catalyst for a transformation of economic activity in space.

New Highs, New Lows

LEO encompasses Earth-centered orbits within 2,000km of the planet's surface—just a fraction of the band of space currently occupied by man-made satellites. Despite its relatively small volume, LEO contains a disproportionate share of the activity taking place in Earth's orbit; for instance, the International Space Station (ISS), Hubble telescope, and Iridium network are all nestled just beyond our planet's atmosphere.

LEO's popularity with man-made satellites shouldn't come as a surprise—it is, after all, basic economics. The cost of launching a satellite into space is astronomically high. Once there, the amount of energy needed to broadcast to Earth increases with the distance from its surface. LEO's relative proximity to the surface then makes it the ideal destination for commercial space activity, especially when that activity is centered on the planet below. Even so, costs remain prohibitively high for most commercial ventures. Almost all activity in LEO has, therefore, been driven by public-sector funds rather than the profit motive of the private sector. This has meant that much activity in LEO has been narrowly focused on public goods, such as research onboard the ISS and military satellite technology, which, although important, will not sustain a flourishing Space Economy. NASA itself has acknowledged the need to develop a robust commercial human spaceflight economy to which it may outsource its services. At the earliest, services currently offered by the ISS may be performed by private partners in LEO by the mid to late 2020s.

Public-sector infrastructure has,

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however, opened the door to the large-scale commercialization of LEO. Access to NASA launchpads and other launch facilities has enabled the development of commercial launch systems, such as SpaceX's Falcon 9 and Heavy—the latter can put a kilo into orbit for less than the price of a new MacBook Pro. This has reduced the cost of travel to LEO by a factor of 20. Costs are falling more rapidly on the margin thanks to reusable launch assets, modular vehicle designs, and payload ride sharing. Put simply, massive efficiencies are changing the approach to space from the historic paradigm of exploration to one of future commercialization.

Voyages of Human Enterprise

With the barriers to economic activity falling away, cheap and ready access to LEO will make previously unworkable ventures in space, such as manufacturing and life-science research, seem not only feasible but also practical. For instance, the microgravity environment in LEO will allow for the efficient manufacturing of goods, like delicate ZBLAN fiber optic cables, that are expensive and difficult to make back on Earth. Bioengineering will flourish in LEO: printing gossamer-thin tissues to build organs is a lot easier without having to deal with cells collapsing under their own weight.

LEO provides a unique physical vantage point. The miniaturization of satellites, cloud connectivity, and differential GPS are revolutionizing Earth observation. Already, the application of satellite technology is helping to tackle climate change, track urban development, and improve crop yields. Soon, satellites in LEO may help billions access basic public services, such as healthcare and education, through internet beamed from space. In fact, SpaceX's *Starlink* plans to do exactly that.

As the cost of exiting the atmosphere falls, the physics of orbit become much more useful. Transporting cargo (and eventually private passengers) from one side of the Earth to the other may take less time than a train from London to Paris. LEO also offers one of the best views *off* Earth, and that is something that many people would be willing to pay for. As the safety of spaceflight improves, spending a night in space may become the next must-have experience—providing you have enough MacBook Pros to spare, that is.

No Free Launch

The promise of LEO is undeniably tantalizing. It is, however, important to recognize that there are several challenges to overcome. Transportation costs remain high and the economic cost of a trip to Earth orbit is in the many millions, despite progress. Although getting off the ground is cheaper now than ever, commercial spaceflight has not reduced the cost to provide cargo to orbital infrastructure like the ISS. The infrequency and antiquated structure of spaceflight carries opportunity cost that slows private-sector plans for space. The risk to cargo and crew is also uncomfortably high. Space travel is still expensive and dangerous.

For commerce to flourish in LEO, well-defined property rights and the protection of intellectual property are necessary to ensure that cutting-edge companies have incentives to take on the massive risks and costs associated with space enterprise. This may be achieved with something akin to maritime law, with rights being allocated on a first-come, first-served basis. Alternatively, mechanisms may be designed to allocate the space. Both approaches raise concerns around the equity of monopolizing regions of LEO according to current ability to pay. There is also the question of how to arbitrate in disputes over space, as regions like LEO become more and more lucrative. If economic activity on Earth is any guide, such disputes will likely become a lightning rod for international squabbles over the support of domestic space industries.

Preserving the health of LEO is also an important consideration. Space junk from human activity is a classic negative externality. Journeying into space is difficult enough without having to avoid debris that increases the risk of failure and reduces the return to investment by making it more difficult to return high-value items for terrestrial use or to insure against catastrophic losses

Down to Earth

The history of developing frontiers, such as the American West via the railroads, illustrates the importance of the public sector in overcoming the initial barriers to successful pioneering ventures. Infrastructure, legislation, and property rights are all essential for the development of LEO.

Government agencies, such as NASA and the ESA, have been pivotal in laying the foundations for space commerce by leveraging huge budgets and decades of experience to drive down costs and promote and regulate more diverse space activity. In the coming decades, the role of these agencies will evolve to provide greater incentives for private enterprise to develop space-based industries, such as advance purchase contracts on vehicles and orbital facilities or procurement auctions to outsource services such as data collection and exploration. In doing so, government agencies will encourage existing space infrastructure to be harnessed to capacity and spur on cost-saving innovations.

The success of public sector endeavors is, however, not guaranteed. It remains dependent on the continued support of government, which, in turn, depends on public appetite for space activity. Many people are captivated by space—think Bowie, Kubrick, and Cox—yet the relatively unromantic process of developing LEO and kickstarting the Space Economy may prove less beguiling to some. Voters may consider developing space wasteful: why create problems in space when we are yet to solve some of the most pressing on Earth? The use of public funds to subsidize "space barons" in the face of rising inequality may be a political non-starter. Consequently, it may be challenges right here on Earth that forestall economic activity in space.

To LEO and Beyond!

Elon Musk, the visionary behind SpaceX, has his sights set well-beyond LEO, as have Jeff Bezos and Richard Branson. To these stargazing billionaires, LEO is the launchpad for much more ambitious endeavors: mining asteroids, colonizing other planets, and perhaps next-day delivery in space.
All that remains to be seen.

What is clear is that LEO offers huge commercial potential but not without bearing substantial risk and cost. Also clear is that it will take a sustained public-private effort to realize that potential. In the coming decades, LEO will undoubtedly be the proving ground for a space-faring economy and society.
Humanity has long had its head in the clouds; perhaps soon it will prosper *above* them.■

Degrowth as the Bridge Between Fashion and Sustainability

Trine Schack Soerensen writes about the detrimental impact of fast-fashion on the environment and human rights and how we, as consumers, can contribute towards changing it.

Every year, 92 million tonnes of textiles waste is estimated to be produced globally. Imagine a rubbish truck filled with clothing being dumped in landfill every second, and you'll get the idea. According to the 2017 Pulse Report produced by Global Fashion Agenda, by 2030, an estimated 148 million tonnes of clothing is expected to be discarded every year. Although fast fashion brands like H&M claim to produce 57% of their products using recycled or 'sustainably sourced' materials, less than 1% of fibres used in garments actually end up being recycled. Instead, most of the 'sustainably sourced' materials such as recycled polyester comes from the recycling of plastic bottles rather than old garments.

As consumers we may be misled by 'made from recycled materials' labels and believe that we are buying a seemingly sustainable product. In truth we are being greenwashed by a simple marketing strategy. Part of the problem can be sourced back to the lack of industry standards for what 'sustainably sourced' must entail, and consumers cannot count on fast fashion companies to help clarify. Consumers are not all at fault when they are lured into excessive consumption by claims such as these.

When the Norwegian Consumer Authority called out H&M for misleading sustainable marketing, they proposed policies, such as enforceable reporting standards and legal requirements for transparency in production processes and supply chains, to also have an important role to play in preventing greenwashing in the fashion industry.

While H&M claims to be committed to environmental innovation, renewable energy and improved materials, experts argue that none of these initiatives will be effective if H&M continue producing 3 billion clothing garments every year. Dr Patsy Perry, Lecturer in Fashion Marketing, states that the most effective means of reducing the environmental footprint of the fashion industry is to increase the lifetime of each garment which slows down clothing consumption. Even with less resource-intensive production and a shift towards environmentally-friendly growth, the capitalist-centred growth path of the fashion industry is simply not viable. With the pace fast fashion is working at, governments and consumers must recognize that infinite growth is impossible on a planet that is finite in nature.

Prioritising Quality over Quantity may Hold the Key to De-growth:

Succeeding the growth of fast fashion over recent years, consumer behaviour has weighed substantially more towards quantity rather than quality. UK respondents in Nosto's 'Sustainability in Fashion Survey' have generated hope for changing attitudes. With 52% wanting a more sustainable fashion industry and 32% willing to pay more for a product from a brand believed to be committed to sustainability, consumers ought to realise that they have the capability to steer the fashion industry to favour quality over quantity.

Not all households have the same flexibility to simply change their consumption, as income differentials and overall income inequality constrain households to consuming clothing from low-priced brands. However, if we as consumers realise that the consensus of achievable sustainability within the current economic growth theory of capitalism is fictitious, the fashion industry may effectively shift towards a slower-working and smaller production system: a system in which excess demand is no longer met with even greater excess supply through new clothing collections promoting overconsumption, and where exposure of non-sustainable activities is not twisted into a new source for profits.

Has the Pandemic Accelerated the Move Towards De-growth or has it Done the Opposite?

Concerning the aftermath of the Covid-19 pandemic, an Ipsos poll shows that 65% of global respondents agree that climate change should be prioritised within economic recovery. A YouGov survey reveals that 39% of consumers will shop with an environmentally friendly mindset and 64% of consumers want to support local businesses following the impacts of Covid-19.

Despite the good intentions of UK consumers, fast fashion retailers like Boohoo and ASOS have seen huge online sales increases during the pandemic. Even in the midst of allegations concerning unacceptable working conditions in July, Boohoo planned to pay out hundreds of millions of pounds in bonuses to executives and shareholders, once again proving that fast fashion retailers prioritise and reward profits over people and the planet. The pandemic has shown that the future of fashion is online, and fast fashion brands are leading in the shift towards online shopping.

Optimistically, US online consignment and thrift store thredUP research shows that whilst fast fashion is expected to grow 20% over the next decade, second-hand fashion is estimated to grow 185% over the same period. The pandemic has motivated second-hand shoppers to be sustainable by buying used goods. Although critics argue that the second-hand marketplace is still encouraging excessive consumption, second-hand shopping still decreases the total consumption of clothing. Each additional time a garment is worn, soil, water and atmospheric pollution is reduced. Evidently, second-hand shopping provides an additional channel for consumers to reduce the environmental footprint of their fashion consumption.

Covid-19 shows how individual actions have consequences that impact all levels of society, high and low. Firms should likewise think of the consumer-driven trend of degrowth as an opportunity to sell better, not more, thus emerging more resilient and adaptable. With this opportunity to reset, rethink 'business-as-usual' and establish a better system, the environment and basic human rights may prioritise economic yields. ■

'Flight Shaming' and 'Train Bragging' — on Track for Emissions Neutrality?

RUNNER-UP FOR THE INSIGHT WRITING PRIZE

In the European Year of Rail, Milan Marcus looks at how European trains can become more competitive with short-haul flights.

After decades of growth, international travel has been hit hard by the Covid-19 pandemic. Travel demand has plummeted in light of border closures and quarantine requirements. With continued uncertainty surrounding the economic recovery, passenger aviation is only expected to return to 2019 traffic levels by 2023 or 2024. Without a doubt, Europe's 'generation EasyJet' is yearning for a return to 'normal', which for many includes summer holidays in France or Italy and city breaks in Barcelona or Prague. While the Covid-crisis continues to dominate headlines, the climate-crisis may cause more long-term disruption for the travel industry. Transport is responsible for 16%of global greenhouse gas emissions, and unlike most other sectors, transport emissions are rising. Although most of these emissions originate from road transport, recent campaigns like the 'flight shame' movement have concentrated on keeping flights on the ground. They offer an alternative: 'train bragging'.

Liberalisation Gains and Pains

Europeans are avid travellers; few countries boast more international trips per capita than the EU-27. However, high incomes and relatively short distances between European countries alone cannot explain the proliferation of low-cost airlines like Ryanair and Easyjet, which allow jetsetters to hop from one country to another for less than €10. Instead, one should look back a quarter century to the creation of the EU's internal aviation market. Since 1992, EU-registered airlines can operate flights between any two airports within the EU. This liberalisation has allowed more competition between airlines, and therefore has been a key driver of the low-cost airline model's success in Europe, creating more travel options and lower fares for consumers. Previously, national flag-carriers (like British Airways or Lufthansa) essentially had a quasi-monopoly on domestic flights, while international air travel was heavily regulated through bilateral agreements on which airlines were allowed to operate which routes. Now, within the internal aviation market, Ryanair, based in Ireland, can take German holidaymakers to Mallorca, or operate flights between Rome and Athens. As economic theory suggests, the increased competition arising from market liberalisation has greatly reduced prices. For example, the average air fare between Milan and Paris has dropped by a factor of 16 since 1992!

Inevitably, cheaper fares lead to rising passenger numbers: since 1993, they have more than tripled in the EU. Yet such growth is accompanied by considerable pains. While the number of passengers and flights continue to increase, so too do the emissions from the aviation sector. Measured per passenger-kilometre, flying is among the most emissions-intensive forms of travel. Alternately, long-distance train trips can essentially be emissions-free, provided the trains run on electricity generated entirely by non-fossil fuel sources. Even when they aren't emissions-free, trains perform much better than planes: UK trains on average emit six times less than domestic flights per passenger-kilometre, while Eurostar claims passengers on its services between London and Paris or Brussels are responsible for 90 per cent less emissions than on an equivalent flight.

With emissions-free airplanes still a long way from being commercially viable, a large-scale modal shift from air to rail seems imperative for the EU to reach its goal of net-zero emissions by 2050. Brussels has proclaimed 2021 the "European Year of Rail" to promote trains as an alternative to short-haul flights (journeys less than 1000km). This is a distance where trains, especially the high-speed variant like France's TGV, can compete with flights on city centre to city centre travel time. Before the Eurotunnel enabled rail links between the UK and the continent, London-Paris was the busiest air route in Europe. Since then, the number of daily flights has halved, with Eurostar commanding around three-quarters of the travel market between the two capitals. In fact, many of the EU's busiest air routes are between cities less than 1000km apart. At least theoretically, a large-scale shift to rail seems feasible.

Competition is Key

However, beyond competing on time, trains must also compete on prices. Madrid – Barcelona is the busiest air route in Europe, despite high-speed trains connecting the two cities in 2:30 hours. Three competing airlines keep airfares low, while the Spanish rail operator Renfe faces no competition on its high-speed line. This pattern can be found throughout Europe. The medium-to-long distance rail market is reminiscent of the aviation market pre-liberalisation: national operators face little to no competition from private operators. However, if aviation successfully liberalised, so too can rail. The EU should complete the creation of a single rail market analogous to the existing one for aviation, where a railway company based in one member state can operate trains within and between any other.

How can that be achieved in practice? The monopolist's best friend is high barriers to entry. Enhancing competition will involve lowering these barriers. Naturally, the railway sector contains some barriers to entry, like up-front investment into locomotives and waggons. Yet so does aviation, where private companies have managed to flourish. Beyond administrative obstacles, private rail companies face unnecessarily high charges on using rail track, which in several countries is managed by the same state-owned company as the railway service itself. Reducing these access charges to reflect the marginal cost of usage would be a first step to encourage private companies competing with national incumbents. To facilitate cross-border travel, countries should implement uniform standards in terms of signalling and voltage – so that any train can travel across the EU without technical obstacles.

The railway sector would be well-advised to adopt some of the mechanisms which have made flying so prevalent. This starts with booking a trip. Websites like Skyscanner and Google Flights allow travellers

to easily compare all possible options for flying from A to B within seconds. Similar comparison websites for train travel are few and often don't have access to all timetables, let alone fares. And while a flight involving more than one airline and layover can often be booked as a single ticket, international train travel usually means booking separate tickets for each leg – significantly increasing costs. This also means less protection when something goes wrong: If a delayed train means a connection booked on a different ticket is missed, the traveller faces little chances of receiving compensation. To make trains more attractive, booking them must be as easy as booking a flight on the same route.

Next Stop: A Level Playing Field

The EU praises rail as a sustainable transport mode, claiming an increase in rail's mode share is a vital element of the European Green Deal. But beyond encouraging words, policy is needed to bring about this shift. Planes cause far more greenhouse gas emissions – i.e., negative externalities – than trains. Air fares should reflect these social costs. Currently, almost the opposite is true. At the beginning of the Covid-19 pandemic, European governments were quick to spend billions on bailing out their airlines, even though a survey of 231 economic experts found this to be the least desirable of 25 recovery policies. There is little regulation on the aviation sector: Kerosene, unlike most other fuels, isn't subject to any excise tax; tickets for international flights aren't subject to VAT. Although the aviation sector is part of the EU's emissions trading scheme, most of the emission permits are 'grandfathered', i.e. given to the airlines for free.

Compare this to the rail industry: Operators pay excise taxes for the electricity and diesel fuel they use. They indirectly pay for the emissions permits required for electricity generation, none of which are grandfathered. In several member states, international train tickets are subject to full or reduced VAT rates. Without a level playing field, it will remain difficult for trains to compete with planes on prices. Given the clear environmental benefits of the former over the latter, the EU's ambitions for emissions neutrality should be reflected in a kerosene tax and the end of grandfathered emissions permits.

The EU's designation of 2021 as the European Year of Rail should stimulate the mode shift needed to reach net-zero emissions by 2050. Prescribing 'more trains' alone isn't a silver bullet to all environmental problems, especially since constructing new rail track also involves emissions. But more people taking the train instead of flying embodies another shift – from a constant desire for more (whether more speed or consumer goods), to slowing down and appreciating the world around us. Looking down from a plane, the phenomenal task of saving our planet may seem distant and intangible. Sitting in a train, watching the landscape whizzing past, may offer an appropriate change of perspective. ■

We’re all in t

Social gaps - whether gender, race, or class based – have always been prevalent. However, innovative economic and social policies are aiming to tackle and reduce them. In this section, Dila Yalmon examines a divided Cyprus, Kirsty Vass Payne looks at how we can reduce gender disparity by improving parental leave, Anna McCourt discusses marriage inequality and female discrimination in China, and Dušan Repčák considers inequality in the world’s most unequal economy, Russia.

Cue High School Musical 3.

this together

We're All in This Together

Division within Unity

Dila Yalman explores the complex realities of foreign interference into the domestic politics of the divided island of Cyprus.

Welcome to the ghost resort of Cyprus. Crystal water, beach resorts and grand hotels span a few miles of the southern coastline of Cyprus. All shuttered, fenced and overgrown. Until recently, Varosha was securely guarded with metal fencing, entry forbidden, and armed patrols ordered to shoot on site. The previous residents date back 46 years, when the Turkish army advanced, occupied and fenced off the region which welcomed the rich and famous of the 1970s. But in October 2020, the derelict ghost town of Varosha – also referred to as Kapalı Maraş by the Turkish Cypriots – was declared reopened by Recep Tayyip Erdoğan in October of 2020.

This is not the first time that Turkish involvement has dictated the progression of North Cyprus. Increasing hostility between the Greeks and Turkish Cypriots in the 1970s triggered a series of attacks and military coups to overthrow the government, which led to Turkish invasion in 1974 and the division of the country into two states. The UN buffer zones span the width of the island, famously cutting through the last divided capital of the world, Nicosia/Lefkoşa. At present, Turkey is the only country in the world to recognise the Republic of North Cyprus (TRNC).

Even prior to the unlawful 1974 Turkish invasion of Cyprus, which succeeded in a ceasefire and an ongoing peace process, UN and government leaders alike had been in negotiation to solve the Cyprus Problem. Turkey's intervention into the affairs of this historically complex and fragile country and has since setback progress for a one-state solution.

Unconventionally, both Greek and Turkish Cypriots are united in their denunciation of Erdoğan's visit to Maraş; the Greeks claim the region belongs to them and the Turkish Cypriots have protested Turkey's attempts to subvert their secular way of life. Hundreds took to the streets in October 2020 and many were left angered at this blow to their peace efforts for a united Cyprus.

A united Cyprus proposes a single state which aims to reunify the Greek and Turkish Cypriots, whereas a two-state solution legitimises the current status quo of the separately governed island. The two-state stance of Erdoğan was established back in the October 2019 TRNC elections, to benefit his nationalistic ally, Ersin Tatar, the current President. Since Tatar unseated the previously moderate leader, Cyprus has become derailed from the goal of reunifying the island. This has left both Turkish and Greek Cypriot inhabitants angry, generating an inkling of solidarity. However, to understand the unity within division, one must explore TRNC's weakness as an internationally isolated nation which is prone to the whims of its financial mainstay, Turkey.

Controversial Visit

Erdoğan's 2020 announcement that areas of Varosha will be redeveloped by investors from Turkey defies the 1984 UN Security Council resolution which states that only the original inhabitants are to resettle into the region. Varosha will be rebuilt, but within the control of Turkey.

Since reopening, Turkey's dominance has been asserted with Varosha's main street being renamed from John Kennedy Avenue to Semih Sancar, who was the head of the Turkish military during the invasion of Cyprus in 1974.

Whilst the original residents lose hope of resettling into their former homes, there is a drive to transform Varosha into the "Las Vegas of the Med" which satisfies the wealthy mainland Turks who are otherwise not allowed to gamble in the mainland. Although this stimulates the economy of the region by attracting tourists and investors alike, will most of the city merely become the playground of wealthy Turks?

According to an academic paper by Professor Sülün Evinç Torlak, over 200 billion euros in investment is needed for Varosha's construction. The city has great economic potential which requires labour activity, export and transportation of materials which would develop the local economy. Over 100,000 visitors have already flocked to the region since the reopening of the decaying region, public infrastructure has been implemented to enable access as well as leisure. Bicycle lanes and light restoration leading to the beachfront aim to revitalise the area. However, the restoration efforts require migrant labour from the mainland.

TRNC's secularised way of life, relative to Turkey, is already under threat by the growing population of mainland citizens. The recent election of Tatar may have come as a shock to Turkish Cypriots, but it precedes the changing demographics and attitudes in TRNC. The injection of migrant labour from Turkey to rebuild Varosha could further sway the political balance to the right in the decades to come.

Economic Incentives

Since the de facto Turkish Cypriot state is only recognised by Turkey, it has been unable to reach the western system for foreign investment. TRNC's economy has since been reliant on Turkey, especially since they both use Turkish Lira as legal tender. To compensate for weaknesses in the economy Turkey has been known to provide significant financial aid to TRNC over the years. Undoubtedly, Turkey will continue to fund the regeneration of Varosha, at the expense of TRNC's economic freedom and diplomatic ties.

Since 2004, the transfer of funds to TRNC's budget has left the country' economy dependent on Turkey. Between 2004 and

2013 alone, TRNC had a constant budget deficit, peaking at 14% of Gross National Product (GNP) in 2009. The constant borrowing of up to 12.2% of GNP from Turkey has racked up TRNC's debt to 23 million liras, standing at 1.5 times the Gross Domestic Product (GDP).

Erdoğan's vested interest in hydrocarbon drilling on the coast of Cyprus goes a long way to explain why Turkey is consistently funnelling investment into the small nation. The discovery of huge gas reserves in the Mediterranean has fuelled a race between Turkey, Greece, France and Italy to tap into Cyprus' valuable resources. Predominantly, the drilling sites sit in the Exclusive Economic Zone (EEZ) of the Republic of Greek Cyprus, which is a European Union (EU) Member. Unphased, Erdoğan has continued to antagonise the actors involved in negotiations by beginning its hydrocarbon explorations.

Alliances

Greek Cyprus' alliance with the EU may provide greater diplomatic backing, with the EU examining sanctions against Turkey in March 2021 over its activities in EU waters. However, Erdoğan's weaponisation of the refugee crisis and its controversial ties with other states have deterred immediate EU response and continues to intensify Turkey's illegitimate engagement in Eastern European waters. Despite the critical role of the EU to normalise Turkish-Greek relations in Cyprus, their hesitancy has only exacerbated the gap in diplomatic relations.

The EU is failing to intimidate Erdoğan who continues to exploit Cyprus' hydrocarbon reserves at the expense of the island's future federal continuation as a united nation. Backlash by the Greeks, who feel betrayed by their allies, are now strongly considering the two-state solution, with Varosha's reopening as the final nail in the coffin.

But what does this mean for the future of TRNC, as an internationally isolated nation which is prone to the whims of its financial mainstay? In the short term, both sides of the island need each other for economic recovery post-pandemic. However, with the island united in agreement, yet divided by their puppeteer's rivalries, successful cooperation is appearing a long way off.

Tensions in the Eastern Mediterranean need to be eased and strategies put aside to enable the island to unite in their time of need. But these changes on the ground may become irreversible, especially as the common vision of unification is becoming a faded memory. ■

We're all in this Together

The Parent Trap

WINNER OF THE INSIGHT WRITING PRIZE

Kirsty Vass Payne explores the role of parental leave policy and childcare policy in reducing gender disparities between parents.

In the world of policy, the terms 'fatherhood bonus' and 'motherhood penalty' are used to describe the effect of having children on either parent's respective careers. The economic impact of parenthood on each sex is substantial: men typically earn 10 to 15% more after having children compared to a decrease in income of roughly 15% for women. Even in Nordic Countries where family policies are most progressive, mothers aged 45 with a medium level of education can expect to earn just 80 to 91% of their childless counterparts' income. While these statistics vary from country to country and between demographics, there is strong evidence that bearing children has a divergent effect on labour market participation, wages, and career progression for men and women. When attempting to tackle the impact of having children on women and their corresponding careers, policy is key. Parental leave and childcare policies have the ability to, over time, alleviate the burden of gendered roles on both parents. This allows for flexible modern family arrangements in a world that is increasingly dependent on two working parents.

It's Daddy's Turn

Parental leave policy is one of the few areas where unchallenged gendered norms within the law remain. These policies typically favour longer leave for women, with a low level of paid leave for fathers. In the UK, fathers get roughly 7 days of leave. Even in countries where there is provision of generous paternity leave, there is a large gap between what is offered and what is taken by fathers. For example, in Belgium, only 5.8% of fathers made use of parental leave in the first 2 years following the birth of their first child. Even in Sweden, only 48.5% took leave beyond the leave specifically allocated for them, leaving all the shared leave for their partners. These speak to the larger societal norms that continue to perpetuate the role of women as primary caregivers. This begs the question: what role does policy have in preserving or challenging the current situation?

A popular policy design implemented to promote gender equality is the so-called 'Daddy Months'. There are periods of leave specifically allocated to fathers to encourage uptake of paternity leave. These months have showcased the ability to change societal behaviours by encouraging fathers to take a larger share of childcare responsibilities. The power of such a policy is demonstrated in Norway. In the 1990s Norway, less than 4% of working fathers took time off work to look after their children. To tackle this, the Norwegian government implemented the statutory provision of 4 weeks assigned paternity leave only for dads. Paternity leave uptake subsequently skyrocketed to 90% in just 20 years. The policy was so effective that leave time has since been extended to 12 weeks for fathers.

Studies on 'Daddy Months' show that fathers who use this time experience less parenting stress and a better work-life balance than their counterparts, spending 4 hours a week less at work. The success of this policy design in increasing fathers' participation in their children's care demonstrates the important role of policy in changing societal norms. Similar policies implemented in Iceland and Quebec have had equally impactful levels of success in increasing parental leave uptake. Such policies have the power to change societies' conceived notions of gendered childcare and are a necessary step towards equalising the workings of parenthood.

Returning to Work

When considering parental leave and uptake, it is vital to consider household income and the role it plays in perpetuating gender norms. If women are offered extended paid leave and men are not, it isn't usually financially viable for families if men take the unpaid leave as it would have a more substantial impact on household earnings. The gendered pattern of these individual decisions is reflected in higher levels of parental leave uptake in equal or women 'breadwinner' households versus a lower uptake in men 'breadwinner' households within Sweden.

There is a clear relationship between wage-earning and the division of housework and care. Those who earn less, usually take on a larger role in childcare and housework. The impact of children and subsequent leave, at reduced or no pay, leaves women with reduced bargaining power, thereby leading to an increase in their respective housework. Once household norms have been set, this power relationship is hard to reset, leaving those with a lower income taking on the brunt of domestic duties. Research shows that it is financially beneficial for both parties for women to return to the workplace. Men taking longer parental leave is proven to increase household income over time through the increased likelihood of the woman's return to the labour market and thus the maintenance of a two-income household .

Existing parental leave policy can perpetuate mother-oriented norms, as seen in the context of the UK. Here, statutory paid paternity leave policies are 6 weeks at 90% pay for women followed by 33 weeks at £145.18, and one or two weeks for men paid at £145. Whilst both parents can take parental leave past this point, it is unpaid. Unsurprisingly, parental

leave uptake by fathers is extremely low past the point of payment. After childbirth, women in the UK take significantly longer leave from the labour market than their male counterparts, and many do not return. The role of household income in influencing men's decisions to return to the labour market earlier cements women's roles as carers within UK society. For a policy to move past gendered child rearing expectations, it must endeavour to encourage both parents to take leave and to enable more equal divisions of domestic duties post-childbirth. This in turn redistributes bargaining power within the household and lessens the impact of having children on women's careers.

Who's Looking After the Child?

The effects of child-rearing on parents go beyond the debate over paternity leave. Caring responsibilities are mainly left to mothers, and as such, even if women do remain in the labour force after childbirth, the burden of childcare greatly influences mothers' careers. For instance, the gender pay gap in the UK for women between 18 and 39 is very small (just over 1%) compared to the much larger gender pay gap of 12.3% among women aged 40 and above. This is likely due to the influence of children on women's wages. The time cost of caring, or any subsequent children, have a large impact on a mother's career progression. Pairing generous paternity leave policies with affordable and flexible childcare models helps decrease the impact of childcare on women's careers. Quebec has been viewed as the model for such innovative policy since it implemented free universal childcare in 1996. The government's radical reform was based on the premise that if childcare was accessible and affordable, more women would be able to join the workforce and would therefore raise revenue for the government through an increased payroll tax. Since the beginning of the program, the rate of women in the workforce between the ages 26 and 44 has reached 85%, which is the highest in the world. However, even with universal childcare and generous paternity leave, motherhood in Quebec still negatively affects women's income. It is clear that even when there are policies in place to help women return to the work, the child penalty perseveres.

Paternity leave policies and childcare policies can be instrumental in changing social norms which punish women in their careers for having children whilst rewarding fathers. The influence of well-designed policies is not to be underestimated, as examples of well-implemented family policies show both uptake in parental leave rates of fathers as well as workforce participation of mothers. It is important to note that despite the implementation of strong parental leave and childcare policies, the childhood penalty persists. Recent research has shown that even in countries like Denmark and Sweden that have progressive family policies, women face a 20 to 25% penalty on earnings compared to men 10 years after the birth of their first child. Family policies are crucial in improving women's workplace participation and reducing the gender wage gap. Yet, policy can only go so far in terms of diminishing the impact of ingrained gender norms. ■

We're all in this Together

The World's Most Unequal Economy

Duśan Repčák explores the story of how a nation focused on equalising income became the world's most unequal economy – and uncovers fundamental flaws in the way we usually measure inequality.

During the first half of the 20th century, World Wars and the Great Depression compressed the incomes of the wealthiest across Europe. Despite this historically low inequality, one nation embarked on a plan to reduce wealth inequality beyond what others could imagine. The Soviet Regime in Russia and its satellite states used steeply progressive taxation of income and inherited wealth to finance the welfare state and nationalisation of industry in an attempt to end private property. In short, the aim was to reduce monetary inequality to the lowest level in human history.

Whilst the USSR tried to mitigate inequality, the West saw its rise. Conservative leaders in the UK, US and much of the West promoted ideas of trade liberalisation, anti-progressive taxation and financial deregulation. The divided city of Berlin perhaps best illustrated the contrast and conflict between the two ideologies and served as a focal point during the dissolution of the USSR altogether in 1991. It was under this context that contemporary Russian president, Boris Yeltsin, initiated a process of economic transformation by the means of 'shock-therapy'.

Shock Therapy and its Consequences for Inequality

Shock therapy is a set of policies used to rapidly transform a planned economy to a market economy; such policies include not only trade liberalisation and withdrawal of state subsidies, but also an immediate release of price controls and privatisation. Between 1992 and 1994, the privatisation of around 15,000 Russian state-enterprises took place in the form of 'voucher privatisation'; a privatisation policy used relatively successfully earlier in Czechoslovakia. The vouchers, which could be exchanged for shares in former state enterprises, were distributed equally across the population. This was meant to prevent high concentration of ownership among the Russian mafia, which the government feared.

Despite even higher participation rates than in Czechoslovakia, the nature of the vouchers encouraged poorer segments of the population to exchange their vouchers for cash rather than to invest. As a result, small groups of individuals in the management of privatised firms were able to buy back large quantities of vouchers at relatively low prices and, in some cases, obtained highly profitable deals with public authorities. These groups of individuals soon emerged as oligarchs and would amass great wealth as a result.
In the USSR, prices were often kept artificially low for decades, as the market equilibrium was distorted by the use of price controls. Their sudden release during shock therapy sparked off hyper-inflation; the consumer price index was multiplied by a factor of 5000 between 1990-96. Not only did living costs for Russians increase dramatically, but household financial assets (mostly Soviet-era saving accounts), which amounted to 80% of national income, were worth close to nothing by the late 1990's.

Both voucher privatisation and hyper-inflation caused a dramatic increase in income and wealth inequality across Russia. The top 10% of earners' income share rose from 25% of national income in 1990 to 45% in 1996, whereas the bottom 50% share dropped from 30% of national income in 1990 to less than 10% in 1996. Voucher privatisation played a key role in the former and hyper-inflation exacerbated the latter.
Interestingly, the Gini coefficient reaches peak values between 1993-96: this contrasts with top 10% and top 1% income share series with peak levels in 2007-2008. The reason for this is due to the particularly low bottom 50% share in the early 90's, which helps reveal one of the main limitations of Gini Coefficient. Because different Lorenz Curves can result in the same Gini Coefficient, the curve actually tells us very little about the reality of inequality for particular segments of the population by income percentile. This illustrates the need to think beyond the coefficient numbers to measure inequality, especially since it cannot account for offshore wealth.

The Trade Surplus Paradox

Since the early 1990s, Russia has run a large trade surplus every year driven by exports in oil and gas, averaging about 10% of national income annually. In theory, this should have led to a massive accumulation of foreign assets. Paradoxically, the net foreign assets accumulated by Russia are surprisingly small, around 25% of national income by 2015.
How can we explain such a low level of net foreign wealth accumulation? The net foreign assets can appear small on paper because offshore wealth in tax havens is unrecorded in national statistics. There has been evidence of widespread use of offshore entities organising financial and business transactions with those who benefited from Russian trade surpluses.
Who benefited from this "missing" wealth? First, it has been the small group of foreign investors who made profits on the Russian stock market boom between 1998 and 2008. Second, there are Russian nationals, who are now foreign residents and have diverted their assets abroad. Finally, there are Russian residents, whose wealth is offshored in tax haven countries such as Switzerland, Cyprus and Monaco. Global Forbes billionaire data shows this final group of Russian residents

are the main beneficiary of trade surpluses, since the vast majority of Russian billionaires have residency in Russia.

Since these activities happen under the surface, details about exact numbers are unclear, but conservative estimates show that offshore wealth reaches 85% of national income (as of 2015), equalling 50% of total Russian financial wealth. In other words, Russian oligarchs own approximately as much wealth abroad as the entire country does within its borders.

It should be clear that the Gini coefficient is not a sufficient measure of inequality. Although the Russian Gini coefficient has generally increased over the past decade, it hit record lows of 36.8 in 2016. Ironically, this was the year Credit Suisse Wealth Report claimed Russia to be the most unequal economy in the world, with the top 1% sharing almost 65% of total wealth; this number is unprecedented. The top 1% share now stands at 58% by this metric, leaving Russia as the most unequal country in the world. For comparison, the top 1% share in the US is about 35%, and 22% in the UK.

Inequality in Context

It is hard to doubt that inequality levels in modern Russia are now comparable to Tsarist Russia. In fact the very top income shares may be even larger in Russia today. This appears to be largely the legacy of a flawed voucher privatisation scheme, as well as the hyper-inflation and offshoring of wealth that followed. At the same time, extreme inequality seems to be more acceptable when average living standards are comparably higher between the periods of modern and Tsarist Russia. That being said, latest surveys show that around 45% of Russians have monthly income of 15 000 rubles (£146), with the monthly expenses for a family household (two parents and one child) estimated at around 60 000 rubles (£587).

It is important to remember the Russian historical context. The drastic failure of Soviet communism and history of bloody revolution plays a role in the high tolerance for inequality without major uprising. One can argue that the reality in Russia today is that extreme inequality is acceptable, as long as billionaires and oligarchs appear to be loyal to the Russian state and perceived national interests. However, it is worth noting that history – as well as signs from current Russian politics – suggests that this equilibrium is fragile. Indeed, in January 2021 the Russian opposition leader Alexej Navalny released a documentary which describes connections between Putin and Russian oligarchs, which has coincided with the largest series of protests throughout his presidency, across 112 cities. The socio-economic equilibrium today seems more fragile than ever. Whether the current oligarchic regime will persist, we are yet to find out.

Perhaps equally fragile may be the continued reliance by academics and politicians on the Gini coefficient as a sure-fire way of measuring inequality. The story of modern Russian inequality shows that different income groups can be affected in different ways without this showing up on the coefficient number. If the nature of Russian inequality can be arguably confused by opposite changes in the coefficient, then perhaps a new cardinal inequality measure needs to be agreed on. For the Gini coefficient in Chile, at a time of great national protest and anger about inequality, to show up lower than stable democracies like Germany, Sweden and Denmark, there must be some credibility to the idea that this number may not tell us what need to know about the reality of inequality between income groups. ■

Crossing the Heavenly River

Anna McCourt discusses China's low marriage rate and how the Chinese Communist Party is tackling the problem.

The traditional Chinese tale of the Cowherd and Weaver Girl tells a story of two lovers separated by a heavenly river. Every year, a flock of magpies would create a bridge so that the couple could be reunited. This day has been celebrated as the Qixi Festival in China as far back as the Han Dynasty.

In the twenty-first century, potential lovers in China are separated by many things: societal pressures, the skewed sex-ratio, and increasingly, themselves. This is reflected in the marriage rate, which in 2019 was at the lowest it had been in 14 years. The heavenly river, it seems, is getting wider and wider. But how did China get here?

The Fall of the Weaver Girl

The introduction of the one-child policy in China amplified a pre-existing problem: bias towards males. Economically speaking, males have always had better investment potential - they could work, carry on the family name, and find a suitable wife who would take care of their ageing parents. This male-favoured bias has prevailed to this day, despite the number of women in the workplace almost equalling men, and women accounting for 43.7% of the labour force in 2019.

It was of little surprise that the Chinese Communist Party's (CCP) introduction of the one-child policy in 1979 skewed the sex-ratio, resulting in anywhere between 30 and 60 million 'missing women' in China. Their 1980 decision to allow rural parents to have a second child if their first was female further imbedded the mindset that a daughter wasn't sufficient.

Not Even Magpies can Fix this One

As the generation born under the one child-policy reaches marriageable age, the skewed sex ratio looms. This is especially evident in rural areas, where many women have moved away to pursue a job or education in a bigger city; some villages have even been dubbed 'bachelor villages' due to the sheer absence of women.

On top of this, single women are becoming increasingly disillusioned with the idea of marriage despite the heightened bargaining power that has come with the scarcity of their sex. Over the past few decades, women in China have become far more likely to stay in education and pursue a career rather than marry earlier as their mothers had. Women are outnumbering men in both junior college and undergraduate programs for the first time in 2009, according to China's Ministry of Education. Increasing education rates of China's women may explain the partial decline in women's desire to marry, since they now have a higher likelihood of becoming financially stable and independent without the conventional help of a husband.

Many young couples are also hesitant to marry and have children, especially those who live in big cities. For women, marriage means an expectation from employers that they will take maternity leave in the not-so-distant future, disadvantaging their succession in the workplace. A survey of 10,000 families conducted by All-China Women's Federation reported that as much as 54.7% of women were asked about their marriage and maternity plans during job interviews. A further 12.5% reported being fired shortly after becoming pregnant. This trade-off is too costly in the eyes of many.

The Powers That Be

China's aging population, combined with their falling marriage rates, will inevitably cause a population decline – hence, disproportionately impacting the working-class population. Economic instability accompanied by the falling population, will generate uncertainty regarding China's future, in particular, the sustainability of their GDP growth.

These concerns have pushed the CCP to drastically attempt to remedy this societal conundrum. Shameless propaganda and mass blind dating events have been organised to try and ignite the spark between young people. Public shaming has also played a key role, with unmarried women being labeled as 'leftover' by the state and popular media. The success of these methods has been questionable at best, detrimental at worst. Many women have spoken out against this label, with the cosmetic company, SK-II, running an advertisement that features women speaking about the harm this label has caused them.

However, as the CCP have now realised, the issue of the missing marriages and of China's missing women stem from the same root: societal bias towards men. The CCP have adopted a range of methods to fix this, from outlawing foetal sex determination and sex-selective abortion, with the aim to deter couples from favouring sons to daughters in-utero. In some areas, "Care for Girls" programs have been initiated, which financially supports families with daughters, implements education on gender equality, and equips young girls with skills that will benefit their future employability.

China still has a long way to go to increase marriage rates. Before they even attempt to bridge the gap between men and women romantically, they first have to narrow the societal chasm between them. With changing mindsets around women's role in society, and more women becoming more visible in education and the workplace, younger generations are challenging traditional ideas. However, changing mindsets take time, and as Rome wasn't built in a day, a heavenly river cannot be narrowed in a generation. ■

IN THE WAKE OF A PANDEMIC

The covid-19 pandemic has affected all of our lives in a myriad of ways. The health, social, and economic impacts are yet to be fully determined, as are the ways in which we will have to integrate these impacts into our new day-to-day lives.

For school and university students, we're had to adapt to an online education, which Amy Cook considers. Sam Tenny explores the effect on renters of working from home during the pandemic, and Serena Grover looks at how financing for development can help us to recover and achieve UN development goals.

In the Wake of a Pandemic

Inequality and the Coronavirus: The Effects on Housing

Sam Tenny explores the disproportionate effects on renters of working from home during the pandemic.

The spread of the Coronavirus has highlighted systemic issues ingrained within some of the poorest communities across the UK. Not only have high-case rates rapidly swept across low-income areas, but the conditions of housing and the turmoil that renters and those on low incomes across the UK face have also been exposed. With these effects taken into account, it becomes evident that the threat of the virus is both pathologically and economically determined. These threats have exposed the underlying issues that currently exist within rental properties and low-income housing. They are further exacerbated by the remedial measures put in place to stop the spread, as the severity of the effects of lockdowns are more substantial to those on lower incomes.

Use- and Exchange-value

During the pandemic, the significance of housing within daily life has increased vastly, and Marx's notion of use- and exchange- value can elucidate this change. Use-value refers to the tangible features of a commodity and how significant they are to human needs and requirements. As well as use-value, a commodity also has an exchange value, which is best defined as the monetary value of a commodity.

Lockdowns across the UK have fuelled a surge in the number of people working from home. This has transformed the use-value of one's home; initially, homes were seen as places of living, sleeping and socialising. Lockdowns have raised the use-value of homes, giving them a multi-faceted function as places of worship, exercise, education, and work. Despite this, renters or the economically deprived face the forlorn reality that their homes cannot satisfy the increased use-value.

An Illustration of the Effects on the Deprived Population

In Birmingham, a city in the top quintile for deprivation, 60% of those from low socio-economic backgrounds are employed in jobs where they have the ability to work from home. Despite this, people in areas like Birmingham are at a significant disadvantage compared to people in areas with less deprivation; economically deprived people are most likely to live in overcrowded accommodation. Considering the poorest quintile of UK households, 7% of people live in overcrowded dwellings, compared to 0.5% in the top quintile. The realisation of new use-values is reaped by the wealthy, who can set up office space and take advantage of the new work-from-home opportunities. However, economically deprived individuals have struggled in overcrowded shared spaces whilst attempting to be as productive as their counterparts. Additionally, crowded dwellings are a severe health risk for respiratory illnesses like Covid-19, as any attempt of social distancing in overcrowded accommodation nears practically impossible.

A Renters Market?

Upon understanding the relationship between the new use-values that the pandemic has caused, it becomes evident that those on low incomes will be disproportionately affected by lockdowns. Of the 1.4 million private renters living on low incomes, almost 90% suffer in harmful living conditions, occupying housing that is risky and unsafe, with 1.71 million privately rented and social rented homes not meeting the decent homes standard i.e., the minimum standard for housing conditions. Therefore, trying to exploit the current use-values that lockdowns have brought to housing is very difficult for those who rent and those who are on lower incomes. Privately rented homes are also, on average 30% smaller than the ones occupied by homeowners, restricting activities like exercise, worship or work and storage of essentials; a significant issue given the current advice is to limit the number of essential shopping trips.

While use-value plays a significant part in illustrating the impact of Covid-19 on the economically disadvantaged, exchange-value has extreme significance, especially in periods of lockdown. In the UK, 85% of those renting on low incomes are in 'after-housing-cost poverty', which means paying their rent pushes them below the poverty line. This is especially worrying as it was not only use-values of housing that peaked during lockdowns, but the exchange value as well, with record rent prices across the UK, recorded just before the first lockdown. These increasing rents create a further sense of distress for those on low incomes as the absence of truly supportive measures means that those who are already on the minimum wage are not only most at risk from being furloughed, but when furloughed, they only receive a fraction of the minimum wage they were already receiving. This pushes the most vulnerable further into poverty as lockdowns have forced them to earn lower incomes despite facing higher rents than previously.

Will Things Change?

The situation that those who earn low-incomes face is not only a reflection of their treatment during the pandemic, but a further reflection of entrenched systemic issues that exist within the UK housing market. Although 60% of those from low socio-economic backgrounds can work from home, they're prevented from doing so by low quality, overcrowded and overpriced housing. Regardless of whether people have to worship, educate or work from home, no person should live in an unfit house, especially when paying for that unsuitable home pushes them into poverty.■

In the Wake of a Pandemic

Education during Covid-19: Stopping a Broken System from Breaking?

Amy Cook discusses the widening education inequalities gap in the UK and how it can be bridged.

During Edinburgh's recent snowfall, memories of cancelled school on snow days came flooding to mind for many; yet this year students had to miss out on the thrillful experience. . Since the third national lockdown this January, cancelled classes have become the rather uncheerful reality for children and parents alike. The transition to remote education has come to mean the loss of sufficient hours spent on children's education. The length and quality of time spent working will now vary significantly by school and home environment, as well as parent ability to support online classes. Combined with the disproportionate economic hardships endured by poorer households, the Covid-19 crisis could have devastating long-term impacts on inequality. Today's young people will have to pay the price for our response to the virus. Failure to act could lead to differences in grade levels, barriers to higher education and greater divergence in future incomes. The pandemic is widening the educational inequality gap. We need to bridge it.

The extent of the damage

Across the UK, education is far from homogenous. A recent report by the Institute for Fiscal Studies (IFS) found that children from families in the highest income groups receive 1.2 more hours of learning time per week than those in the lowest. Another study placed estimates even higher, with the richest quintile spending 75 minutes more per day than the poorest. These figures are pre-pandemic. Whilst before they might have been easy to ignore, the longer schools are shut the more pronounced any differences will become.

More importantly, we must focus on the quality of teaching. The same IFS report found that throughout the crisis, children of higher income families had better access to home learning resources, such as desk space and a computer. This is unsurprising. What's worrying is that these children, on average, spend more hours than their poorer peers involved in active learning, such as live classes, video calling and chat forums. Methods of remote teaching which encourage active participation undoubtedly engage students more, have higher information retention, inspire greater productivity and result in higher quality education for richer households. This is an invaluable chance to reflect on how we define good education, in order to refocus and innovate future efforts to reduce inequality.

The gap persists

Our main concern should be ensuring Covid-19 does not create a long-term drop in income, especially for poorer students who are least able to mitigate impact. Following the cancellation of GCSE and A-Level exams for the second year in a row, it begs the question of how students will progress to higher education and/or ensure future employers of their abilities. Ideally, our response will address both the loss in education and loss in signalling power, whilst helping reduce existing and persisting inequalities.

Another long-term concern is the development of younger years. For many young children, a normal school day last March has been abruptly followed by almost a year of being told to stay away from their friends, family, teachers, wear masks, alarming signs and distressed parents. Not to mention those who have lost family members. It is especially hard for young children to make sense of the events of the past year. It is yet to be seen how such trauma will affect their long-term development, but with studies suggesting the poorest children are already 11 months behind their peers when starting school, we should be fearful if Covid allows the gap to widen further at this crucial stage.

Spotlight on A-Levels and access to HE

Following the government's U-turn last summer, there is increasing pressure to ensure grades will be awarded accurately and fairly. The controversial system saw 40% of students downgraded, with comprehensive students more likely to be downgraded than their privately educated peers. Ultimately, the decision was taken to revert to centre assessed grades which emphasised teacher input. A similar approach has been adopted this year, it was recently announced. Teachers must assess their students' performance, based only on the content they have delivered. However, unlike last year, most of this year's further education graduates have spent more than half their studies in and out of national lockdowns and remote learning. For many this means their teachers will not be able to fairly assess their ability. Those with smaller class sizes are at an obvious advantage, a feature most characteristic of private education.

The UCL Centre for Education Policy and Equalising Opportunities found that among high achievers (those who achieve AAB+), students from disadvantaged socio-economic backgrounds receive predictions 0.059 grade points lower than their more advantaged peers. They are also more likely to be under-predicted. Potential explanations for this are teacher bias underestimating the abilities of poorer students or disadvantaged students being better incentivised to improve following grade predictions. Neither of these are optimistic for teacher assessments preventing a widened education gap, at least across the highest potential students.

From the perspective of universities, there is also the question of how accurately grade predictions will reflect student ability. If they choose to consider predictions, they must appreciate that performance this year is, in part, a function of how well equipped your home environment has been. If they choose to discount predicted grades, they will have to contextualise other available information, such as GCSE grades or super-circulars. Otherwise, among students of equal ability and potential to succeed, those from high income families will have an advantage, aggregating the advantage already offered to them and exacerbating existing inequalities.

Spotlight on Apprenticeships

Often forgotten about, apprenticeships are a lifeline to young people wanting to develop practical skills and a viable alternative to those not well suited to an academic learning environment. They add substantial value to businesses wanting affordable labour, trained and tailored to their business needs. But beyond this, apprenticeships act as an important instrument in reducing inequality, since they place value on individual potential and build niche, in-demand skills, which ultimately lead to high wages. They are a step closer to creating a system where anyone can succeed, helping address inequality at the root. Apprenticeships should be a policy priority since they can simultaneously address the short-term impacts of Covid-19 and long-term welfare objectives.

Given the large financial hit to firms this past year, the availability of apprenticeships has been badly affected by Covid-19. Overall, the number on-offer halved in 2020, with national lockdowns and inability to pay wages being the two main obstacles. Apprentices are the least priority for employers having to make tough decisions about the future of their employees and business. The value of apprenticeships has incentivised some policy action from the government. In a policy brief laid out last month, allowances are being made for some face-to-face assessments to go ahead, and greater flexibility for learning breaks and deadlines. But this is insufficient as it offers no protection over future placements.

Government Options

The pandemic is pushing government finances to extremes. Nonetheless, investing in the brains of young people will create high future returns. Investment must be focused at the school level, otherwise it will be too late. This should be central to any mid- and long-term recovery plan. When it comes to education, we should not be afraid to spend. This is echoed in the £302 million made available to primary and secondary schools in the most recent budget. This is a good start, if we can ensure the money is used to target inequality at its source.

The Government should step up their support for apprenticeships. They should work with firms to identify exactly what challenges they face. They should also take greater and more active responsibility for apprentices. This could range from subsidising and/or helping to relocate apprentices from firms under financial strain, to restructuring and centralising the system through which apprentices are hired. The same goes for universities. Ensuring the well-being of higher education is central to future economic prosperity. Policies such as increasing student loans to families hit by the pandemic, as well as allowing flexibility and subsidies to current students wishing to retake exams in the next few years will help mitigate the impact of Covid-19. Another option currently being discussed is summer schools. If they can directly target lower-income groups, they could potentially prevent a widening of the education gap.

What should Edinburgh do?

A large responsibility will still fall on university admissions to ensure fair admissions processes. Over the next few years, universities must judge applicants holistically. Prioritise potential as well as characteristics which make a successful student, such as resilience and passion, alongside grades. They should also continue to contextualise performance based on socio-economic factors, and expand programmes such as the Lothian Equal Access Programme for Schools (LEAPS), a school outreach initiative in Edinburgh. Often, poorer children are not aware that higher education is a potential option for them – direct communication with schools is the most effective way to reduce this inefficiency.

It is crucial that universities communicate that they are open, accepting students and committed to fair applications processes. They should publish transparently how they will make application decisions, specifically outlining how they will address cancelled examinations. Honesty speaks volumes, and will incentivise potential applicants to apply. With the shift to online education, comes the opportunity to engage virtually with young people like never before. Representatives can meet students in London at 9 and in Newcastle at 10 – engagement like this has never been feasible, and should be exploited whilst we can. ■

In the Wake of a Pandemic

Financing for Sustainable Development: An Individual's Role

Serena Grover explores the importance of aligning private capital with public good to achieve the United Nations Sustainable Development Goals.

With only a decade remaining to accelerate progress for the United Nations Sustainable Development Goals (SDGs), member states recognised the shortfall in financing global efforts, and called for a Decade of Action in 2019. Little did we know the COVID-19 pandemic would have a cataclysmic effect on the path towards the SDGs.

The SDGs were established in 2015 by all UN member states to ensure a concerted effort in ending poverty, protecting the planet and ensuring global peace and prosperity by 2030. These 17 goals recognise that ending global poverty must be coupled with strategies to foster economic growth and address a range of social needs.

The 'unprecedented' shock

The pandemic has had a devastating impact on all 17 of the global goals, reversing the progress made in multiple cases. Pre-existing inequalities have been exacerbated, with disproportionate effects on poor and vulnerable communities, resulting in higher fatality rates, increased unemployment, and threats to economic security. This has positioned the SDGs and Paris Climate Agreement as the 'North Star' in governments' agendas for the recovery. However, not only has the pandemic bolstered the need for the SDGs, but it has augmented the finance gap required to achieve them. Continuous lockdowns and large stimulus packages have snowballed government deficits, to date adding $19.5 trillion to global debt.

The capacity of public funds to finance the SDGs has diminished.

Addis Ababa Action Agenda

Nevertheless, the world was off-track to achieve the SDGs before the pandemic hit. The Addis Ababa Action Agenda (AAAA) in 2015, outlined the blueprint for implementing the SDGs, by providing a global framework that aligns all financing flows and policies with economic, social and environmental priorities. It recognised the need for changes in decision-making across all five stakeholder groups: customers; employees; investors, suppliers and vendors; communities; and governments, as it was clear public finance alone would be far from sufficient. The AAAA was able to officially acknowledge the necessity of private capital in achieving improvements across global social and environmental indicators. Unfortunately, even before the pandemic the innovative financial techniques were not fully equipped by the governments of UN member states and there remained an extensive scope for policy frameworks to facilitate these. Projections released in 2019 showed many unpromising results for the SDGs, with for example 6% of the global population predicted to still be living in extreme poverty by 2030.

Given the pandemic has veered the achievement of the SDGs off course even more significantly, it is vital the Addis Ababa agenda and private finance is fully embraced.

Risk-Return-Impact

The 'new' buzz phrase within the financial sector – impact investing – proves a useful instrument to align private capital with public incentives. Impact investors expect to earn a financial return on capital invested, whilst tackling social and environmental challenges. It is however differentiated from Environmental, Social and Governance (ESG) investing due to the commitment to measure and report against the intended impact. Standardised metrics are used to distinguish the effect of such investments on local communities and return rates are set according to the level of alleviation of the social or environmental issue. Impact investing instruments cover various asset classes, including fixed income, venture capital, private equity, and green, social and development bonds. Many actors across the financial sector are committing to outcome-oriented finance, with asset managers such as BlackRock, foundations such as The Ford Foundation and Development Finance Institutions e.g., African Development Bank, being exemplary in paving the way forwards. However, a key question remains – how can we, as individuals, play our part in progressing sustainable finance?

The Power of Pensions

Amongst numerous forms of private investment, pension funds have the potential to be pivotal within the impact movement. Around 20% of the world's total investment assets are held in pension funds, amounting to $32.3 trillion within OECD countries in 2020. Considering the finance deficit to reach the SDGs is estimated to be $30 trillion by 2030, this demonstrates the colossal capacity of pensions to close this gap. Most people lack awareness about where their pensions are being invested, with the classic principal-agent problem existing between individuals who may prefer to align their pensions with the SDGs, and pension fund managers who in some cases simply seek the highest return rates. Even today a vast number of pension funds are allocated towards companies whose activities range from nuclear arms to deforestation to exploitation, without the individual's knowledge. Campaigns such as MakeMyMoneyMatter urge individuals to become more aware of the allocation of their pension funds and encourage fund managers to support impactful projects e.g., social housing or wind farms. Further support for these types of projects will in turn reap higher rates of return on the pension fund, whilst being beneficial to society.

Building Back Better

Achieving the SDGs requires a global effort, with a combination of public funding, private investment and philanthropy. Although some international institutions are starting to pave the way in reaching the required funds to achieve the SDGs, a multilateral approach from all five stakeholder groups is required. Our multifaceted role as individuals, ranging from being consumers to investors to future pensioners, means we can take responsibility at all points of decision-making in order to recover from the pandemic in an impactful manner and achieve the SDGs by 2030. ■

Econ School

In Conversation with Simon Clark

Prof Simon Clark discusses his recent research and answers questions on inspiration, coronavirus and aboreal affiniations.

Could you sum up your research area in a couple of sentences?

Currently, I am looking at the economics of marriage and why people are attracted to each other - trying to work out how the marriage market works, and figuring out the payoffs from marriage and relationships – very much in the tradition of Becker!

I've also been looking at other areas in matching from the same perspective. In universities, for example, you have teaching oriented or research orientated students and staff - you want to match the same types together. Another interesting area is to do with doctors and treatments - if you think about giving birth, for example, you want to match up how patients want to be treated with doctors who have similar views on what is an appropriate way to treat patients.

The theoretical framework is quite broad and very abstract – matching doesn't have to refer to marriage; it can be almost any kind of relationship.

Do you look at it from the perspective of the UK, or is your research more general?

No, it's very theoretical, so it's all x and y! It looks at what happens when similar people are attracted to each other – with similar traits and personality characteristics etc. They might be social, religious or political. It's a twist on the Becker model; in the Becker model it's good to marry someone different and each partner has a comparative advantage in something different etc, so I look at what happens when similarity is an advantage and a couple have similar characteristics. But it's very much theoretical instead of applied!

Do you find that more similar people do get married?

I think you definitely do see that. That's what inspired me to look at it – you find so often that couples have similar, say, political views, or similar attitudes about the way they want to bring up their children. It's particularly interesting because it has important implications for things like inheritance of inequality; because if well-off people are attracted to each other it perpetrates economic advantages. Similarly, if racially or ethnically similar couples are disadvantaged and then their children are of the same ethnic group, you can see how that disadvantage can be passed on. This connects with some interesting empirical work with regards to adoption agencies, and the matching up of children to parents.

What inspired you to start researching this area?

I was quite interested in wage bargaining and strikes at one point, and then I got interested in bargaining more generally, particularly between individuals. From that, I moved to the marriage market, and bargaining within

Image: Vecteezy

marriage and divorce. It's a fascinating area - there's now a large literature on search and matching, and it's a really interesting way to look at labour and other markets.

What inspired you to start studying economics originally?

I studied it at school many years ago, and I loved A-level economics. I found the combination of maths and the analytical techniques of economics very satisfying. Neoclassical economics and its neat maximisation diagrams suck you in!

How do you think that coronavirus will affect the economy? In the short-term and long-term?

Well you can see in the short-term, it has had a pretty significant impact. Of course, it has been very bad for economic activity and for social contact. I think that the wider economic consequences depend on what policies and regulations are followed after lockdown.

At one point, maybe a year ago, I thought it wouldn't be that bad – you lose a year of activity then you can start back where you left off. What's actually happened is that we're going to have all these long-term persistent effects. I'm particularly worried about the effect on children's education – early years schooling and socialisation is extremely important. It's also showing up the inequalities in children's home lives, with some parents able to home school their children to an extent, and others unable to home school, maybe from lack of education, IT or Wi-Fi.

I think the effect on public finances is also unbelievable. Whether that's important or not will be interesting – interest rates are so low that we might find the impact is low. Still, which aspects of public expenditure the government will end up financing will be fascinating, I think. One of the reasons we've been so badly hit in Britain is because the NHS was to some degree underfunded and hollowed out, so we didn't have the capacity to absorb a big shock like this. So, whilst we might have figured out how to deal with coronavirus itself in the NHS, so much else has been put on the back burner, and that will come out in things like cancellations and so on, and in how much extra financing the NHS will need post coronavirus. Whether the NHS will remain as it is now is a huge question.

Final compulsory question: if you were a tree, what tree would you be?

If I had to be a tree? An Ash tree.■

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