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insight.

POWER

Letter from the Editor-in-Chief

Welcome to the 19th issue of Insight Magazine!

This autumn issue is intended to shed some light on the vast range of current affairs impacting our economy. From the conflicts in Hong Kong to the Global Climate Strike, we have identified a key driver of this development: power. Whilst power does make an appearance in economics textbooks, we believe it is worthwhile taking a deeper dive into how different sources of power has resulted in the economy we live in today. As such, we have decided to investigate the power of the individual, the power of the institution, the power of the green economy, and finally the power that turmoil can generate, in hopes of illuminating several important issues of today.

I would like to take this opportunity to express my gratitude to the School of Economics for their continued support and excitement for the magazine, without which this publication would not be possible. And as always, special thanks to the Insight team and our writers for making this issue come to life.

All the best,

Stian Sandberg,
November 2019

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Autumn 19

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email@insightmagazine.uk

www.insightmagazine.uk

@insightedinburgh

Insight Magazine Edinburgh

GAE

From Russia, with Love

Milan Marcus reflects on his experience with the GAE 2019 trip to Russia.

It has been said often before, but it deserves repetition: The Go Abroad Economics trips are the highlight of the year, if not their entire degree, for many participants. It was no different this summer, as 16 students joined four members of staff to escape the heat wave engulfing most of Western Europe for Russia's comparably mild summer climate.

Getting there was no easy feat. Obtaining a Russian visa is no walk in the park when compared with other countries. The visa application process seems excessively bureaucratic, especially for UK and US citizens. Unfortunately, two of the originally 18 students could not make it to Russia because of visa-related issues.

Stalin's High-rises, Lenin's Metro

Our trip started in Moscow, which Muscovites fondly assert is a different country from the rest of Russia. Indeed, Moscow boasts a city centre which, in terms of cleanliness and preservation, easily competes with Western European capitals. On the other hand, we often felt like we were in a completely different world with relics of the communist era abound. Our tour guide pointed out that every district loses access to hot water for ten days a year on a rotational basis due to "scheduled maintenance" – the government has had the power since the 1930s to decide when, and where, the hot water flows. Scattered throughout the city, we frequently saw the hammer and sickle and the red star, the infamous symbols of communism and the Soviet Union. These decorate some of the most impressive buildings in Moscow, including seven skyscrapers known as "Stalin's high-rises". Stalin, however, was nowhere to be seen; de-Stalinisation effectively rid Moscow of his image, the lone exception being a simple bust on top of his grave inside the Red Square.

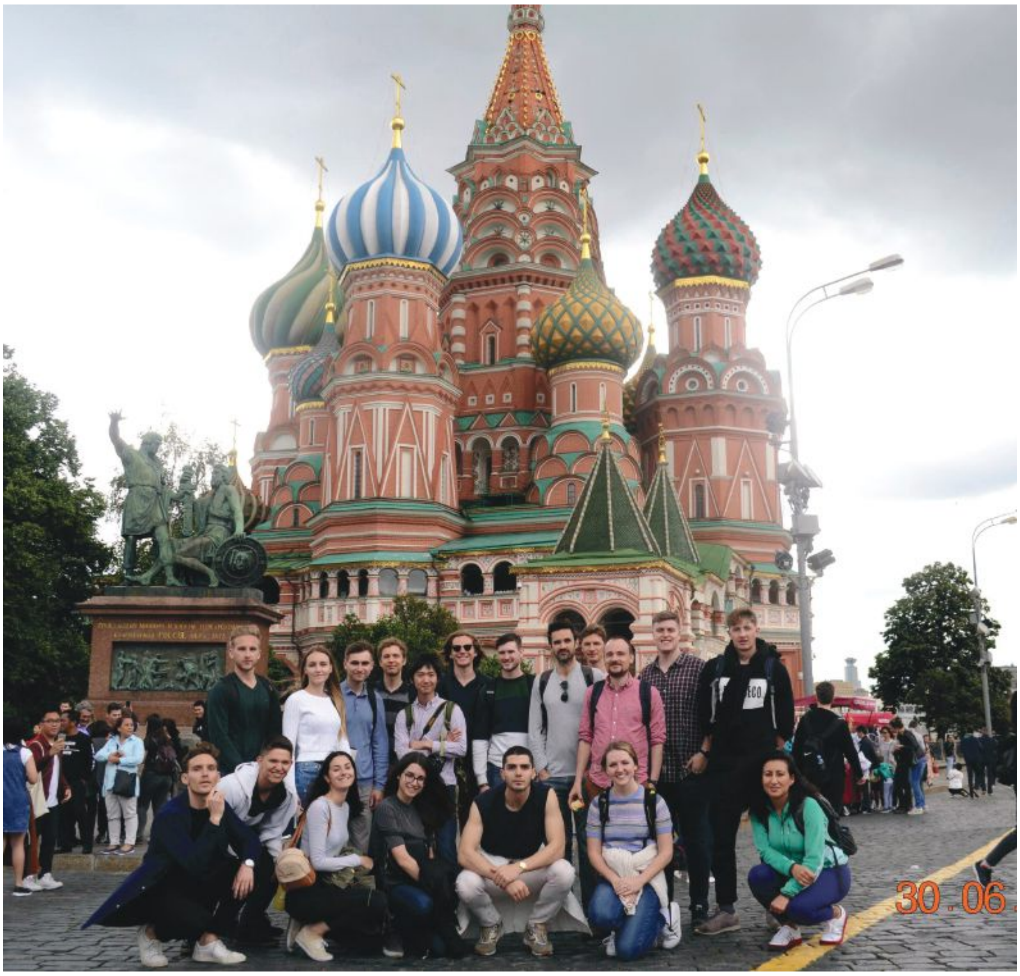
What can be said about Stalin certainly does not apply to his predecessor. Statues and paintings of Vladimir Ilyich Lenin are omnipresent. The lack of "de-Leninisation" (or "de-communisation", for that matter) became most apparent when travelling on Moscow's metro. The stations, which due to their depth of up to 84 metres double as nuclear shelters, boast artwork and other displays of Soviet grandeur. Mosaics and paintings of communist symbols are found in many stations. Our tour guide showed us old pictures of some artworks which used to feature Stalin; following de-Stalinisation, these had been cleverly re-designed, replacing Stalin with Lenin or the USSR's flag.

East versus West

Moscow's exterior image was eye-opening for anyone who thought Russia had left its communist history completely in the past. Our visits were stimulating in that they highlighted not only economic but also political differences between Russia and the West. For example, Russia's banking sector is dominated by state-owned banks which together have a market share of around 70%. The largest one, Sberbank, single-handedly commands 50% of the market, making it one of the largest banks in Europe. In an unequal playing field, private banks unsurprisingly face immense difficulties to compete. Marat Ismagulov, HR Director at Russia's largest private bank, Alfa-Bank, admitted as much. He pointed out that large corporations can get far better conditions on their loans from state-owned banks, meaning private banks miss out on such business. Nevertheless, Alfa-Bank is confident it can double its market share to 8% over the next three years. Recent developments have given it an advantage in a particular field. Most state-owned banks have been targeted by US and EU sanctions following the 2014 Russian invasion of Crimea. In response, many Russians, fearing they would otherwise lose access to their dollar-denominated savings, moved these to Alfa-Bank.

The challenges and surprising opportunities for some firms and sectors arising as an effect of these sanctions was a topic brought up in many visits. For example, Daniil Apleev from the investment bank Locko-Invest first told us that sanctions have increased the risk of investment in Russia, as the imposition of sanctions on a specific company will cause its value to decrease suddenly. On the other hand, he mentioned that construction companies in particular benefitted after sanctions were imposed, because of increased government expenditure on infrastructure in an attempt to boost the economy. Officials at JSC Transmash, a company that produces brakes for trains, were even more blunt. In their view, sanctions are only important as a symbolic measure for politicians. Businesses will find a way around them if need be, for example by acting through intermediary companies.

We were abruptly reminded of the existing tensions between Russia and the West when listening to researchers at the Institute of World Economy and International Relations (IMEMO) present their work. Although an independent body, the researchers identified with distinctly pro-Russian views. On sanctions, it was expressed that these 'have nothing to do with Crimea', which in any case 're-joined Russia' in 2014. Allegations of Russian interference in the 2016 US Presidential Elections were belittled by statements of disbelief; Russians could not imagine



The GAE group in Moscow

that Russian hackers had the ability to infiltrate the US system. Finally, one researcher commenting on 'fake news' claimed that Russians are more critical to what they hear, read and see on the news because they 'are used to propaganda' from Soviet times. Coupled with several previous hostile comments about the US, we were given the impression that this was a subtle suggestion to not believe the standard Western discourse about Russia. Nevertheless, this visit will probably be remembered as the most entertaining one.

After an eventful week in Moscow, we took it upon ourselves to discover whether it was really that different from the rest of the country. Taking the night train, it certainly felt so once we woke up in Kazan, the capital of the Republic of Tatarstan. Officially Russia's 'third capital', it appeared very provincial in contrast to Moscow with all its high rises. Unlike Moscow, Kazan's centre is easily walkable. The Kazan Kremlin distinguishes itself by encompassing not only cathedrals, but also the Kul Sharif Mosque and its iconic blue dome. This reflects Tatarstan's ethnic and religious diversity. The Tartar ethnic majority is mostly Muslim, while members of the significant Russian minority are mainly part of the Orthodox Church.

Nobody Lives in Utopia

While we were impressed by its beauty, most of our visits in Kazan were underwhelming. Fortunately, a visit on our final day ensured the trip ended on a high. We travelled an hour outside of Kazan to Innopolis, a utopian city opened in 2015 By Prime Minister Dimitri Medvedev. The city boasts modern apartment buildings and even an international school. The university with state-of-the-art facilities was created to accommodate 5000 students from Russia and abroad, with courses taught in English. However, a sense of emptiness crept throughout the university's hallways. There were hardly any students, currently only 600 are enrolled. This was a mirror image of the entire 'city'. Originally projected to reach a population of 150,000, today less than one percent of that live in Innopolis. This is despite billions of roubles being spent on the project, with generous tax benefits given to companies willing to operate in Innopolis.

Our ten days in Russia have undoubtedly left us with a variety of impressions, despite being exposed to fairly little of this massive country. Although not every visit was as informative as we would have liked, we were always left with the impression that our hosts were happy to talk to us. As we were told on one visit, Russians 'build high fences', but when they invite people, they are very hospitable.

Beyond our gratitude for our hosts' hospitality, a final thank you is in order for the staff who have made these trips possible over the last few years. The post-trip feedback for our trip to Russia, as for many others, was unequivocally positive, with many participants expressing their hope that the scheme continues in one way or another. It would be more than unfortunate if future Economics students do not receive the amazing opportunity we did.

Power of the Individual

Any powerful movement, starts with a single individual. Every aspect of the economy, from consumer demand to government policies, ultimately stems from the power that individuals exert on a daily basis. We would like to begin our exploration of power in the economy by exploring some of the ways the power of the individual can manifest itself.

In this section, Jan Mosovsky introduces how the idea of power has evolved in recent times, Maria João Pimenta discusses how the individuals of today has the power to influence the future of climate change policy, and Christine Davis explores the ways that social media companies capitalize on consumer data.

Power and Market

Jan Mosovsky provides an overview of the idea of economic and political power.

From different sides of the political spectrum, we often hear about political power, economic power, and their relationship; indeed, this distinction is a contested field of political theory. Are these concepts actually substantially different, and if so, do both of them warrant the usage of the term power?

Consent or Muscle

The answer naturally differs from theorist to theorist. Marxists or Rawlsians might find little difference between the two. Carl Schmidt might consider one as part of the other. For our purposes, we shall mostly use the definitions as stated by classical liberals in the Lockean fashion. So by political power, we refer to the power of legal use of physical coercion, while by economic power we shall underline the command of a certain amount of resources.

This distinction brings ethical consequences. Firstly, legal use of violence - utilization of political power - does not always imply its legitimacy. In essence, the sole purpose of political power, as understood by classical liberals, is to exclude the initiation of force from standard relationships. Secondly, we see that economic power in our definition is of purely voluntary character and its utilization initiates consensual relationships. This is not true for political power, the practical enforcement of which implies its forceful imposition of one side on the other.

The Power of Economics

With respect to policy recommendations, the line between economic and political power often seems to get blurred. What, then, are the economic outcomes of this distinction?

Misunderstanding the consequences of the consensual nature of economic power influences various aspects of government policy, such as taxation and fiscal policy, international trade etc. An illustrative example is the issue of monopolies and cartels, and antitrust laws.

Mainstream economic theory usually views a monopoly as a failure of competition, typically – depending on the particular monopoly model used – leading to a firm (or number of firms) being able to set the price above marginal costs by restricting the quantity of the good or service produced. Since the late 19th century, not long after the major monopoly models were developed, policymakers' main response has been to formulate antitrust laws, in an attempt to push down monopoly profits and prices, break down firms, and in general to bring the market closer to the perfect competition ideal.

Ronaldo and DiCaprio, the Monopolists

Austrian economists, such as M. N. Rothbard in his Power and Market (originally a part of his magnum opus Man, Economy, and State, but deemed by the publisher at the time to be too radical), present certain objections to these policies. Suppose, writes Rothbard, that instead of a large anonymous mass of an oil company, we perceive the monopoly as an individual – a famous actor or sportsperson, for instance. They too restrict production, and thus increase their revenue. Ronaldo could conceivably play more matches and DiCaprio shoot more films. Somehow, in this case, we feel that the right policy is not to force them to do so by utilising political power. We understand that while it might increase the quantity of their services on the market, at the same time their own satisfaction from the transaction would decrease, as might the quality of their performance. In effect, we feel that withholding the full possible amount of their service is legitimate use of their resources, and we do not refer to 'economic power'.

> **Therefore, claim the Austrians, utilisation of legitimate economic power, even in the case of firms in dominant market position, does not impede social welfare.**

Standard Oil and Google

However, Austrians do not stop at challenging philosophical premises as interpersonal comparability of utility. Rothbard shows through famous examples such as Standard Oil, and modern Austrians on search engines and social media, that the reality does not bear out the mainstream picture – a firm typically manages to retain their dominant position by charging lower prices or providing better services. This is due not only to the benefits of increasing returns to scale, but also the potential competition effect; the firm does not want new competitors to establish themselves in the market. While this is often challenged as predatory tactics, what it actually means is that the consumer is getting cheaper or better products.

Therefore, claim the Austrians, utilisation of legitimate economic power, even in the case of firms in dominant market position, does not impede social welfare. This is however not true for interference of political power with the market, such as government-induced monopolies (by means of licencing, subsidies etc.), that hold their position through access to the use of coercion, making the danger of potential competition non-existent, and the success of the monopolist dependant on lobbying for this power and not services provided.

We can therefore observe how a seemingly philosophical dispute can lead to dramatic differences in real policy recommendations, as the recipe of most Austrians for dealing with monopolies would be to get rid of antitrust laws, and general liberalisation of the market – in other words, removing the involvement of political power.

Individuals

Power of Now

WINNER OF THE INSIGHT WRITING PRIZE

Maria João Pimenta explores the concept of discounting the future in light of the climate crisis.

We are facing what is the biggest challenge humanity has ever faced – the possibility of irreversible climate change that will change the world as we know it. Every Friday, the streets around the globe are lined with the next generation of leaders, businesspeople, consumers, citizens, demanding that governments do more to tackle the looming climate crisis. A recent survey by Christian Aid, a UK charity, reports 70 percent of Brits think that climate change is more important in the long-term than leaving the European Union – who would have guessed? For far too long the futurity of climate change has outsourced to 'later,' pushed to the 'very long run,' far from our 'now'. Unfortunately, we might now be dead a bit sooner than in the long run. The question of what the current generation can and should do about the sixth mass extinction has inevitably come knocking on our door.

Now or Later

Economics is constantly faced with choices that take place on an intertemporal plane. To consume now or not to consume now? To invest now or to invest later? At the basis of making choices across time periods lies the concept of discounting the future. We prefer current to future consumption, because of the uncertainty and unknown that lies in 'tomorrow,' and because we are impatient. This present bias is why we require some sort of compensation (e.g. interest) to delay our consumption. On a bigger scale, economics assumes that, due to growth and technological change, future individuals will be richer than individuals in the present. Supposedly, a pound to them will mean much less than it means to us, because of the diminishing marginal utility of wealth. This needs to be taken into account using a discount rate in cost-benefit analyses, says conventional economics. However, the economic system within which we consume, produce and exchange is placed within the imminent scarcity of resources and planetary boundaries. Our present-biased choices often put a fundamental strain on our planet's life-supporting systems. Public projects on the preservation of natural resources and biodiversity, as well as the mitigation of greenhouse gas emissions, often bear heavy current costs for benefits in the distant future. With present bias, this is not a good combo.

Lives Lie on the Number

There is a fierce and ongoing debate on the rate at which to discount the future. On one side, William Nordhaus and others, argued for the discount rate to reflect market rates of return (around 3-6%). If we were to discount at six percent for every day, one pound tomorrow is equivalent to receiving 94 pence today. On the other side of the spectrum, Nicholas Stern advocates for a much lower discount rate (as low as 0.1%). One pound tomorrow is (almost) the same as one pound today. Although it might not seem like a large difference, this has profound consequences on policy and the future of humanity. On a Nordhaus-level discount rate, we find that slow and incremental change in climate action is best. The value put on the future compared to the present is very low. 100 pounds in 100 years on a 3% discount rate is equivalent to a mere 5 pounds today. Taking this further, discounting highly ends up meaning a death tomorrow hurts much less than a death today. Whereas Stern stands by the urgency of a dramatic climate response and gives future generations much more consideration: 100 pounds in 100 years has the same value as 90 pounds today. Fortunately for the planet, there seems to be a growing consensus on the use of declining discount rates in policy cost-benefit analysis. This means that the rate declines over time to take into account different uncertainties. It considers uncertainties about consumption growth rates and rates of return on capital, but it also rests on the unpredictability of events such as technological change, political unrest, pandemics and environmental change. It shows an acceptance of the fact that we do not know what the future has in store for us. Declining discount rates try to align with that increasing uncertainty by giving increasingly more weight to future generations over time. Governments in the UK and in France have adopted this framework when evaluating public projects. It has also influenced decision-making processes in Norway, Denmark and the Netherlands.

Use it Wisely

In the climate emergency, the power lies in the present. This power is not one to take lightly. Economics' influence on

deciding the discount rate the world runs with, leaves one of the most important decisions of our day in our hands. Discounting the future according to the market has meant that society has systematically favoured initiatives with distant costs and current benefits over projects with distant benefits and current costs. We have outsourced action today onto future generations. How powerful, then, is the notion that the choice of a single number now could be so impactful on well-being across generations? A single number, and the way it frames the issue, is putting the lives of millions at risk. What it seems to suggest is that we, the present consumers and producers, don't really care very much about the well-being of the future. Climate change mitigation is a perfect example of a public good, for which markets go 'missing,' because who doesn't love a good 'free-ride' in life? We should take a different approach to the market to one that has so far only propagated this greatest market failure of all times. A move away from market rates is justified by looking deeper into its contradiction with regards to future prosperity. Look at the large, mostly environmental, costs that current and past generations have imposed on future generations. The prosperity, that we so comfortably assume will be there in the future, is completely and utterly at risk. We are enormously uncertain about future well-being with the current state of the planet. The heavy influence that economics has on large-scale political, developmental and production decisions, could be used to change the way they operate. This change needs to come from within, in the way we look, teach, communicate and publish about the future. Ultimately, it will have positive spill-over effects on how we govern and live on our planet.

If Not Now, When?

The question of how much we, as the current generation, should act in order to save future generations is fundamentally one of intergenerational equity. It is undoubtedly an ethics-oriented one. As we slowly move towards being exactly that 'future generation' we talk about so much, ethical discussions need to be had now. In creating economic models, predictions and in giving expert advice to policymakers and politicians, the discipline of economics contributes a great deal to what knowledge is created and, consequently, how it is used in the wider world. Too often, the use of market rates and the like is justified on the basis of having a 'value-free' discipline. Inescapably, however, this approach has very real, value-laden implications on intergenerational well-being. Now, this is a huge responsibility for one discipline alone, and, tragically, it has for so long calmly suggested a path of planetary destruction. In the situation we find ourselves in, it is important not to shy away from having a discussion about ethics in economics, not to shy away from bringing in knowledge from other disciplines and taking a new approach. Is it time to look at people as citizens rather than merely as consumers? Citizens that care about the planet and the future and future generations. Action to curb carbon emissions is needed now if the climate is to not be fatally changed. If we are to garner an effective response to climate change, in a world where the "now" is critical, then we need to use the power of economics. We have the power to change the way we do things now that could save planetary and human well-being later. The power of now is a power to protect the prosperity of the "not-yet-defensible" - our children, grandchildren, great-grandchildren, but also ourselves. We should be thinking more about how to use it. The future begins now.

Individuals

The Third Eye

Christine Davis discusses the economic and personal ramifications of a platform economy where you are the product.

In George Orwell's famous novel, 1984, cities are under full surveillance, but citizens accept the state of their dystopian world and are psychologically manipulated into submitting to the government. While our world does not exactly mirror 1984, there is an eerie presence of technology playing a role in reducing our privacy. In our modern day, tech giants start to bear an unsettling resemblance to Big Brother. With the rise of a digital platform economy, have we surrendered control over our personal data? And was it done for economic incentives rather than political ones?

Social media has made a huge impact on everything we see today. It has taken control over most of our lives without us even realizing it. The tech giant Google records and stores private details about us: where we live, the places we visit, what we look like, and even the sound of our voice. Google claims to not give personal data to other parties, however they have been exposed for doing so in the past - The Independent even reported Google sharing Gmail data with other firms. Another major tech company, Facebook, is frequently in the headlines for data breaches or information scandals on its users. From influencing spending habits to selling and capitalizing on personal data, social media has no boundaries and has created an era of totalitarian economic power, and powerlessness over our own information.

Rise of the Platform Economy

The open source movement wanted the internet to be free and accessible to anyone, which led to the current business model of many websites that we use today. The problem with this well-intentioned effort is if you are not paying for the service, you are probably not the customer - you are the product. That is why individuals don't pay money for using social media, but instead pay with something that is arguably more valuable: data and privacy.

Today's platform-based economy is highly dependent on ad revenue, as opposed to a subscription-based model. With all of this access to consumer data, social media companies have control over our personal information. This unrestricted power is dangerous as we often cannot even choose to take our information back if we wanted to – sometimes we are even identified in photos on websites we don't use ourselves. We are not consciously giving this data to companies and they collect data on many things we wouldn't even expect. For example, Facebook tracks your activity on other parts of the web even after logging out of Facebook. They are also extrapolating conclusions about us based on online activity patterns we are not able to see, review, or edit, and hence we are being judged without any choice or way of disproving the conclusions that they draw about us.

Dangerous Algorithms

Tech companies themselves are often not completely aware of how their algorithms work, because they are fed by Big Data and operate by principles of AI. Generalizations and assumptions are made about what users are most likely to purchase and other actions they will take. What we do know is that our information is fed to the algorithms and the output is the profiles companies make about us, designed to monetize our increased online presence. Such algorithms are developed to feed users information that increases time spent on social media, even if the information is objectionable or outright false. This is why social media feeds start to show posts that are more impactful, polarized, and evoke strong emotions in users. YouTube, which is owned by Google, is an example of this type of algorithm at work.

Facebook gives companies access to data in exchange for profit – as highlighted in the Cambridge Analytica scandal where Facebook user data was sold to a political consulting company. Packages of data are collected on users, and sold to third parties, who use that data in ways the original user did not consent to. An economic analysis of Facebook from the Motley Fool showed that 98% of Facebook's revenues came from advertising, hence the likelihood of Facebook moving towards better protecting user's information on their own accord is slim.

Emotions and Profit

In 2014, there was a huge uproar over Facebook performing an experiment on its users. Facebook's data scientists showed either positive or depressing posts in feeds to around 680,000 users to see if people's emotions were affected by polarized content. As a result, users increasingly posted negative or positive content based on which posts they were exposed to, as published in a report in the Proceedings of the National Academy of

Sciences. The study also observed that if users were shown neutral content, they were less likely to post anything. Facebook has the power to manipulate our emotions to increase engagement, potentially at the cost of users' mental health and wellbeing.

Even without social media companies influencing our emotions through complicated algorithms, users' self-esteem can be affected by the very concept of sharing our lives over the internet. Social media has created a culture of anxiety around the numbers of likes, follows and other signs to represent popularity and belonging in the digital world. This is distinct from monetary economics but can be thought of as a system of incentives or barter, that arguably has been exploited by companies in order to garner more information which can be monetized.

Defending Ourselves

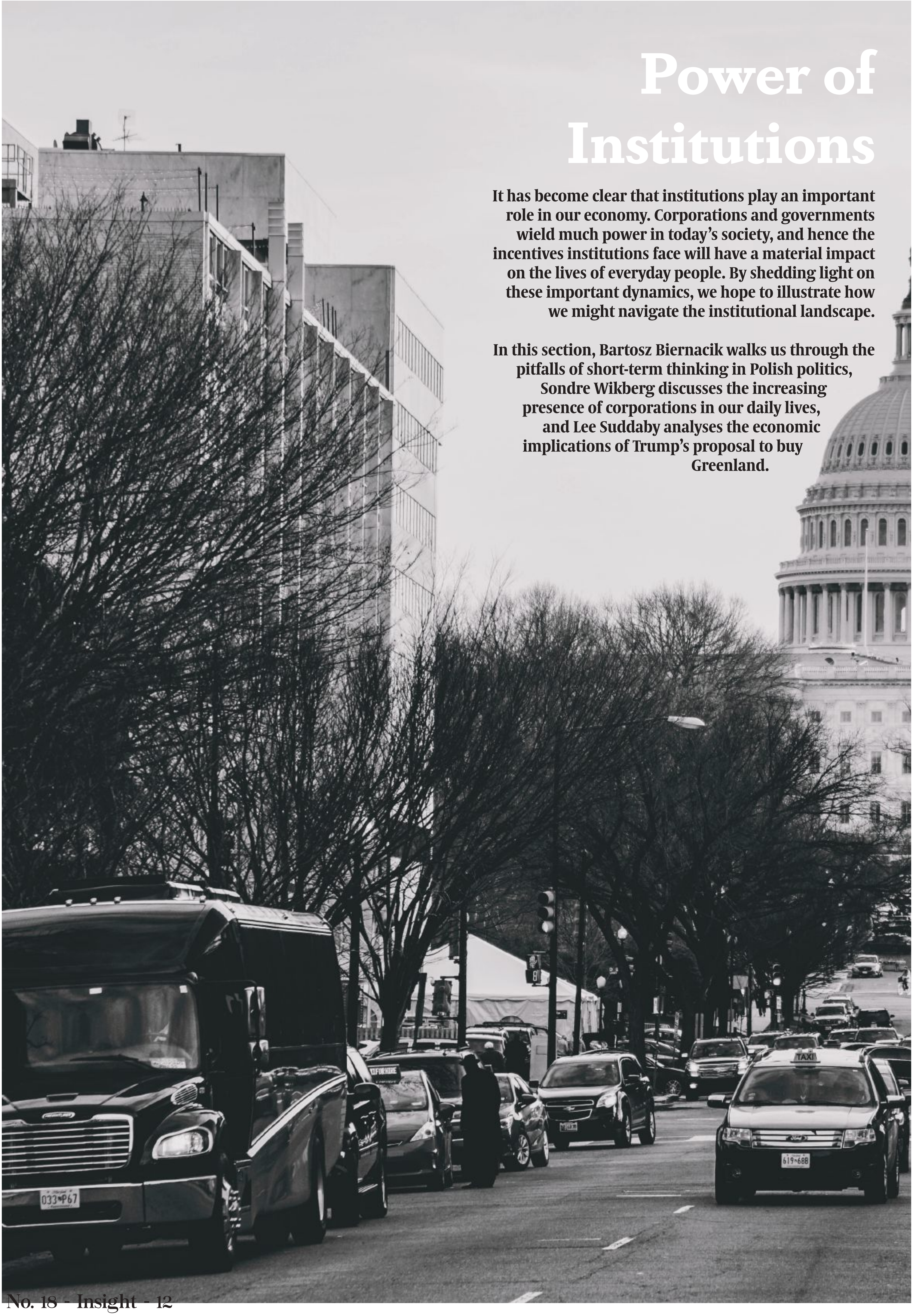
With all of the negative information we have about social media companies and how they manipulate consumers, one might consider deleting your social media accounts. This is fine in theory; however, it doesn't guarantee that these companies will stop invading our privacy. Testimonies from Facebook CEO Mark Zuckerberg have proven that social media companies will create profiles and store data around you based on your friend's posts of you, even if you do not have any social media accounts – to some extent having one's own account at least gives us some measure of control of the information assimilated about us. A new 'third globalization' processes consumer data from the digital platform economy in such a way that an active online presence is sufficient to warrant a passive social media profile, and a susceptibility to economic social media manipulation. Facebook provides infrastructure where upon other platforms are built: the rise of a micro-economy, niche but dangerously un-consenting and rather totalitarian, where a few powerful executives control large swathes of the social media market.

One temporary solution is to control your feeds by interacting only with your friends and not companies, but even sites like Amazon work as interactive marketplaces, which facilitate the communal data issue of the 'sharing economy'. Social media gathers data on you by the companies you interact with and they will show you ads and posts to get you to interact more frequently with companies.

the rise of a micro-economy, niche but dangerously un-consenting and rather totalitarian, where a few powerful executives control large swathes of the social media market.

More permanent solutions would be using ethical social media platforms, or having the government fund social media so that our data is more protected. An alternative to government funding is having users pay money for their social media accounts. This would increase the incentive for Facebook to protect consumer data, as the users would now become the customers. By dividing Facebook's revenue by number of users, Dan Frommer from Quartz estimated that each user makes $12 for Facebook per year. Information is sold at such a low price, that users may very well be willing to protect their data by paying a low fee.

Given the price of your data, what would you be willing to pay to better control your social media? We don't know who has access to our information and how it's going to be used. If there came a time in a dystopian future, where we faced a world like the one in 1984, even if it came about by economic rather than political incentives, how could we protect ourselves and hold big tech companies accountable?



Power of Institutions

It has become clear that institutions play an important role in our economy. Corporations and governments wield much power in today's society, and hence the incentives institutions face will have a material impact on the lives of everyday people. By shedding light on these important dynamics, we hope to illustrate how we might navigate the institutional landscape.

In this section, Bartosz Biernacik walks us through the pitfalls of short-term thinking in Polish politics, Sondre Wikberg discusses the increasing presence of corporations in our daily lives, and Lee Suddaby analyses the economic implications of Trump's proposal to buy Greenland.

The Long and Short of It

Bartosz Biernacik discusses the long-term cost of short-term politics.

For quite a while, political parties across the globe have indulged in a fierce battle of outbidding opponents in campaign promises. Pledges such as bringing welfare to all, alleviating crime, or limiting the waiting time for medical appointments are often on the table. However, what is the true cost of having politicians, in their pursuit of power, make promises that come at a much higher expense than their worth? One can see a potential answer to this in one of the post-communist states of eastern Europe – Poland.

To begin with, the campaign leading up to the Polish parliamentary elections in 2015 saw Jaroslaw Kaczynski, the man behind the success of the currently ruling Law & Justice party, develop a set of campaign promises that shifted the tides in his favour and secured power in the Polish government. Once the dust after the elections settled, the newly elected government set out to deliver on their word, and so they did, but not without damaging the economy.

At a glance, the 4.5% annual growth and record low unemployment of 5% may imply the Polish economy to be as healthy and prospering as one could imagine. Yet, a more insightful look into the country puts the issues that threaten the current and future economic situation under a spotlight.

Promises of Welfare

The flagship programme of the campaign, 'Family 500+,' came into action in April 2016. Each month parents receive 500 zlotys, the Polish currency, for each child after the first born, until the children reach the age of 18. The immense increase in popularity of the party can quite confidently be attributed to this policy. For most Poles, this represents quite a large sum of money, significantly increasing household incomes for numerous families. The party leaders were fully aware of this, and they utilised the difficult financial situation of parts of the electorate to incentivise them into voting for Law & Justice.

Annually around 22 billion zlotys (4.5 billion pounds) are devoted to this transfer, set to increase to 41.2 billion zlotys (8.4 billion pounds) after 2020 due to an extension of the programme to include the first child. This currently accounts for 5% of total government expenditure and is projected to account for as much as 10% following 2020. However significant this programme is for the budget, the costs to the whole economy are even higher.
Despite its effects on the increase in consumer spending, which was partially responsible for the impressive economic growth of over 4% annually since its introduction, it failed in its key objective: to increase the number of children born in Poland. While a slight initial increase in births occurred in 2016 and 2017, birth rates declined in 2018, exposing the policy's inability to reverse the trend. Ultimately, Poland ended up with an extremely costly social transfer, which will limit the ability of the government to address issues in the case of an economic downturn, which is extremely likely to come around in the next few years.

> **The immense increase in popularity of the party can quite confidently be attributed to this policy.**

Pension Problems

Securing popularity amongst families was not, however, sufficient. A striking proposition for the workers of all ages had to be made in order to win. Under previous leadership the government proposed to begin increasing the retirement age for men and women by 3 months each year until 2040, when both men and women would retire at the age of 67. This proposition, despite its empirical background based on the increasing life expectancy of Poles and the general ageing of the society, was met with extreme opposition from almost all workers. Kaczynski was not mistaken in believing that proposing the reversal of this change would garner extreme support for the party. Disregarding its economic implications, the party promised all workers that under their leadership, women and men will retire at the age of 60 and 65 respectively.

The dangers of this move lie in the fact that the pension fund will soon come under extreme pressure, which, combined with the failure to increase birth rates, may send labour costs skyrocketing. Whilst most developed countries do in fact experience difficulties with ageing societies and pension scheme management, the Polish authorities have prepared a potentially fatal cocktail for future generations to consume.
As of today, the government is succeeding in financing all of these promises thanks to intelligent moves in the tax collection sector. However, they have failed in securing a prosperous future for all Poles in the years to come. One is confident that the promises made by the party, rather than being motivated by the betterment of Poland, were motivated by the pursuit of power.

Institutions

Corporate Power is Back

Sondre Wikberg investigates the power that corporations have in our economy.

As of late October, 16 US State Attorneys have pledged their participation in a lawsuit to block the acquisition of Sprint Corporation by T-Mobile US. The two companies are part of a group of four wireless providers that hold a virtual monopoly in the US market. An increasing number of large corporate mergers that threaten competition is one of the factors increasing corporate power in international markets from manageable to worrying levels. The fear that companies can increasingly manipulate the environments they operate in to their advantage is becoming more pressing.

Prices and Profits

Vast business-empires with nearly unlimited monopoly power is not a new phenomenon. In the 1600s the Dutch East India Company, holding a monopoly to trading in spices, climbed to a market value of above 7.9 trillion dollars (measured in 2017 dollars). During the late 19th and early 20th century Standard Oil and US Steel gained near monopolies in their respective industries and became the world's largest corporations of their time.

The middle of the 20th century was a period of limited corporate power caused by high government involvement in the economies of Europe and North America. More specifically, corporate profits (as a share of GDP) and mark-ups were low. The mark-up, the ratio of a good's price to its cost of production, is significant because it is a measure of the degree to which companies can set the price level, as opposed to prices being determined by competitive forces.

Significant deregulation of business in advanced economies from the 1970s, however, saw all-powerful companies return in the 1980s and 90s. Data collected from across markets by the IMF estimates that mark-ups have risen steadily since the mid 1980s. Corporate profits began increasing after 2000, driven partly by a sharp increase at U.S firms.

Interestingly, there is no uniform trend over advanced and developing economies. Mark-ups in advanced and developing economies increased in tandem throughout the 1990s, yet in the early 2000s firms in developing countries began to reduce their prices against costs of production, while firms in the developed world continued rising mark-ups. The gap further widened in the aftermath of the financial crisis, when mark-ups in advanced economies rose at an unprecedented rate. Economist Sungki Hong has pointed to small firms in developed economies as the reason for this. Expecting that they may go out of business as a result of the recession, it is possible that many small businesses raised prices so as to raise maximal profits before going bust. Perhaps, therefore, a level of mark-up increases post-financial crisis has less to do with corporate power than we might think.

Now, many policymakers and economists are calling for re-regulation to tame the worst consequences of 'big business'.

Developing economies cannot be free from concern about the growing corporate power, however. Recent research has revealed that the rise in mark-ups since 1980s has been led by a small percentage of firms, of varying size, that have been able to increase their market shares. According to a 2019 IMF report, a minority of these high-mark-up firms, in turn, account for the vast majority of the group's revenue. These are the corporate giants. Because of their global reach, some big-revenue companies are able to extract significant profits from societies and markets that lay far beyond their bases of operations and jurisdictions in which they are liable for taxation. The 2019 IMF report, however, highlights that, on average, firms with the highest mark-ups are more profitable, more innovative, and use their intangible assets more effectively - power seems to hold at least some benefits.

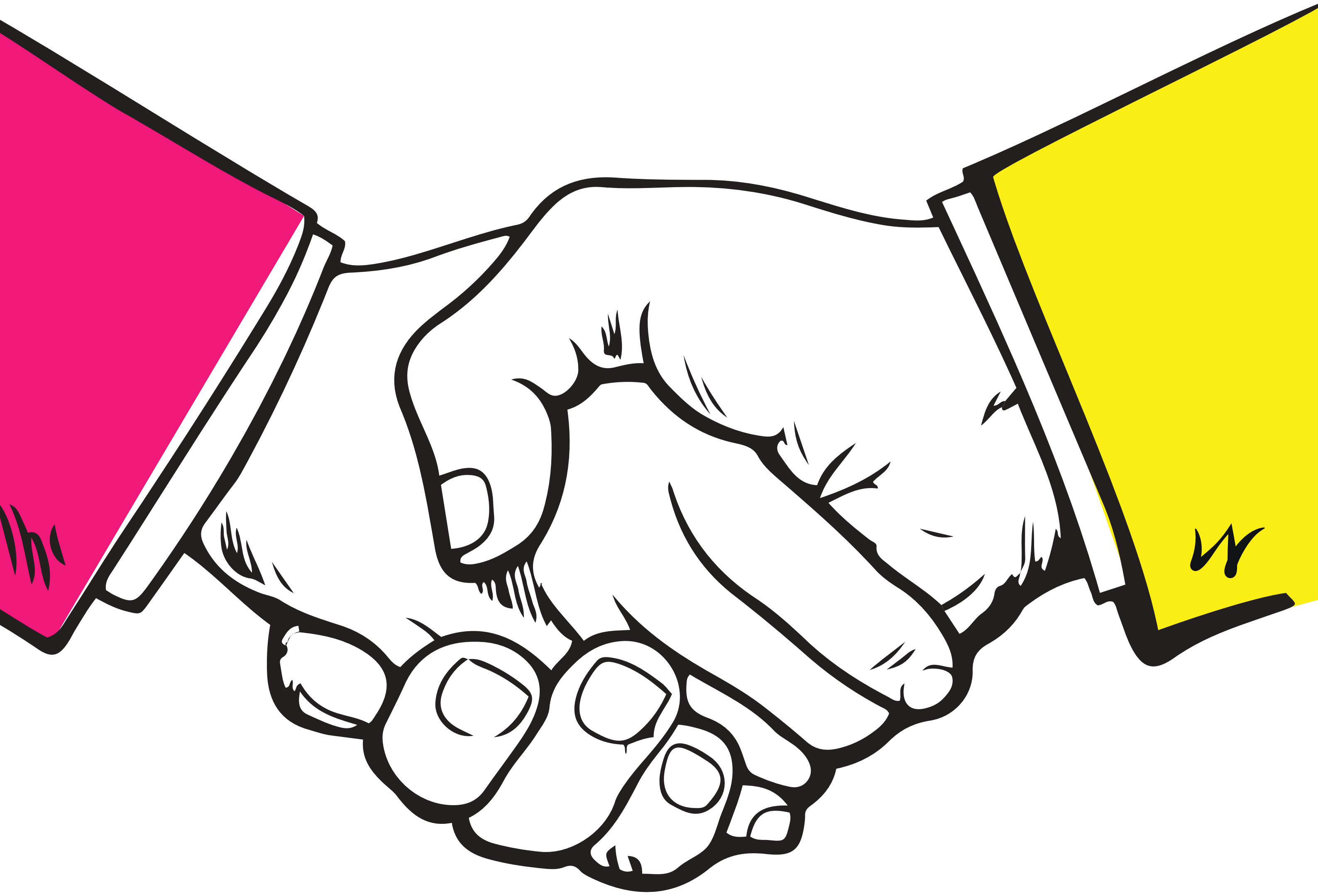
A Reinforcing Cycle

Part of the problem is that the gap between the capabilities of small and large firms is increasing. A Harvard/MIT paper suggests that implementation of expensive technology can aid firms in acquiring "superstar" market shares. Such advantages, which are out of reach for smaller firms, allow larger firms to charge ahead by massively expanding their consumer base and cutting costs. This only makes it more difficult for smaller firms to find foothold.

The synergy between size and network effects is another major factor for growing market shares. Technology has placed some firms as central node in massive, growing networks that are difficult to compete with once established. This has created a degree of connectedness in the world, which has been beneficial in many respects, especially in giving more people access to information. However, some giant firms have become indispensable factors of the everyday, an asset they have used to grow exponentially, and the repercussions of which we are still unsure.

As a response to the power of 'superstar' firms, other firms are increasingly looking to mergers as a solution. It was widely accepted that Sainsbury's 2016 takeover of Argos was a defensive move against Amazon's recent push into groceries. Such consolidations narrow the market by reducing competition. This is a common story - many large firms have seen the need for consolidation in order to be able to compete with the giants.

Mergers have also risen because giants have realized that to retain market share, they must acquire the talent before it out-innovates them. Financial Times reported in



2018 that software giant Oracle had acquired over 80 smaller companies over the past 10 years. Google captured over 120. Again, the increase in M&A activities has been led by US companies; Europe and other advanced economies have seen a stagnation since the financial crisis. In their place, Asian economies have drastically increased M&A value over the last 15 years. Japanese pharmaceutical firm Takeda's takeover of Irish competitor Shire (making them one of the world's 10 biggest pharma firms) suggests that '"superstar"' firms are also emerging in Asia. Concerns over competition brought the deal under heavy EU scrutiny, before finally being accepted.

The Broader Impact and How to Meet it

Successful firms use technology to gain information and automate processes that allow them to combine large revenues with fewer employees and, thus, lower costs. In some areas of the world, 'superstar' firms use their giant profits to provide the employees they do have with generous wages. In addition, large firms have the ability to reduce prices for consumers through economies of scale and international operations that reduce labour costs. Such behaviour is the exception rather than the rule, however, especially in markets with loose regulations on employer-worker relations. Increasing mark-ups show that companies are not offering consumers prices close to marginal costs. Superstar companies are increasingly using legally complicated strategies, unaffordable for smaller companies, to avoid taxes and regulations in their countries of origin. Often subject to negligible taxes, these corporations are ultimately benefitting at the expense of consumers. Expensive lobbying services is another benefit that the giants of the corporate world are using to their advantage. When lobbying is used, for example, to successfully argue for legalisation of controversial drugs, adverse consequences for consumers are clear.

This brings us to the question of policy. The deregulation from the 1970s formed the environment in which superstar companies are currently thriving. Now, many policymakers and economists are calling for re-regulation to tame the worst consequences of 'big business'. Myriad policy issues are being suggested across different markets, but a few have gained special attention. First, better competition laws are being called for by those that see monopolies as capturing excessively large profits while keeping prices high. Such regulation, which could involve prevention of mergers of a certain magnitude, is potentially problematic: employment, prices and indeed regions' economies can often be positively impacted by companies with large market shares.

A second issue is information gathering on consumers which companies can use for commercial or other purposes. Such concerns have underlaid recent changes to EU online privacy policy regulation. Again, regulation is tricky: information sharing may infringe individual privacy, yet it is what provides value and versatility to many sought-after products.

Finally, there is the highly contended issue of patents. Patents are effectively assurance for inventors; a promise that they will earn profits after undertaking expensive research and development. However, this notion is now being challenged by a group of economists claiming that patents are not, in fact, essential for profits. Rather, they deter optimal use of information across companies and allow a few big players to assemble patent portfolios with which they can wage costly but potentially profitable infringement lawsuits. Ultimately, the question boils down to one of company versus consumer benefits.

T-Mobile's takeover of Sprint has now been delayed until 2020 and the lawsuit against the merger is due to commence in December. The stage is increasingly being set for a battle between global superstar corporations and governments seeking to protect their populations.

Unexpected Country in the Bagging Area

Lee Suddaby explores the feasibility of President Trump's proposal to buy Greenland.

Despite not being as green as the Vikings made it out to be, the island of Greenland appears to be on the path to becoming a strategically valuable asset as melting ice uncovers a wealth of natural resources and geopolitical rivalries intensify. For this reason, there has been mounting global interest in the autonomous Danish territory, most recently coming from the United States. On August 18th, White House economic advisor Larry Kudlow told Fox News Sunday that President Donald Trump 'wants to take a look' at buying the world's largest island. The President confirmed his interest in purchasing Greenland, claiming the acquisition would be 'strategically nice'. But how would buying a country in 2019 work? And just how 'nice' would an acquisition of Greenland be?

Knock Knock it's the United States

In the past, a simple invasion was all it took to secure a new territory, though nowadays this has arguably gone out of fashion; a good alternative these days might be to step onto the property ladder and just buy some land. No country is more familiar with this idea than the United States: from the 1803 Louisiana Purchase that provided the impetus for the nation's westward expansion to the acquisition of Alaska from Russia in 1867 for the bargain price of $7.2 million. So the superpower is clearly not afraid to open its wallet in pursuit of territorial dominance.

Treasure Island

The US Geological Survey estimates that 22% of the world's undiscovered, accessible oil and gas reserves are located in the arctic, and around 52 billion barrels of oil (BBOE) could be yielded from just the explored coastal regions of Greenland itself. On top of this black gold, the island is rich in deposits of uranium and zinc by-products and holds 25% of the global stock of rare earth minerals such as neodymium, dysprosium and terbium – used in goods ranging from wind turbines to electric cars to computer hard drives. Currently over 80% of Greenland is covered in ice sheets over two kilometres thick, but as temperatures in the region rise, the melting of these ice sheets will see the costs of drilling and mining plummet, and whoever controls Greenland will have the biggest claim to these desirable resources.

Geopolitically, America's acquisition of Greenland would do much to curb the increasing power China wields on the world stage. The US would benefit from opened up naval routes in the North Atlantic after the ice sheets melt, the ability to prevent further influence of China on the region (Chinese company Shenghe Resources Holdings is currently the largest shareholder in Greenland's only mining company) and a reduction in their economic dependence on China and Russia for rare earth metals.

'Essentially a Real Estate Deal'

One small problem with going forward with Trump's prospective 'real estate' purchase is that of price: valuing a piece of sovereign territory, it turns out, is slightly more complicated than looking at the number of bedrooms and whether it has a sea view.

A good start to estimating a price for Greenland is to value its tangible resources. Taking the 52 BBOE estimate and giving that a price of, say, $50 per barrel, minus an estimated $45 per barrel of extraction costs, and we arrive at a value of $80 billion (discounted over 10 years). Improvements in fracking technology and reserves in as-yet-unexplored regions could see this value climb as high as $300-400 billion. Rare earth deposits can also be valued in the region of $500-700 billion, although this does assume that Greenland's mining restrictions are, like its ice sheets, soon to be dissolved.

Another consideration is the value of the land itself – all 2.1 million square kilometres of it. If again we wait for the ice sheets to disappear, then we could be looking at around $100,000 per sq. km (half the value of US non-agricultural land) or $200 billion overall. Adding up the medians of these estimates, we arrive at a price tag of a very modest $1.1 trillion for the assets of 'Greenland LLC'.

Trump's problem – however – is that times have changed since the Alaska purchase: 150 years ago, one didn't have to consider what the 50,000-or-so indigenous people thought of the sale. But during the last century of decolonisation, international law has given much greater weight to the principle of self-determination: that the people should choose their sovereignty, not just have it applied to them. So, in an acquisition of Greenland, it is not enough for Trump just to negotiate with Denmark; the focus needs to be on Greenland itself and, specifically, its people. Given Trump's utter lack of consideration, it's no wonder Denmark immediately rejected the proposal.

In the 21st century, Trump simply cannot follow in the footsteps of the power-crazed colonisers of history and overlook the human aspect of the proposal, or Greenland will defiantly remain un-American. This whole episode has shown us that, even for the world's largest superpower, there are some things money just can't buy.

Green Power

As we approach the end of the decade, a new source of power has become prominent in our society: the power of 'green'. Climate change, sustainability, and eco-friendly consumption is shaping modern economics and politics, and as the world struggles to reduce emissions and diminish our planetary footprint, one thing is for certain: 'green' power is here to stay.

In this section, Milena Pek asks whether eco-friendly consumption is simply a gesture, Oli Tao explores how the luxury fashion market is responding to more environmentally conscious consumers, Ruaridh Duff explains how green bonds fuel the energy transition, and Annie Chan Un Ieng discusses the economic implications of the global climate strike.

Eco-Purchasing: An Empty Gesture?

Milena Pek outlines the trend for ecological consumption and evaluates whether or not individual consumers actually have any power in changing society.

Have you ever wondered whether using a reusable cup for your coffee or taking a train somewhere instead of flying matters? What's more, wondered not only because of finances, but because you had the good of our planet in mind? In the current socio-political climate, there is increasing pressure to ask these kinds of questions. However, while the social movements for sustainability may only be gaining recent traction, the eco-craze is far from new to businesses and money-hungry advertisers. Even with the push to join the bandwagon of paper straws and electric cars, consumers struggle with the dilemma to join or not. After all, being eco-friendly is intrinsically connected to some sacrifices. So, we must ask ourselves, do small actions by individual consumers have any real power to make systemic changes in society?

Consumer Categories

Of course, not all people make eco-friendly decisions for the same reason. The first major group is truly concerned about the environment and the future of our planet. Founded in values and integrity, their consumption patterns send a genuine signal to officials and manufacturers. Their message being: we do care and you should too. On the other hand, there are consumers who, sometimes subconsciously, use eco-friendly consumption predominantly in order to communicate their high social status and virtue. Since the reasons underlying each group's consumption patterns are different, the possible impact of individual consumers who belong to either of them, is also likely to vary.

Impact? Seeing is Believing

Let's start our investigation with the first group. They are also relatively well-educated on environmental issues and they treat their eco-friendly consumption more as a way of showing their integrity and an add-on to political actions they get involved in, rather than the core of their eco-friendly activities. A very apparent impact of their consumption choices is a rise of small 'zero-waste' stores and co-ops that specialise in eco-friendly products and packaging, which can be linked to an entrepreneurship growth, which in turn can potentially benefit competition and innovation in the market. On a larger scale, the fact that people show more initiative and are not just passive consumers of goods produced, can have a positive impact on sustainability of production. That is because conscious consumers can persuade profit-maximising companies to focus more on quality than quantity of their products by buying less and supporting upcycling. The companies are going to sell less for higher prices anyway, so they can just as well lure customers with high quality and sustainability of production.

On the other hand, if we just focus on consumption behaviour which leads to producing less apparent waste, we risk having no real impact by simply locking a small group of economically-privileged people in their environmentally-friendly bubble. Meanwhile, they will still (sometimes extensively) use all of 21st century blessings, such as hot showers, cars, the Internet etc., all of which entail high usage of energy. Unfortunately, this energy in most cases still comes from sources that contribute to climate change, air pollution and degradation of the environment.

In light of this, what can be the positive impact on the economy? Not to mention, could there

be a positive impact from consumers who simply follow eco-trends to signal their higher social status and virtue; or in other words, conspicuous consumers? To be fair, all things 'green' being cool is in itself a positive social phenomenon that can to some extent induce more sustainable production. A good example of 'green being cool' translating into real life is an increase in accessibility of plant-based diets – veganism and vegetarianism are not as exclusive as they once were. This recent environmental discourse already sends a signal to producers that it might be a better idea to reallocate their resources and move towards sustainable, 'cruelty-free' production. In addition, those conspicuous consumers who engage in eco-friendly consumption, generally have a higher disposable income than average consumers and thus they can increase demand for expensive eco-friendly solutions such as solar panels and electric cars, in this way paving the way for universal implementation. Producers and investors are likely to gladly support such emerging businesses as long as there is demand for them. Although driving an electric car in a country which produces electricity from coal or oil will not have the expected positive impact on environmental protection, the idea is promising, as long as broader transition measures are introduced.

What is more, consumers who rely on eco-friendly consumption as a way of showing their status can actually not only lead to zero positive net effects on climate change and environmental policies of companies and governments, but instead end up having a negative impact. There is a danger of consumers simply falling into the trap of greenwashing, which has become more and more sophisticated over the years. For example, the concept of sustainability has been appropriated by big companies seeing potential in becoming green, but at the same time not wanting to abandon or at least substantially change their current methods of production – often connected to exploitation of nature and labour in places far from their headquarters. Knowing about a large group of consumers, who do not really care about the sustainability of the products but are more interested in the extent to which they seem sustainable, companies tend to use specific vocabulary and tricks to minimise the effort and maximise the effects. For instance, selling 'organic cotton' t-shirts, while sometimes not even revealing the real conditions in which they were made, not to mention no change in the methods of production of all other products; thus, using their sustainable line as a green-washing cover. Furthermore, conspicuous consumers usually do not contain their consumption as the first group does, and therefore they support economic development, but not the economic movement towards sustainability and limited exploitation of resources, which are the main concerns here.

The Long Road to Greener Pastures

While effects from individual consumers are visible, looking forward, we can observe a long road ahead to sustained ecological improvement. Eco-friendly consumption can be seen as a factor influencing general social awareness, which in turn can translate into government policies in favour of long-term sustainability. One of such policies can be withdrawal of fossil-fuel subsidies in favour of eco-subsidies. One needs to be careful though, because such a policy may negatively affect welfare of certain social groups and increase inequality gap if not conducted with special care. In the recent case of fossil-fuel subsidies in Ecuador, withdrawal of those subsidies caused the prices of public transport to go up drastically. This event primarily affected indigenous people, who have to commute the most due to unfavourable location of their homes. Therefore, the issue of increasing inequality gap has to be considered in the process of 'greenification' of districts, cities and countries.

Another long-term impact of conscious eco-friendly consumption could be the pressure on governments to demand transparent information on companies' methods of production. This way, they could effectively force the production of truly sustainable products, without the exploitation of labour and the environment of developing countries or indigenous people.

Lastly, altered consumption habits of individuals could also potentially lead to an education reform. How? Society is making it clear with their purchasing decisions, as well as social movements, that there is a demand for greater awareness on sustainability issues. And so, it is only logical to suspect that educational reform would eventually be part of this movement, resulting in children becoming more educated on the concept of sustainability in theory and practice. Far-fetched as it may seem at the moment, the trajectory for change is steep, and after all, we all know marketers respond extremely well to the preferences of our younger generations.

The Verdict

Finally, while having the discussion on whether eco-friendly consumption matters to any extent or not, we need to remember that those who are most likely to be affected by environmental damage related to climate crisis and lack of sustainability are those with little resources. Meanwhile, it is people with money and time who can potentially have some positive impact – whether it is on companies' methods of production or general movement towards sustainability and production of economic solutions to the upcoming crisis. Many of the points above suggest that through their buying power individual consumers can contribute to environmental protection, and, even though the eventual extent of this contribution is not clear, possible benefits suggest that eco-friendly consumption is not just an empty gesture.

Power of the Young Consumer

Oli Tao looks at how Prevailing Order of the Luxury Fashion Market is being overthrown.

The luxury fashion market has always been the purveyor of what is 'hot' and what is 'not', leading to questionable trends such as the Balenciaga crocs, tiny glasses and chunky trainers. However, is there a market shift forcing brands to respond to young consumer's demands?

Responding to Environmental Concerns

The prevailing order it dead: brands have to adapt, or face extinction. Generation Z and Millennials have different social patterns and values in comparison to their post-war baby-boomer parents. They are already an influential and growing segment of the premium consumer market, facilitating the change in values of luxury brands through changes in demand patterns. Luxury brands that seek to succeed must understand this segment of consumers. To reach and convert this new customer base, brands need to know what motivates them, what influences them, and how they influence others.

According to a McKinsey report, 90% of Generation Z consumers believe brands have a responsibility to address environmental and social issues. The prominence of young people in the environmental protests that have swept the globe have only confirmed this. As Millennial and Generation Z consumers increasingly substitute away from fast fashion, replacing it with alternative sustainable brands, luxury fashion brands have taken action and are making moves to increase their sustainability. What was once was a niche concern has now become a necessity for any luxury brand.

Recently, industry heavy-weights such as Gucci and Prada have followed Stella McCartney's lead in going fur-free, representing a substantial shift in a market which only a decade ago had fur on every major Autumn/Winter catwalk. A second systemic sustainability issue was the practice of destroying finished unsold products, something which is becoming uncouth, uncool and distinctly démodé.

The question is, how much of this shift can be attributed to the power of the consumer? Recent studies point to sustainability and ethics not being a particularly strong influence for millennial luxury buyers. It is possible that the fashion market's shift of supply towards sustainability is an attempt to predict and get ahead of the market, as environmentally conscious people are increasingly drawn to these luxury brands. Ultimately, these brands are unlikely to change unless they feel the need to. Even magazine giant Conde Nast, the owner of Vogue and GQ, have made small steps to appear more sustainable to customers - such as switching their packaging from plastic to compostable.

The Shift towards new Ownership Models

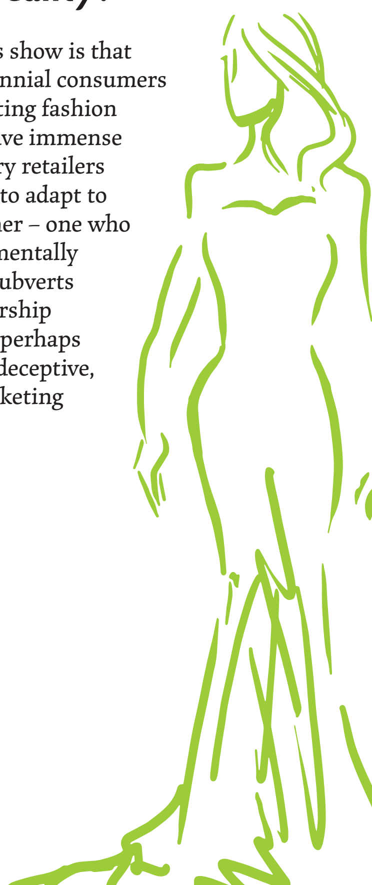
Within ten years, the fashion resale market could be bigger than the fast fashion market. This is a transition partly driven by the young generation's hunger for technological innovation, whilst embracing sustainability. This is not necessarily new – as seen in 2008's Sex and The City Movie, Carrie's assistant rents her designer handbags from the real-life company Bag Borrow or Steal. Nevertheless, the growing demand for resale items has led to an influx of similar firms. New companies are arising with similar ideas, such as RealReal founded in 2011, which sells luxury pieces via a consignment model – a model where goods are left for a third-party to sell – for a fraction of the in-store price. Rent the Runway, which operates under a similar model, was valued at $1bn after its most recent funding round in March.

As more and more firms enter the second-hand market to capture surplus demand, they are becoming increasingly homogenous in their services - but often with differing values. Whilst RealReal is about big discounts and making money through sheer volume of sales, arguably devaluing luxury brands by undermining their ability to sell at full-price. Others such as Vestiaire Collective or Decades Inc try to honour the integrity of luxury brands, often selling vintage items at a premium price due to the rarity of the product.

Traditionally hostile luxury brands should embrace this second-hand market. Instead of weakening brand value, it could drive sales of new items, further reach, and enrich storytelling. Furthermore, if luxury brands take more responsibility for the second-hand market, it could allow them to regain their lost market share.

Power of the Consumer: façade or reality?

What these cases show is that Gen-Z and Millennial consumers are notably affecting fashion markets. They have immense power over luxury retailers who are striving to adapt to this new consumer – one who is more environmentally conscious, who subverts traditional ownership models and who perhaps can see through deceptive, inauthentic, marketing exercises.



Green Bonds: Powering the Energy Transition

Ruaridh Duff explores how the Green Bond revolution is empowering change in the energy sector.

Green bonds are a powerful new financial instrument that enable companies and governments to raise capital for environmental and sustainability projects. Since its genesis in 2007, the green bond market has grown to over $600bn amidst increasing investor demand for sustainable investments. Frequently issued and well-suited to fund renewable energy projects, green bonds are poised to play a crucial role in the global energy transition.

The green bond market can trace its origins to 2007 - a group of Swedish pension funds were unsure how to invest in projects that would help the environment. After liaising with the World Bank, the first green bond was born, creating a new way to connect investors with projects that benefit the environment.

Today, representing nearly 5% of total global bond issuance, green bonds are a booming multi-trillion-dollar market. On the demand side, this explosive growth can be attributed to the rise of responsible investing. Facilitated by growing concern about climate change, global socially responsible investments grew to $30.7tn 2018. Demand growth also represents a sharp increase in the availability of commercially viable green projects, partly driven by improvements in renewable energy technology over the last decade. Undeniably, individual and market-wide attitudes are shifting towards sustainable social responsibility. In order to satisfy this altruistic demand, green bonds become firmly entrenched in international financial markets.

In 2018 alone, renewable energy accounted for one-third of all green bond issuance. Out of the $167bn worth of green bonds issued globally in 2018, $56bn was used to fund renewable energy projects such as solar and wind farms. In fact, green bonds were used to fund more than 20% of total global investment in renewable energy. But what makes them so attractive?

Financing renewable energy projects become easier as green bonds allow issuers to secure large amounts of capital up-front at a relatively low cost. Although renewable energy projects have low running costs, they often require substantial capital investment ahead of revenues, making them highly sensitive to the cost of capital. Issuing a green bond can enable these projects by providing the finance to build them, then allowing the owner to pay off the debt when revenues are established.

Leading the Charge

ENGIE, a multinational energy company, is an example of a green bond pioneer. Traditionally operating in natural gas and petroleum, the French company has become a key player in renewable energy. ENGIE has funded much of its renewables development by issuing over $10bn of green bonds since 2017, showcasing its commitment to lead the energy transition and drive the development of sustainable finance.

In June 2019, ENGIE issued another €1.5bn green bond, making it one of the world's largest corporate issuers. This money will be allocated to a variety of green projects around the world: the company has plans to add 9GW of renewable energy generation capacity to its portfolio by 2021 (enough to power 5 million homes). Upon launching their latest green bond, their CFO, Judith Hartmann, said: 'ENGIE has undertaken to reconcile the company's long-term vision with the financial objectives of investors. Green bonds, which help fund our clients' zero carbon transition, are an essential lever for doing so.'

Despite success so far, it is vital that green bonds sustain their momentum in attracting funding for renewable energy projects. The transition towards a decarbonised global energy system will require scaling up investments in the renewable energy sector by a further 16% (an additional $15tn by 2050).

There is no doubt the green bonds will continue to play a crucial role in sourcing this investment, but there is a need to evolve. The lack of a uniform reporting system on the use of the proceeds of green bonds has resulted in investor uncertainty. At present, they are certified by an opt-in process, not legally regulated in any country. A global green bond standard would accelerate market growth by alleviating concerns of so-called 'green-washing', giving investors more comfort over credibility and reducing the costs associated with issuing a green bond.

Green bonds have had an incredible impact on the world so far, helping to connect increasingly impact-conscious investors with projects that benefit the planet. There are still improvements to be made, but it is no exaggeration to say that green bonds are the pathfinder for the global energy transition.

The Green Power of Many

Annie Chan Un Ieng discusses how the global climate strike could have a very real impact on the economy.

Power is the capacity of energy produced by anything in the real world – but with regards to the social sciences, it indicates how effective and influential actions can be. Due to the 'power of many', collective action has never been so profound, especially in the context of a current issue: the Global Climate Strike. But what are the implications of striking on the wider economy? And is it worth the sacrifice?

Evolution of The Climate Strike

Following the recent coverage of the Global Climate Strike, 16-year old environmental activist Greta Thunberg has ascended to the forefront of the movement. Since August 2018, there has been a notable influx of participants, students in particular, striking for the change they want to see in environmental policy. Under intense public scrutiny, Thunberg managed to inspire, motivate and rise to influence: staging a protest outside the Swedish Parliament in 2018 and speaking at the UN Climate Action Summit in 2019. Her actions brought an awareness to the general public which resulted in protests held in Sweden and Europe, and consequently, the Global Climate Strike, where an astonishing 7.6 million people participated in the week of 20 th September 2019.

A progression is needed for individual perspectives to impact the general consensus; so it is fortunate that someone like Thunberg radically stepped up and snatched the attention of the public. Thunberg's actions have been inspiring to many – helping people reach agreement on the nature of the climate emergency and accumulate power in numbers to support her goals. The 'Power of Many' has meant governments across the world have begun to feel the pressure from climate groups, pushing them to consider new remedies for climate catastrophe. In Germany, for example, Chancellor Merkel recently announced a €50bn package of new measures to curb carbon emissions: implementing trading systems for transport and building sectors, lowering taxes on rail tickets and incentivising electric car ownership through the tax structure.

Costs and Benefits of the Climate Strike

Striking is often effective, and when enough people participate it can catch the attention of mass media. The process of more strikers becoming aware and wanting to participate, as well as more media outlets covering the action, can be where issues begin to be seriously acknowledged and globally discussed. But striking can be harmful too. Not everyone perfectly understands the rationale of each strike, so a portion of them may be blindly following their peers. People are likely to take less notice if they believe this to be the case.

A one-week-long absence of students and workers undeniably has a direct impact on GDP. The suspension of production lines leads to profit losses. Insufficient numbers of workers slows the production of companies; during the Climate Strike, more than 1,800 Amazon employees walked out. Furthermore, striking students miss out on crucial knowledge from lectures and curriculum progress is halted, which could impact future human capital accumulation.

A one-week-long absence of students and workers undeniably has a direct impact on GDP.

While it does appear that governments are listening, whether the strike can cause sufficient changes within companies is still a mystery. In the short run, the strike has almost certainly harmed the growth of firms by lowering production capabilities. In the long run – spurred on by protests or not – many big companies like Amazon are announcing to be carbon neutral by 2030 and eliminating contracts with fossil fuel companies. Moreover, green technologies, for example generating renewable energy, are being implemented widely, and consumer pressure appears to be pushing for this transition to be as quick as possible.

Any Better Alternatives?

Striking can seem aggressive to some people; the strong reactions of some Londoners against what are seen as extreme, radical, industry destroying aims of Extinction Rebellion protesters demonstrates this because inevitably there are economic costs which society has to bear. Nudging is an alternative which is comparatively moderate; nudge theory proposes indirect suggestions to influence the behaviour of individuals, such as putting relevant labels next to the sink to encourage water-saving, or a 5p charge on plastic bags. Such policies might be easily accepted by the general public. Nudging has a unique function in changing people's mindset when it goes with standard education, but it is undeniable that nudges are unintentionally ignored by people at some point.

Growth vs Sustainability

Environmental Protection is becoming a prominent economic objective. For many years, economic growth has been regarded as the dominant policy objective and environmental issues were arguably side lined. When profit-making is the principal goal, capitalist firms would not care how much they pollute. After the Climate Strike, voices of the new generation are finally heard. On one hand, politicians are considering new policies to manage environmental damages, like regulating firms by issuing carbon emission permits; on the other hand, economies might have to sacrifice a part of economic growth as trade-offs since firms might have to narrow down their scale of production in order to adhere to new regulations. There are opportunity costs for every action taken but are these costs compensated by the potential long-term benefits?

In general, impacts must be two-sided, both positive and negative. From the movement, it is clearly seen that combination of individual power does cause more-than-proportion changes; and that is the primary effect of collective power or what we call the 'Power of Strike'.

Turmoil

Many parts of the world today are defined by a period of turmoil. As individuals, corporations and governments clash in their pursuit of power, it leaves a very real footprint on the economy.

In this section, we explore just how turmoil and conflict impact the economy. Sukanya Subramaniyan uses game theory to analyse the behaviour of major oil producers, Rinto Fujimoto and Robyn Ma looks at the situation in Hong Kong, and Lexie Fielderman explores gun control in the US.

Turmoil

Hong Kong Reshuffled

Robyn Ma discusses the effects of the political turmoil in Hong Kong on the global economy.

With a low corporate tax rate of just 16.5%, an independent judiciary, and accessibility to lucrative Chinese markets, Hong Kong has become one of the world's most attractive cities to conduct business. However, the ongoing political crisis in Hong Kong has severely damaged its reputation as an international financial hub. Being a crucial channel for business between Asia and the rest of the world, the city's economic slowdown leading to capital flights and relocation of business headquarters will further disable the global economy.

The Broken Door to China

The political crisis has transformed a city with a long-standing legacy as a global financial hub into a shell of its former glory, as it is currently seeing its weakest economic conditions since 2009. Chief Executive Carrie Lam has stated that Hong Kong has entered into a technical recession following two quarters of negative growth at 0.5%. This is further exacerbated by a drop in exports of 9% since June. The centralised location of current civil unrest is causing significant disruptions to inbound tourism and consumption-related activities, as these areas have become high traffic zones for protestors. Retail sales have fallen by 6.7%, tourism by 13%, and businesses in Wan Chai, a key retail center, have dropped by 30-40%.

The Bucks Migrate South

Fears over the technical recession and the possibility of China exercising more stringent control over Hong Kong has led to businesses pulling out of the city. The forced resignation of Rupert Hogg, CEO of Cathay Pacific, after members of his staff came forward in support of the protests, points to growing interference into the domestic economy by Beijing.

Foreign companies are becoming increasingly hesitant to base their employees and invest capital in Hong Kong. According to Eurekahedge, a hedge fund data provider, investors took out around US$1bn from Hong Kong-based hedge funds in the third quarter of 2019. This is one of the largest quarterly outflows in Hong Kong since the global financial crisis in 2009. Goldman Sachs estimated that as much as US$4bn in capital may have flown from Hong Kong to Singapore since the start of the protests. Conversely, Singapore has seen an uptick in foreign-currency deposits by non-bank customers by 52%. This shows a broader trend of businesses shifting to Singapore instead of Hong Kong. Further deterioration in the political situation may risk triggering further capital outflows that would threaten the city's reputation as an international financial intermediary, and thus its relationship with the rest of the world.

However, Hong Kong remains the primary gateway for international investors to push capital in China. Figures from China's Ministry of Commerce show that Hong Kong accounted for 70% of foreign direct investment in the first eight months of the year, an 8.6% increase over the same period a year earlier. While the situation in Hong Kong poses a medium-sized risk for China's economy, the country's substantial presence on the international plane will nonetheless inadvertently impact the global economy.

The Eagle vs the Dragon

The events in Hong Kong are not happening in a vacuum. The US-China trade war has weakened global trade and manufacturing. The repercussions of the US-China trade war are vast - it has the potential to wipe $455bn off global GDP next year and cut global economic output by 0.5% in 2020, according to the International Monetary Fund (IMF).

As China's exports to the US decline, its import from other countries will also be affected, sending shock waves through global production lines. Japan, Korea, and Taiwan are the most vulnerable, but in terms of GDP, Singapore is the most exposed to the second-order effects of disruptions in the Asian markets. Foreign firms will have to consider moving chunks of their supply chains out of the US and China, to third party states such as Mexico or Indonesia.

The political instability in Hong Kong does not suggest a clear end in sight. Still, while there's been a series of capital outflows from the city, its structural and societal characteristics still renders it an attractive business destination. How the government chooses to respond to the situation, and the way protests continue to unfold, will dictate how the crisis vibrates throughout the global economy.

Turmoil

Hong Kong and the GBA: China's Jigsaw Puzzle

RUNNER-UP FOR THE INSIGHT WRITING PRIZE

Rinto Fujimoto, a third-year student on exchange at Hong Kong University, explores the city's future in the Greater Bay Area during uncertain times.

October 1st, 2019 – As the rest of China celebrated the 70th anniversary of the People's Republic, one city was embroiled in yet another day of civil unrest. The festive mood in Shenzhen stood in stark contrast with the violent scenes of protest in Hong Kong, located only a few kilometres across the border that separates the special administrative region (SAR) from the mainland. The current political crisis in Hong Kong, which was sparked by a controversial extradition bill that has since been withdrawn, not only underscores China's failure to gain popular support in the city since Britain's handover, but also puts into doubt its ability to economically integrate the territory into the so-called 'Greater Bay Area'.

Asia's Silicon Valley

The Greater Bay Area is a megalopolis consisting of 9 cities and 2 SARs located around the Pearl River Delta in southern China. The project to develop an economic zone capable of competing with the San Francisco Bay Area was mentioned in the Communist Party's 13th Five-Year Plan and is part of the country's effort to create a powerful technological hub to rival Silicon Valley. Beijing sees this project as key to becoming a world leader in innovation and transition towards a sustainable, high-tech economy. Cities in the GBA will be connected by an extensive network of infrastructure, including a modern bullet train system, three of the world's busiest container ports and the Hong Kong-Zhuhai-Macau Bridge, the longest sea crossing on Earth. The region is already notable for its diverse economy, and the GBA is expected to benefit from the competitive advantage of each city, with Guangzhou acting as the industrial core, Shenzhen as the district for innovation and Hong Kong as the global financial centre.

China's vision for the GBA, however, faces some challenges. While the protesters' immediate demands may not affect the project, the current climate of distrust towards Beijing has nurtured an entire generation of young Hong Kongers reluctant to see their territory being economically and politically tied to the mainland. Many people in the former British colony perceive China's interference in local politics as a breach of the so-called "One Country, Two Systems" framework, which in turn has developed a strong regionalist sentiment. Given the need to harmonize regulations between different jurisdictions, facilitate the free movement of people across borders and better coordinate policies in the region, developing popular support in Hong Kong will become one of China's top priorities for the GBA to become an economically integrated, global technological hub.

Shifting Power Dynamics

Most importantly, the political crisis in Hong Kong raises some questions about the city's future role in a world that will be ever more dominated by China. The current reality is that Hong Kong's economy no longer weighs as much as it used to within China, with its share of national GDP having decreased from 20 percent at the time of the handover in 1997 to just 2.9 percent today. To observe this relative decline, one needs to look no further than Shenzhen, a rural county 30 years ago, whose GDP overtook that of Hong Kong this year. China's spectacular economic growth explains its ability to mobilize resources for the GBA project. Hong Kong has the potential to benefit from the investment opportunities created by its neighbours, such as Shenzhen, on the condition that the former British colony maintains a competitive advantage to differentiate its economy from other mainland cities.

One Country, Two Systems

Hong Kong's competitive advantage arguably lies in one of the core principles defended by the protesters today: democratic values such as the rule of law, which protects not only private individuals against the excesses of government, but also protect businesses against asset confiscations and arbitrary court rulings in favour of local firms. Those principles, which are weakly enforced in mainland China, are highly valued by international investors, and Hong Kong's unique judicial system based on the English common law has so far been key in maintaining its position as a platform linking the Chinese market to foreign capital. To this day, the city's pro-Beijing establishment, the anti-Beijing protesters and the Communist Party of China seem to agree on the need to uphold the rule of law in Hong Kong (albeit with different interpretations of the rule of law). While the city's future remains uncertain, both mainland China and Hong Kong could benefit from the GBA project – but only if Hong Kong is both economically integrated to the mainland and allowed to maintain its unique system of governance. The project, therefore, needs the leadership in Beijing to regain Hong Kongers' confidence by once again committing to the original "One Country, Two Systems" framework, thereby recognising the economic benefits of a jurisdiction that retains some degree of autonomy from the Chinese central government. Oddly enough, limiting its influence over Hong Kong may help China develop the GBA and become a technological superpower.

Turmoil

The Fight for Fuel

Sukanya Subramaniyan views the oil market through the lens of game theory, exploring the battle for power amongst the industry's key players.

On September 14, drone strikes that targeted the world's largest oil processing plant in Abqaiq, Saudi Arabia, rendered the country 5.7m barrels per day (bpd) short of its previous daily oil output. The Aramco attack was one of the biggest disruptions in the history of oil supply, temporarily knocking out five percent of global oil production. However, it is merely the latest, most violent example of the events that have transpired in the oil industry between rival powers over the last few years.

The top 10 producers of oil – including the US, Saudi Arabia, Russia and China – are responsible for 70% of total oil production. The oil industry, a tight market, is getting even tighter with rampant supply disruptions, geopolitical tensions and strategic sanctions. In the recent past, the question of who wielded significant power and influence within the oil industry had a straightforward answer: The Organization of the Petroleum Exporting Countries (OPEC).

Historically, OPEC could control global oil prices and output, on account of the 'game of cooperation' that it's structurally founded on. Smaller members who have less ability to influence global output piggyback off larger players, who forsake their profitable deviation to secure control of the oil market. These 'ancillary benefits' (gaining shared power of the industry) allow smaller producers – who wouldn't necessarily be able to compete in a fully commoditized, non-cartel governed environment – to participate, as larger players aren't purely seeking to maximise profits. The future of the collective cartel, however, has come into question; in 2019, Qatar left OPEC. By early 2020, Ecuador will follow suit. Have the players in this game changed?

A New Player in Town

While Qatar and Ecuador didn't contribute significantly to total OPEC output, the act of non-compliance was a signal of a global shift in power. The new reality of world oil supply has emerged, with the United States taking the lead in global oil production. Earlier this year, American production of crude oil has surpassed 12 million bpd, and the lifting in the country's 40-year ban on oil exports has resulted in 3 million bpd of oil exports. U.S. fracking advances and the shale oil revolution had curtailed OPEC's market power since late 2014, creating downward pressure on prices. By increasing output, Saudi Arabia allowed oil prices to fall to squeeze U.S. suppliers out of business. When prices plummeted, the lack of a unified production plan severely affected the finances of OPEC's more vulnerable members, such as Venezuela and Nigeria. The Saudis may be sitting on spare capacity they can whip out when required, but the country (and the rest of OPEC) have issues; a crucial one is maintaining prices without losing market share to newer players while retaining unity amid geopolitical tensions. Does the introduction of the U.S. as the 'new larger player' in this game signify the transformation of the oil market from a monopoly to a duopoly? Maybe it is the rules of the game that have changed.

The Death of the King

The key players in this hypothetical game for acquiring jurisdiction of the global oil markets are Saudi Arabia (as a representative of the larger members in OPEC), the smaller members of OPEC, and the United States. The cartel itself can be viewed as a classical prisoner's dilemma; each member has capped output levels, and if all members followed their respective production quotas, the optimal economic outcome would be achieved. If one member overproduces, that member or 'the cheater' can realize a greater economic gain, which gives all members the incentive to exceed one's production limits as opposed to bearing the risk of not cheating. Trends of OPEC production confirm this; in periods of lower revenues, countries disregard their production quotas and produce flat out. Smaller members, such as Indonesia, have suspended their membership due to their inability to meet the quotas.

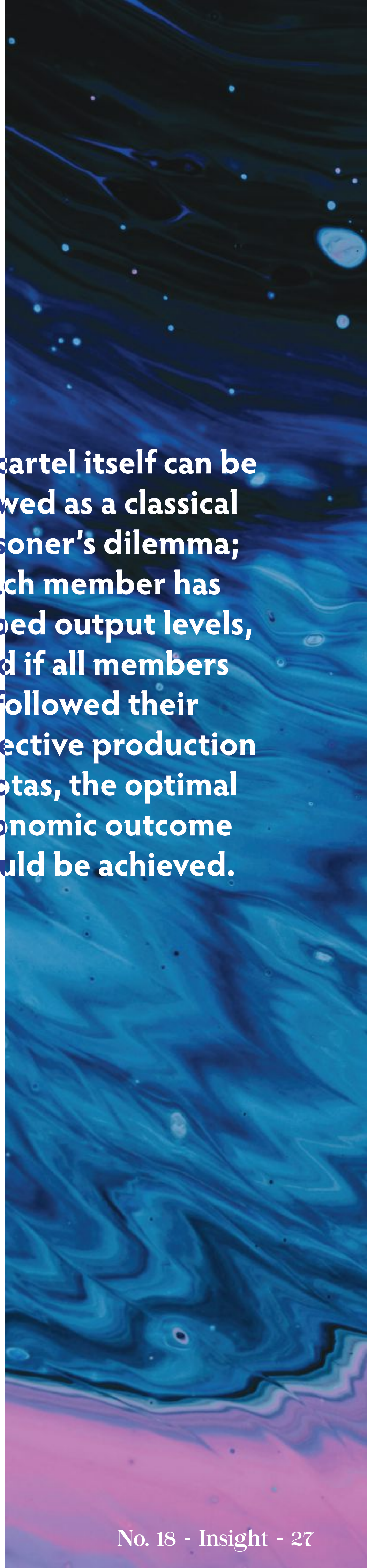
Cooperation theorists, however, believe that collusion has endured in OPEC because it provides each firm with a larger profit than the competitive outcome, and for firms, future profits outweigh the short-term sacrifice. Further, mechanisms of retaliation allow members with greater reserves and capacity, such as Saudi Arabia, to enforce trigger strategies that punish cheating – if a member goes beyond its quota, Saudi floods the world market with oil, punishing all members with a lower price for oil and, therefore, lower collective profits. In this manner, Saudi Arabia keeps its member countries in line in this version of a repeated non-cooperative game. Unfortunately, the establishment of the U.S. as a globally competitive player in the game has fractured the ability of OPEC to remain compliant to its own rules. As the U.S. acts in its best interests by taking the profitable deviation, the benefit gained by smaller players within OPEC begins to dissolve. As OPEC's equilibrium depends on larger players sacrificing their competitive advantage of being low-cost producers in non-cartel governed environment, a 'new' larger player normalizes the market, leaving Saudi Arabia (and other larger players in OPEC) no choice but to also employ a purely competitive strategy.

The Art of War

The United States has gone out of its way, in typical power-hungry fashion, to quash smaller members. Over the last few years, the U.S. has consistently been using its 'maximum pressure' strategy, imposing crippling sanctions and blockades on exports from Iran; Iran's exports have plummeted from 2.8 million bpd in early 2018 to less than 1 million today. This has left them diplomatically isolated, resulting in violent responses such as disturbing the market via its Houthi proxies. The 'maximum pressure' approach derives logic from Thomas Schelling's 'compellence strategy' – a game theory term that suggests a player uses active coercion to get other players to change or abandon their behaviour through a carefully calibrated schedule of punishments. To maintain credibility, the enforcer must escalate the punishments as promised; Trump has placed sanctions of several of Iran's industries, including oil and petrochemicals, but after Iran shot down an American drone, Trump threatened military action with no follow-through. This lack of credibility, coupled with exacerbation of sanctions, may have pressured Iran to hit back. While Iran's muscular power cannot compare to that of the U.S. or Saudi Arabia, its $13 billion defence budget can target critical energy infrastructure in the Gulf, and the prospect of military conflict in the Middle East can prompt the rise of the oil prices. Nevertheless, the American lead in global oil production has added a degree of stability in the price of oil. The powerplay in the oil market, however, isn't viewed in its entirety until the role of the biggest importer of crude oil, China, is taken into consideration.

China is an overlooked, yet chief player in this game. As the U.S. disrupts Iranian and Venezuelan crude imports to solidify its revenues, China attempts to secure access to oil by extending a $5 billion credit line to Venezuela and taking about half of Tehran's 1.1 million bpd exports. The global rout in prices has left producers vying for new markets, and China is ready to take up their offers. Further, the effects of the China-U.S. trade war are spilling over into global markets, with China placing damaging tariffs on American energy exports and the U.S. placing sanctions on Chinese oil-tanker firms. Crude oil prices are falling victim to the zero-sum trade disputes between the two. The market is starting to resemble a negative-sum game, with the back-and-forth retaliatory action leading to massive damages being accrued on either side.

The oil industry faces a structural shift in the parameters of its game – OPEC's monarchy over global oil prices and output is nearing its death, as the U.S. is ready to take its place as a permanent, globally competitive player. Although U.S. shale oil is relatively more expensive to produce than Saudi oil, strong shale oil production levels resulted in the U.S. briefly overtaking Saudi Arabia as the world's number-one oil exporter in June. The dominance of the U.S., without the guidance of a controlling authority, may partially explain why an attack threatening 6 percent of world production had a very inconsequential effect on oil markets. But, has caution crept into the oil industry? Demand for crude is on the decline, and bearish sentiment has begun to affect economies that depend heavily on oil-related industries. Uncertainty may transform the power dynamics of the industry, and only time will tell which players prevail.



The cartel itself can be viewed as a classical prisoner's dilemma; each member has capped output levels, and if all members followed their respective production quotas, the optimal economic outcome would be achieved.

Smoking Gun

Lexie Felderman takes a deep dive into the flawed incentives surrounding gun legislation in America.

In April 1999, two teenagers entered Columbine High School in Colorado and killed 13 people before taking their own lives. Twenty years later, and the United States still has the weakest gun control in the developed world, with an average of one mass shooting a day.

The United States' messy love affair with guns stems from the Second Amendment of its Constitution, which grants citizens an absolute right to gun ownership. Although more and more of the population is in favour of stricter gun control (82% are in favour of raising the purchase age from 18 to 21 and 72% for banning assault-style weapons), no legislation has made it through Congress to lessen gun violence. This is largely due to a mismatch of incentives between representatives and their electorate.

Maybe she's Born With it, Maybe it's Campaign Funds

Money and public endorsement have been perhaps the greatest tools in the gun debate. The National Rifle Association (NRA) has a number of sitting GOP members on its bankroll, with 16 Senators each receiving over $1 million in political funding to date. Senator Cory Gardner from Colorado - where a large portion of the population has personal ties to the Columbine and the Aurora cinema shootings - has amassed a career total of over $3.8 million in funding from the NRA, and openly opposes stricter background checks and restrictions on gun ownership. While most of his constituent base would prefer stronger gun control in their state, Gardner has a strong incentive to keep future funding and support from the NRA in place by rejecting gun control legislation. Without it, he would've lost their help in funding his last campaign of over $6 billion along with the favor of pro-gun groups across the state. A very small and wealthy group of people thus wield control compared to interests of the whole.

The power of NRA money and influence can be felt even at the very top of US government. President Donald Trump received at least $30 million from the NRA during his 2016 campaign. In early August of 2019, a phone call to Wayne LaPierre, chief executive of the NRA, was all it took to sway Trump from supporting universal background checks. Although Trump stated he "wasn't afraid of the NRA" and supported much stronger gun control legislation after the Parkland shooting in February 2018, he decided to kill the idea after receiving a resounding "no" from LaPierre. While approximately 94% of US citizens support background checks for all gun purchases, President Trump's decision stemmed from the interests of a single organization. The NRA also derailed the last big step towards gun control in 2013, lobbying heavily against a bill that would have expanded background checks to guns sold on the internet and at gun shows. This misalignment of voter preference and legislative outcome indicates the influence of the NRA's relationship with the American government.

Turning Tide?

However, there is a growing force for the opposition: Everytown for Gun Safety, which is the first special interest group capable of checking the NRA's power. Unlike many other gun control grassroots movements, often outspent and largely outnumbered by the NRA's war chest, Everytown has a $50 million backing from New York Mayor Michael Bloomberg and 3 million members nationwide. Traditionally, grassroots gun control campaigns have lacked the sheer power necessary to influence legislation on a level even remotely close to the NRA, and the broad base of support from young people held little strength due to age restrictions on voting and running for office, as well as a lack of financial resources. This time, however, the other gun lobby has found more permanent footing and a few victories in the form of defeated bills across 23 states that would have let people carry guns in public spaces, sometimes with no permit. Everytown is also showing strong support and financial backing for gun-sense candidates, which could lead to new gun legislation being passed.

Currently, elected representatives have strong incentives to support the NRA's rulings on gun rights, especially in the Republican-dominant Senate, and often work against the preference of their constituents and maintain loose gun regulations. The result has been 20 years of legislative inaction on gun control; however, this inefficiency may soon be challenged by a realignment of preferences between legislators and the American people. As organizations such as Everytown gain political and financial power, new representatives are being incentivized to act in favour of the growing population of Americans supporting gun control.

Econ School

'Big Picture' Welfare

Amber Murray provides important insights into welfare at Edinburgh University, and explores how the School of Economics is tackling this important issue.

Modern welfare is a contentious issue. It often feels like the idea of welfare and wellbeing is everywhere – in not just an academic sense, but in a social, consumer, and corporate sense too. According to the Global Wellness Institute, the global 'health' market grew 10.6% to $3.72tn from 2013 to 2015, while the global economy shrank 3.6% over the same period. It has been co-opted into marketing strategies, business identity and the 'self-help' market; 'consumer welfare' has become a handy business slogan for 'socially conscious' companies.

At the same time, there has been a rise in therapeutic education across the board. The culture of self-expression and mental health 'openness' which we have created, whilst certainly beneficial in many ways, often encourages an 'overly-clinical' mindset and potentially dangerous levels of self-diagnosis. The notion of therapy as the answer to all issues seems to plaster over glaring gaps in funding and resources. Therapy, whilst helpful, often won't fix the root causes of problems at social instability, problems which often stem from feelings of isolation and alienation.

Welfare at University

This problem is even more apparent at university. According to a 2017 survey from the Higher Education Policy Institute, a think tank dedicated to higher education research, student dissatisfaction and unhappiness is rising. The percentage of students who feel that university 'isn't worth it' now stands at 34% - the highest it's ever been.

The same survey finds that almost 9 in 10 of first-year students find it difficult to cope with social or academic aspects of university life. Their biggest worries include how to manage their workload, financial difficulties, and feeling isolated from family and friends. Clearly, the idea of student years being the 'best of your life' does not always apply. Far from living in a responsibility-free bubble, this suggests that students are more anxious than the rest of the population. The distinction between 'real-life' and university is not clear-cut; most students have to deal with 'real-life issues' at the same time as trying to have an active social life, deal with newfound responsibilities, and maintain an intense workload.

Social media doesn't always help, either. The distillation of university experience into a consumable (and generally positive) news feed only increases feelings of isolation amongst students. For those who don't drink, the feeling can be even stronger – especially watching people's drunken stories on nights out and feeling left out by regular alcohol-fuelled flat nights out.

Welfare at Edinburgh

These very real issues are the idea behind improving student welfare. The student welfare office doesn't provide a counselling service, or one to one therapy; it isn't built to provide answers. Instead, what it provides is an aid for students who might feel isolated or disconnected from the 'university experience'. There is no clinical or diagnostic element; it is about building a feeling of community through small acts and interactions. Scientifically, it is these small interactions which most boost serotonin levels in the brain – chemicals which are essential for sleep, focus and general well-being.

Lorna Quickfall, our student welfare officer, summarises this idea as: 'if something is preventing you from reaching your goals, come and see us.' You can meet up with her for a 1:1 chat if you want to talk anything through. She can help you to unpick whatever is on your mind, and work with you to develop an action plan to meet your goals. She also organises social events throughout the academic year – this semester's events have ranged from a Hygge evening to an Origami Workshop.

This is a massive step forward in terms of the right kind of welfare the university should be offering, but there is still room for improvement - crucially, in the relationship between different welfare services at the university. Currently, finding the right support often depends on the student finding the right avenue to go down. This should not be the case. Rather, the simple act of a student reaching out to any service should guarantee the right kind of help – each should act as a conduit to another.

It can often feel scary reaching out. Yet reaching out isn't a sign of weakness, but rather one of strength.

You can find our student welfare manager, Lorna Quickfall in room 1.3, 31 Buccleuch Place, or at Lorna.Quickfall@ed.ac.uk.

An Evening with Robert Zymek

Stian Sandberg discusses Robert Zymek's lecture on the US-China trade war.

After last year's success of 'Evening With...John Moore', the School of Economics hosted its second event with Dr Robert Zymek. Zymek's research focuses on international trade and is known in the undergraduate community for teaching the very popular course 'International Economics'.

Zymek's lecture was titled 'the US-China Trade War' and showcased some of his most recent work on bilateral trade. The lecture also provided students with academic insights into the trade war that was in stark contrast to what is found in mainstream and social media.

The US-China Trade War

Zymek began by introducing the audience to the history of the trade war up until today. One of the things that both President Trump and the media love to talk about is the trade deficit – the difference between imports and exports. If a country is importing more than it is exporting, it is in a trade deficit. If the inverse is true, then the country is in a trade surplus. In the period 2010 - 2014, the US had a trade deficit of 3%of GDP – half of this deficit stems from trade between the US and China.

A natural question then arises: why is there so much trade between China and the US? In trade theory, trade relationships are often determined by something known as the 'gravity equation', which states that trade volume is determined by size and distance. Large countries will trade with other large countries, proximity in location will result in lower transportation costs, all of which in turn leads to more trade. It is therefore no surprise that two large economies like the US and China trade frequently with each other.

As China and the US are important trading partners, another question arises – does the US-China deficit mean that the US is getting a bad trade deal? Zymek points out that there is a missing piece in this narrative: the idea of triangular trade. It might be the case that the US buys goods from China, China buys goods from the rest of the world, and the rest of the world buys goods from the US. Perhaps Chinese consumers are simply not that interested in American goods, which could explain the US-China deficit. In fact, datasets on bilateral trade suggest this very relationship.

Still, President Trump will insist that the current trade relationship between the US and China is 'unfair' – is this the case?

An Ironic Winner

In Zymek's new paper, he presents a model that attempts to capture the idea of triangular trade, and whether 'unfair' trade is the real problem. Zymek finds that the deficit between the US and China persists even in a 'fair' world, and the biggest part of the gap is due to triangular trade flows.

Unfortunately, triangular trade flows do not make for clickbait headlines, nor does it make for a particularly powerful political program. No one wants to hear that the US-China deficit exists simply because China is not interested in American goods. However, according to Zymek's model, this is the underlying mechanisms of the deficit. Further, the paper simulates what would happen to economic growth, should the trade war persist. He finds that US real GDP reduces by 0.2%, and China real GDP reduces by 0.25%. Ironically, the model predicts that Mexico wins as a result of the trade war, with an increase in real GDP.

Zymek's research then suggest that the surprising winner of the trade was is Mexico. This finding may make for very enticing headlines in mainstream media, however it might not have been the headline President Trump was hoping for.

University of Edinburgh Economics Society

H. Bryan Lee reflects on a semester of work by the Economics Society.

When the committee and I first stepped into our roles in March, we defined our vision for the coming year as one of community. Our mission as a society is to provide a platform for students to come together and experience various aspects of university life that would otherwise be unavailable to them. Over the course of the past few years, we have expanded immensely - we've become the largest academic society in Scotland, with over 1,250 members, running more than 100 events a year.

With this rapid growth, perhaps because of it, this committee focused inward. We looked at ways to increase engagement, to foster that elusive sense of community and belonging among students in Economics as well as other degrees who are interested in what we do. It is a work in progress, but with every event we host, with every program we run, that purpose of creating a community is what ultimately informs our decisions.

With this in mind, we launched the Economics Diversity and Inclusion Initiative (EDI) at the beginning of this academic year, and we can confidently say that it has been a resounding success. We affirmed our dedication to understanding and supporting the mental wellbeing of our members through our newly founded EconMinds program, which connects students to encourage an environment of sharing our struggles and difficulties.

We have also maintained our commitment to better bridging the divide from a diversity perspective. We've introduced the families system in EconWomen to great results, seeing a marked increase in attendance and engagement, as well as the formation of a tangible link between the different year groups. It's worked so well that we are currently discussing with the School and EUSA ways of extending this program to all Economics students, and perhaps even the College of Arts and Humanities, as a whole.

This isn't to say that we have solved this issue. Problems persist in engaging with all members of the society and the School, and there is always room for growth and refinement with the initiatives that we introduce. We can, however, say that this is a good first step: we've laid the foundations this term to build on, and we look forward to expanding the capacity of the EDI initiative in various ways. This is a communal project: if you have an idea, don't hesitate to reach out. This initiative, and the society as a whole, runs on a network effect - the more people involved, the better our results will be.

We are also working on establishing more intimate links between ourselves and other societies on campus. There is so much potential to collaborate, be it socially, academically, or otherwise - and we have only touched the surface of it. We tested the possibility with our Halloween social, and we will be engaging with these societies that we've partnered with to a greater extent in the future.

Alongside our focus on community, we have still been running our weekly meetings, academic seminars, careers events, socials, and research programs - it has been an action packed first semester, but as we close the chapter on this semester, we look forward. There are so many things to be excited about for next term: the flexible learning week trips to Prague and Athens, the Scottish Economics Conference, EconBall - on top of some extremely exciting guest speakers, some of which we'll be announcing in the upcoming weeks.

The theme of this issue of Insight Magazine is power - and for the sake of putting in something overbearingly hackneyed, allow me to say this: ultimately, we all hold power over shaping communities around us, be it friend groups, our families, schools - and I hope you'll join us in creating that sense of belonging for Economics, something to last beyond each of our four years here.

H. Bryan Lee

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