Volume 1 Issue 2

insight.

Edinburgh University Economics Magazine

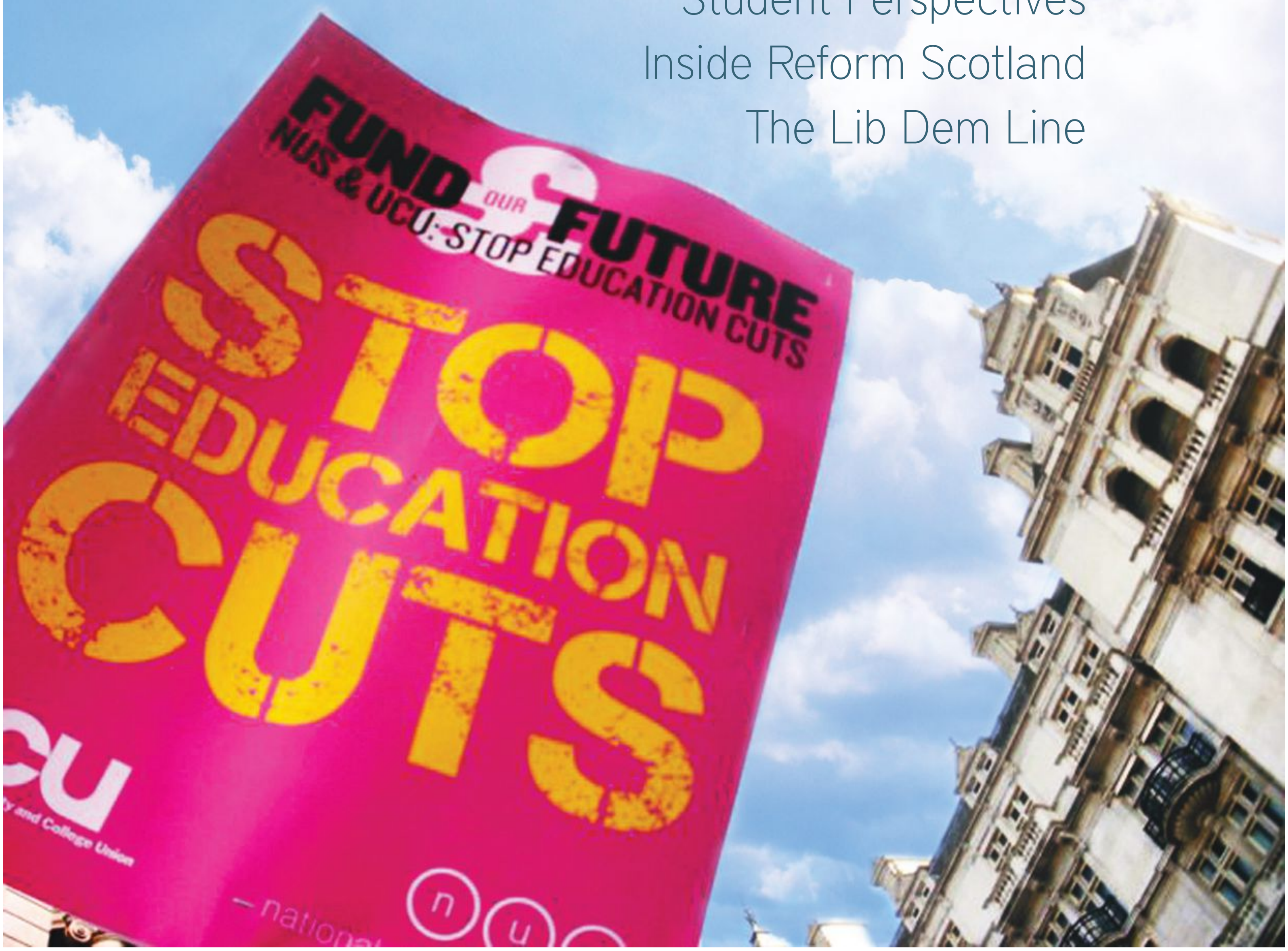
It's our education!

The BIG Debate

Student Perspectives

Inside Reform Scotland

The Lib Dem Line



CONTENTS

Cover Photography by Sam Barker (edited by Diana Eastman)

If you have any questions, comments or concerns, or you would like to become involved, please email us at:

insight.edinburgh@gmail.com

Editor's Note

Since tackling the theme of progress on our maiden voyage, the political winds have strengthened to direct the focus of this issue towards an obvious destination: education. The coalition government's higher education reforms may have incited an outpouring of protest in the present, but it must be the hope that these reforms do not impact negatively upon future school leavers and wider society in the long term. As the breadth of contributions in this issue make clear – from students, think tanks and politicians alike –any conclusions as to the impact of these reforms are far from certain. It is the aim of the pages that follow, therefore, to provide an overview and analysis of the issues at the heart of this controversial debate.

This issue we have again been fortunate to benefit from the enthusiasm of the University's fine writers and talented illustrators, who have provided engaging commentaries to many of the other hot topics of the moment (the royal wedding mercifully excluded).

Insight's future in the next academic year is an exciting one. We are very proud that the economics department thought well enough of our first issue to become our prime financier and has helped us to go global. As well as talking to an Edinburgh audience, issue 1 traveled the globe as an ambassador for the University, arriving on the doorsteps of prospective international students this spring. The resoundingly positive response we have received is an encouraging reflection on the quality of the contributions to our inaugural issue and a promising sign for the future. If you are interested in writing, editing, designing or contributing in anyway towards producing future editions for our expanding audience or have any feedback on the articles in this issue please do get in contact. An email address to the editor is on the opposite page.

On a sadder note, insight says goodbye to many of its founding members. A huge tribute must go to all the editors, and in particular our fantastic creative director who has patiently laboured over draft after draft of the pages of this magazine late into the night. Her evident creative talents are proof that economists can be as artistic as they are numeric. If that's not inspiration enough to read on, our crossword prize is still unclaimed for anyone in need of a free dinner in these tough economic times. See the inside backpage for details. Thank you for reading.

Sincerely,
Charlie Barker, Editor-in-Chief

THE UNIVERSITY *of* EDINBURGH
School of Economics

economicssociety
the university of edinburgh

'insight' is generously supported by the University of Edinburgh Economics Department and Economics Society which provided funding for this issue.

FOCUS Education

The Elixir of Growth?

Evan Williams explores the link between education and economic growth

'Education, Education, Education'. Tony Blair's mantra as he set out his priorities for office in 1997 has been the subject of much debate since its pronouncement 14 years ago. The argument goes that with Britain's economic future being staked on its ability to harness the potential of the so-called knowledge-based economy, education should be seen as the panacea of the nation's relative economic decline. It is said that an economy built on highly skilled labour will provide us with the comparative advantage we desperately need, and getting more people into education is the way to achieve it.

Our obsession with schooling and university has seen massive real term increases in education spending over the last decade, with a target to get 50% of all under 30s into higher education established. Such developments seem intuitively well placed; education fosters an individual's human capital and should therefore spur technological growth and innovation. In the long run, we would expect such advances to feed into the improvements in labour and capital productivity which are crucial to economic growth. What though, is the evidence for this link?

In support of the relationship between education and growth are the experiences of the so-called 'Asian Tigers' of the past half-century. Since the 1950s, Hong Kong, Singapore, South Korea and Taiwan have all transformed themselves into the world leading economies that they are today, each notable for their highly educated and skilled workforces. In the early 1950s, South Korea was one of the poorest countries in the world and dependent on American aid for its survival. After a rapid industrialisation process dubbed the 'Miracle on the Han River', the country has become the high-income developed country which it is today renowned for. That such progress all took place within the context of educational expansion is highly suggestive; since the 1950s, primary and secondary education provision has been made universal and university participation has widened.

The idea that education played a role in the 'Asian Tigers' transformation has some support from economic analysis. As Professor Allison Wolf highlights in her book, 'Does Education Matter?,' most researchers agree that primary and secondary education are crucial to a country's economic standing, for the simple reason that modern economies depend heavily upon high levels of literacy and

Alex Horner

skills in mathematics. Furthermore, at the very top, we rely on good universities producing healthy levels of graduates equipped to be leaders in medicine, engineering and the sciences. Such education will contribute to the nation's human capital and improve GDP growth.

The hope however that more education will automatically translate into economic prosperity is undermined by the recent experience of Egypt where, despite huge educational expansion since the 1970s, the country has suffered a faltering economic performance. In 1980, in the midst of educational advancement, Egypt was the forty-seventh poorest country in the world (as measured in GDP per capita terms), but fifteen years later it was forty-eighth poorest, averaging growth rates of less than 2 per cent a year in the meantime. Today, the unemployment rate in Egypt actually increases with the level of educational attainment. According to economists Marchus Noland and Howard Beck joblessness among Egyptian university graduates is almost 10 times that of people with only a primary education. With so much competition for graduate jobs, it comes as no surprise that many of the leaders of the recent unrest were themselves university graduates.

The differing experiences of South Korea and Egypt indicate that there are things education simply can't do, and that spending on education needs to be put in the larger economic context of a country. Indeed, as Cambridge economist Professor Ha-Joon Chang highlights, more education is in itself not going to make a country richer; "what really matters in the determination of national prosperity is not the educational levels of individuals but the nation's ability to organise individuals into enterprises with high productivity." In support of his argument, Chang highlights the example of Switzerland which managed to achieve high GDP levels with low university enrolment.

The important distinction made by Chang and Wolf is that primary and secondary education levels have larger impacts on economic growth than that of higher education. The fact that almost half of all pupils in the UK leave school without passing five GCSEs (including English and maths) at grades A* to C suggests that it is in this area of education where radical improvement is most urgent. The impact such outcomes have on the individuals concerned and on society as a whole will be of crucial importance to the UK as the 21st century unfolds. More questionable however is the government's commitment to get 50% of young people into higher education. Though getting a degree in the right subject from the right university still makes economic sense from an individual's perspective, expanding higher education from our current level is likely to be subject to diminishing marginal returns. As Chang puts it, we need be wary of wasting resources "in the essentially zero-sum game of sorting".

> "… what really matters in the determination of national prosperity is not the educational levels of individuals but the nation's ability to organise individuals into enterprises with high productivity"

There is most definitely reason to believe that our infatuation with higher education has resulted in a fraying of the education-growth link such that it exists. The rate of expansion of higher education participation has led to inevitable increases in class sizes, with unavoidable impacts on the average quality of a university degree. What is more, because resources have had to be spread thinly across the system to make the expansion possible, the best universities have been starved of income sources, weakening higher education's contribution to growth where it is strongest. The notion that we can direct resources to the best universities is appealing, but in reality seems unlikely as it would go against the egalitarian thrust of the whole exercise. Indeed, spending and recruiting more at the tertiary-level means less money for recruitment for teaching posts at the primary and secondary level where the education-growth link is stronger.

In the US, in order to direct resources to the best universities, stratification in the tertiary sector has been promoted, with much more competition introduced in the market of higher education. Whether, as the recent Browne Report recommended, this is a route the UK should go down is a controversial issue, especially considering the large and inevitable increases in student tuition fees that will result.

Whatever the merits of this approach, there is a larger concern which results from articulating education in the language of economic growth. As Professor Wolf concludes, "Our recent forebears, living in significantly poorer times, were occupied with the cultural, moral and intellectual purposes of education. We impoverish ourselves by neglecting these." In the competitive world that is the 21st century, this may seem to some to be an anachronistic preoccupation, irrelevant to the demands that the world economy today faces. But with the link between education and growth largely restricted to the quality of our primary and secondary level performance, such considerations do not appear to be so misplaced after all. 'Education, Education, Education' is a declaration that only a fool would argue against, but who gets that education, and what that education entails, is a debate likely to continue for years to come.

❖

Volume 1 Issue 2

The Higher Education Debate

FOR REFORMS

Increased tuition fees are both fair and necessary says N.P

Adam Smith compared the acquisition of talents through education to investment made in new machinery. Both, Smith noted, are expected to increase fortunes in one way or another. And rightly so: higher education is a form of investment in which its attainment results in a higher expected salary relative to what would be expected without it. Hand in hand with this private benefit to the consumer of higher education comes a flurry of social benefits including higher tax payments paid by high-earning graduates and lower benefit payments to graduates. What is more, the children of graduates are likely to benefit by taking part in more educational activities than other children of their age.

Our degrees will set us apart from others in the job market, signalling our transferable skills and specific knowledge of technical subjects. However, as with any investment, higher education entails risk: namely, the chance of not obtaining the degree. So, we should ask ourselves, who should bear this risk?

Let us say that the government (at the tax-payer's expense) bears the risk by paying for university education. If a student fails their final exams, they do not attain their high earning salary, do not pass go and do not collect £200. Consequently, we arrive at several problems, all plagued by the same nuance: higher education is simply not for everyone. You should not gasp when you read these words. By definition 'higher education' is beyond school education. That is how it possesses clear signalling properties. With increased subsidies from the tax-payer, universities are no longer an investment for students. Rather, they are a governmental investment in the population. Universities become an extension of a cushy life in high school, a prolonged "gap yaah", or even quite simply a way of avoiding the harsh realities of life for a little while. We must also acknowledge the implications of living in a globalised world in which students learning in one country may, upon graduation, work (and pay taxes) in another.

How then can this be justified from the point of view of the local tax-payer? Certainly, the merits of free higher education and a generally better educated population are clear. But, while widening the accessibility of higher education might on first glance seem fair, such a move also means employers are required to demand further signalling from their potential employees in order to distinguish the good graduates from the bad. Further signalling includes master's programmes, which, at

Maj Alexander

> 'Universities become an extension of a cushy life in high school, a prolonged "gap yaah", or even quite simply a way of avoiding the harsh realities of life for a little while'

the very best universities are expensive. With the average application for a graduate programme being extremely time-consuming, the costs of acquiring these 'signals' are not only financial. Overall, these costs work to deter potential time wasters. The problems of general laziness and globalisation can be overcome by making students the principal bearers of risk in the pursuit of higher education.

If I, as a potential student, know that upon earning £21,000 (previously £15,000) a year, that I will have to pay for higher education, I take the choice whether or not to attend university more seriously. If university is seen as an investment, then where my degree of choice would not sufficiently increase my future wage, I am likely to avoid the cost of university. However, if I see my degree as crucial to my future income and knowingly possess the commitment to pass, not only would I invest in my education, but I would want fewer students taking the same course (as possible competitors in my profession).

At this point, two separate establishments should be proposed: government subsidised institutes and higher costing establishments. The former would absorb those who lack confidence and wish to learn within a more relaxed atmosphere, whilst the latter would suit those who seek to invest in their own abilities.

Nevertheless, though high tuition fees solve the challenges of asymmetric information through effective signalling, they may also unintentionally pose challenges to equality related objectives. Prospective students from poorer backgrounds might feel that tuition fees present too much debt. Whilst this is irrational, since student loans will be repaid only after one earns a good salary, prospective students are likely to let this affect their future decisions. Solving this possible problem might mean proposing a progressive scheme of tuition fees. In this case, fees would depend on the income of parents.

Alternatively, we could take the view of the National Union of Students which sees the current system of high fees as also having progressive qualities. After all, student loans are given out on a progressive basis, with poorer students receiving more – and in some cases non-repayable – financial support from the government and only have to repay their loans once earning £21,000. So what are we stuck with? Who should bear the risk? Should the government be the principal risk-bearer since higher education can benefit society? Or should it be the students who benefit from higher salaries and a better quality of life on completing their degrees? Or maybe, we should address some inequality problems while we're at it and opt for fees depending on family wealth?

All have drawbacks and advantages. Perhaps instead we should look at the new (and much disliked) system, and see how it can benefit us. Higher costs potentially mean less competition, a better staff-to-pupil ratio, and better resources. In a system in which the government continues to offer universal financial support for tuition fees (unlike, for example in the US), what's there to complain about?

❖

AGAINST REFORMS

Higher education reforms may seem fiscally right but are more generally wrong says Jared Anderson

The UK government's financial house is about as far from being in order as North Korea is democratically diligent. With a 2010 deficit of 13.3% of GDP – the highest on record in peacetime Britain – spending cuts must necessarily be made across the board. If nothing else, markets will make sure of that. By and large the most controversial of the proposed public sector finance reforms are those within the area of higher education.

The current funding system of tertiary-level education in the UK is undeniably unsustainable. At present, 35% of university funding comes from the state, costing the taxpayer around £4,000 per year per student. It would be easy to argue that there is little viable alternative to the government's plan to allow universities in England to charge up to £9,000 per year to students as of 2012. The real economic issue of interest,

however, lies in how education-related public sector cuts will impact upon the UK's economic outlook both in the short and longer term, and indeed what policies, if any, can be taken to maximise the collateral efficiency of such policies given that Downing Street is intent on undertaking an extensive fiscal contraction.

The topic of higher education within economics is one of elevated ambiguity. Technological and productivity growth are unanimously-declared to be driven by a highly skilled workforce, yet exactly how does higher education fit into this relationship? Given that the UK's comparative advantage lies predominantly in the financial services sector (and more generally skilled business activi-

> ‘You don’t need an economics degree to realise that demand currently far outstrips supply when it comes to tertiary education’

ties), there is clearly some structural demand within the UK economic system for university graduates. That said, it would be misleading to understate the importance of unskilled and semi-skilled workers in Britain, with manufacturing alone accounting for around 10% of gross value added to the economy in 2008. University is perhaps not therefore the solution to all of the nation’s economic woes.

The expected rises in higher education fees will nevertheless inevitably dissuade many young able minds from taking up their place at university. One might well argue that such a happening will have devastating economic and social impacts; for ideas to be truly innovative, they must surely come from those with the biggest brains, not bank balances.

Despite a monstrous hike in fees, however, it is highly improbable that universities will be left with a barrage of deserted lecture halls. Figures from UCAS show that during the 2010/11 admission cycle, 700,000 students applied for only 487,000 university places across the UK. You don’t need an economics degree to realise that demand currently far outstrips supply when it comes to tertiary education. Though there is no risk of the UK labour market being short of fresh graduate talent on the short term horizon, what is at threat is the long-term socio-economic landscape of the UK. Given perhaps an overreliance on the skills-intensive service sector in Britain, young workers who do not tick all the boxes in terms of higher educational attainment, risk being cast aside in what is even at the best of times a fiercely competitive labour market. The wage gap between skilled and unskilled workers is set to inflate even further.

What’s more, as a result of recent changes, in the longer term, UK economic performance itself may suffer, lagging behind other developed economies. While countries such as the US (in the words of President Barack Obama: “We will provide the support necessary for you to complete college”) and Australia (with its relaxing of student visa legislation) are undertaking measures to increase the number of students in their universities, the UK is ostensibly doing the converse.

Unemployment is another raging issue within the higher education debate. Given that current unemployment rates among 16-24 year olds is at roughly one in five, and persisting upward inflationary pressures are lowering real wages, higher education seems a more attractive prospect to school leavers than perhaps might have been the case in the past. Quite frankly, now is not the time to be young and unemployed. Unemployment is a worrying facet of the UK economy today, as it itself has the potential to weaken domestic consumer demand and

business investment in the longer term. Ultimately, a well-educated workforce is a key ingredient for a slick, efficient economic structure. Whilst tempestuous cuts to the heart of higher education are fiscally responsible, such prudence is not the be all and end all of good policy making. Fiscal responsibility is not everything. For a fair society, higher education must be open to all those who are able enough: full stop. Yes, the current administration must take combative fiscal action, yet higher education is not the place where Osborne's axe should fall. Universities charging up to £9,000 per year for tuition fees is unjustified. The economic consequences of these reforms undoubtedly have the potential to derail Britain's long-term economic aspirations. Sometimes the populace must wrestle with political irrationality in order to win a fairer and more economically prosperous society. Students with the dream, desire and determination to acquire a university degree should with any hope be able to do just that. ❖

The Think Tank Perspective

A graduate contribution is crucial to the future quality of Scotland's universities says Geoff Mawdsley, Director of Reform Scotland

The political debate on higher education has focussed on its future funding and, in particular, whether there should be a graduate contribution. Reform Scotland believes that there should be for three main reasons. The principle of a graduate contribution is, in our view, fairer; it will help to improve higher education; and it will ensure that Scottish universities have the necessary level of funding to compete with universities down south.

The whole debate would be improved if we stopped referring to 'free' higher education. If it was free there would be nothing to discuss. However, the debate is really about how we pay for higher education.

Although society certainly benefits from having a well-educated workforce, graduates also benefit from the higher earnings they accrue. But, under the current arrangements, it is only wider society that pays for university education through the tax system, while the graduate does not contribute any more than the non-graduate. Although graduates may earn more and pay more tax, many successful top rate taxpayers have not gone to university and so higher tax contributions should not be seen as payment towards higher education.

Therefore, we think that the cost should be shared, with graduates paying for a proportion of the cost of their tuition. Our preferred way of doing this is through a deferred fee which graduates would only start to pay when they earn the Scottish average salary of around £23,000. This would ensure that graduates pay a fair share towards the cost of their education, but equally guarantees that their ability to enter higher education is not based on their parents' ability to pay.


Geoff Mawdsley

It should be remembered that higher education is not a universal service such as school education or health from which no one should be excluded. It has to be earned by academic achievement. Even under the current system of taxpayer-funded university places, there are school leavers who cannot afford to attend university and instead seek employment. It cannot be right that such individuals, or other non-graduates, have to fully subsidise those who can afford to go to university.

But we do need to widen access to higher education to ensure that greater opportunity is extended to those from disadvantaged backgrounds since the proportion of pupils from such backgrounds going on to higher education is lower in Scotland than in England. Extending bursaries would certainly help and some of the extra revenue generated by a graduate contribution should go to fund such bursaries. However, the root of the problem is in our schools and we need to look at reform of our school system to ensure that it is adequately serving the interests of those from the most deprived backgrounds.

A graduate contribution would also help to improve higher education in Scotland. Students will need to think more carefully about the merits of going on to university, where to study and which course to choose. In England, this is already happening with school pupils becoming more demanding about what they should expect at university and looking for greater information about what happens to students who graduate in particular subjects, for example what proportion get a job.

In turn, this will force providers of higher education to raise their game, to improve the quality of teaching and demonstrate that graduates from their courses have gone on to successful careers. This should all help to drive up standards in higher education.

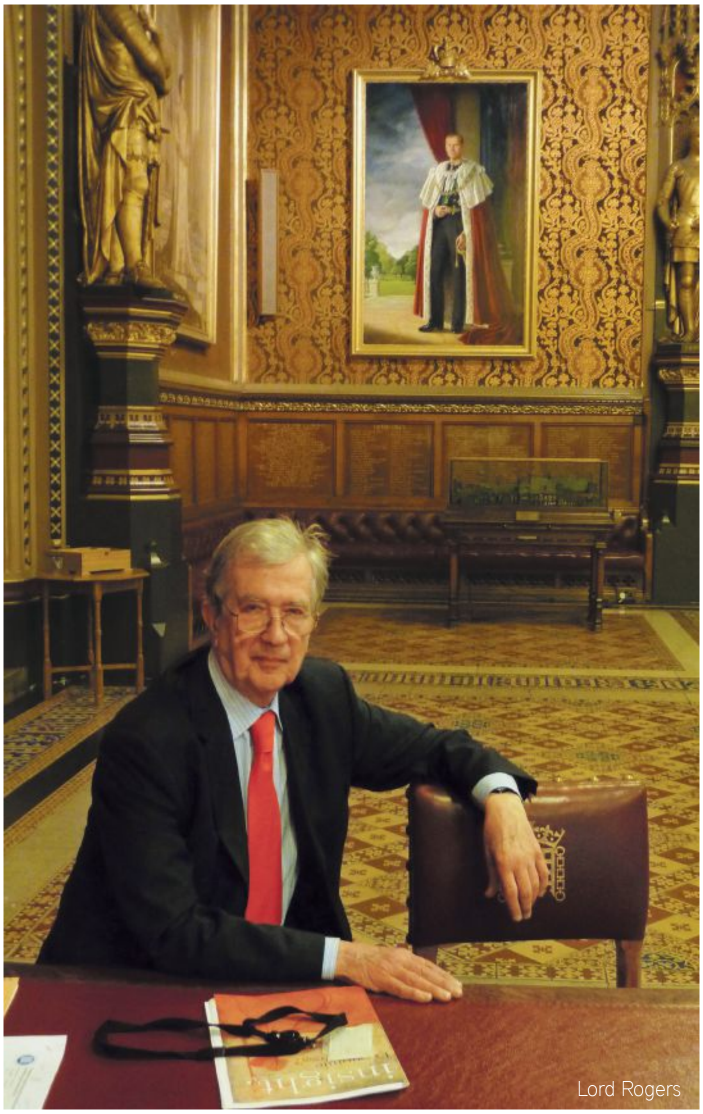
Of course, such improvements will only be achieved if universities in Scotland have access to adequate funding. Our universities have been extremely successful in diversifying their funding sources over recent years, but the constraints on public funding in future years could jeopardise their ability to compete with universities in England and elsewhere in the world. This is certainly something that universities themselves are concerned about at a time when universities in England have access to enhanced revenue from higher tuition fees. Although there is a dispute about the level of any funding gap between Scottish and English universities, no one disputes that such a gap will exist. A graduate contribution is an essential part of bridging that gap.

Scotland's universities are renowned throughout the world for the quality of the education that they offer. A graduate contribution can help us to maintain and build on that reputation, while ensuring that the system is funded in a way that is fairer to society as a whole. ❖

The View from Westminster

Shira Lappin asks Lib Dem, Lord Rogers, about his party's controversial support for the recent higher education reforms

Lord Rodgers has been at the forefront of British politics for over 50 years, from his beginnings as chair of the Labour Party Club whilst at Magdalen College Oxford, to becoming leader of the Liberal Democrats in the House of Lords until 2001. In between, he has been general secretary of the Fabian Society, MP for Stockton-on-Tees, front bencher as Secretary of State for Transport under Callaghan's government, and founder of the Social Democrat Party as one of the 'gang of four' in the 1980s, championing the campaign to merge it with the Liberal Party to create what we know today as the Liberal Democrats. As someone with such a formidable and comprehensive CV of a life in public service, he is well placed to discuss the recent and well publicised increases in tuition fees for students in England, and in particular to consider the Lib Dem turnaround on the issue.



Lord Rogers

Venturing down to the House of Lords, my second visit to the historical building – the first being a school trip at the age of 9 – and it is no less impressive and imposing the second time round, despite the friendly policemen who guided me to the Peers' entrance, albeit with a slightly confused look on their face as to what business I could possibly have there. As I stood in line waiting to be checked off a list to gain entrance, it felt very much like queuing for an exclusive club, complete with airport-like security. After security, I waited in the entrance where Peers hang their coats on named hooks, which, to be honest, reminded me more of my cloakroom at school when I was 9, than of the Upper Houses of Parliament of the United Kingdom.

Lord Rodgers then led me through the building, which is exactly how you would imagine it: high, arched ceilings, extravagant artwork and very, very beautiful. We went through into a large, striking room which looked like it belonged to an art gallery, passing Lord Winston (of the BBC's Child of Our Time fame) and Lord Levy (of cash for honours fame) on the way. When we get started onto the topic of tuition fees and the Lib Dem's infamous pledge to abolish them, Lord Rodgers is very upfront. "It was a mistake", he says without any hesitation, "I have no difficulty conceding that because I think they made a mistake". He refers to the pledge as foolish, made by a party who were simultaneously "worried about winning elections", whilst also never seriously considering the fact that they were going to get into government. He himself, he assures me, would never have signed that pledge, or any other pledge for that matter – sensible advice from someone who has contested numerous general elections in his time.

> 'One aspect of the new scheme that Lord Rodgers does see problems with is the lack of market forces in the setting of the fees. "It was expected that top universities, such as the Russell Group [an umbrella group for top tier universities], would charge £9000, and it was assumed that others wouldn't. But most are, and there will not be any market allocation mechanism in the end"'

Lord Rodgers stresses first and foremost the economic downturn as the origin of the problem of tuition fees. "If it hadn't been for that I don't think there would be any of the acute problems about education and tuition fees that we are seeing now, except that there was a recognition of the fact that if you are increasing your number of students in the end, it is an additional cost on the budget and they should change the rules". He points out that it was Brown as Prime Minister who in fact commissioned the Browne report, although the conclusions were delivered to the Coalition. "This demonstrates that there was a high degree of agreement [across parties] about the nature of the problem and probably a very close measure of agreement about how it should be dealt with". Whether or not this is true of course, is something we can only speculate on.

In describing the details of the changes to me, Lord Rodgers explains that currently "the state contributes about 60% of the whole budget of higher education, and under the new arrangements, that will fall to 40%". When I ask him if this in essence amounts to a gradual privatisation of university education, he responds that that is a prejudicial expression, which holds negative connotations for many, and that it is what needs to be done. "Any party in power now would have had to look very hard at the private/public funding of higher education given the current circumstances. I think I would've gone 50/50." And there is of course, the nature of the Coalition in the first place, which is by definition compromise and negotiation. "The Tories on the whole will switch to privatisation as much as they can, as they have done since Thatcher, and it is about balancing the claims on public money".

In this vein, Lord Rodgers argues that the NUS could have more perspective in its response to the tuition fees increase, admitting that he is "slightly disappointed that they don't say more about the needs for the elderly, the poor and the retired". The cuts on the welfare state under the Coalition have been comprehensive, affecting all these areas as well, indeed he says that he would prefer to get the necessary cuts over and done within 4 years, rather than 8, "which is the real difference between the Coalition and the Opposition". In the context of education, these cuts are likely to have long term effect: direct funding to universities for teaching has been cut by 64% in real terms, according to a House of Commons report given to me by Lord Rodgers, and this will no doubt have very significant repercussions.

Addressing the issue of fees of up to £9,000 , I suggest this could act as a disincentive to poorer students, who don't want to be saddled with this debt. Lord Rodgers points to the £150m National Scholarship Scheme as addressing this. "I don't believe that the changes will make any difference to social mobility; that would be my view. Student numbers will, I think, after a dip, pick up again". Important to this happening though, he argues, is the encouragement of schools in getting their pupils to apply, and the widening participation schemes of universities. He points to Oxbridge as doing a lot in this respect. "However, the advantage of small Oxbridge colleges is that they can take the time to see individual applicants, whereas larger institutions find it a lot harder, making it more difficult to evaluate circumstances".

One aspect of the new scheme that Lord Rodgers does see problems with is the lack of market forces in the setting of the fees. "It was expected that top universities, such as the Russell Group [an umbrella group for top tier universities], would charge £9000, and it was assumed that others wouldn't. But most are, and there will not be any market allocation mechanism in the end." Ostensibly, this was inevitable, given the cuts in funding, and the image of a less reputable 'cut price' education if tuition fees are less than at comparable institutions, and Lord Rodgers agrees that there's a flaw in the system here.

In the end, it's clear that there are differing views on the subject of higher tuition fees. Lord Rodgers feels that they are an unavoidable necessity given the recession and higher student numbers, and that any political party in power now would have had to do something similar. A counter interpretation however could see the changes as a form of privatisation and clever accounting, which reduces public spending, but actually adds to the stock of public sector debt in the long-run (by an estimated £13 billion by 2015-16). Lord Rodgers refers to the new loan repayments as "like a mortgage problem", a poignant phrase, where; under the current system, 15% of student loans are wholly or partly written off; and under the new scheme this rises to 50-60%, which begs the question whether it will actually save the government money after all, and if not, why bother? ❖

Asset or Liability?

Briana Pegado assesses the impact of recent changes to UK immigration policy on British Universities' intake of international students

In this day and age, universities are constantly trying to strengthen their appeal, and it seems that in this attempt, internationalisation has become the new buzzword. With the launch and promotion of Edinburgh Global, and its student union hiring an internationalisation coordinator, the University of Edinburgh is a prime example the implementation of this strategy.

'... how do these new reforms appear? Xenophobic? Unnecessary? Extraordinary? Perhaps all of the above'

Universities such as Edinburgh which are renowned internationally as cradles of knowledge and learning are facing new challenges. Not only does globalisation mean that we can all benefit from well-connected universities, but with the present economic uncertainties, universities are being forced to be more strategic than ever in order to recruit the brightest minds and produce the best graduates. Much debate has centred on the proposed coalition government's higher education funding cuts, yet another less talked about arena of curtailment also engenders great dangers: immigration policy.

Late last year, UK Immigration Minister Damian Green published some major reforms of the student visa system. The reforms have five key action points. First, the reforms aim to reduce the number of students entering the UK and staying at "below degree level". Second, the reforms ask for students entering the UK to have a higher English language proficiency. Third, students will be required to show proof of their academic progression in order to continue their study in the county. Fourth, the entitlement of students to work and their ability to bring dependents will be limited. And finally, coupled with more frequent inspections, a more rigorous accreditation process for education providers has been asked for.

From the perspective of an international student who has already proved their English language competency, taken similar exams to A levels and been offered a place at a British university, how do these new reforms appear? Xenophobic? Unnecessary? Extraordinary? Perhaps all of the above. In the volatility of this economic climate, would it not be in the UK's best interests to increase recruitment of international students as they, out of all students, pay the highest fees?

With the launch of Global Horizons and other projects to promote a multi-cultural atmosphere on campus, the University of Edinburgh clearly feels the need to increase its appeal to international students. If the university can determine that it is better off financially with rather than without international students, what is the government's case for the proposed reforms?

One website, Anglotopia.net (it's the website for people that 'love Britain') elaborates on the planned immigration reforms by listing the new approximate cap numbers. It states that tier 1 visa status of highly skilled workers will be capped to 5,400 people which is approximately the same number as last year; therefore, there will be little to no effect on prospective applicants. Tier 2, the sponsored skilled migrant visa, will be capped to 18,700 people; 5% lower than last year's numbers, excluding "company transfers, religious persons, and sportspeople". The website finally states that "student visas will not be affected by the [new] policy but government has opened consultation on how [it] can cut down student visas in the future".

If quota numbers are not excessively low and student visas will not be affected, then why should we care? The answer to this question lies in the very principle of the matter. In this economic climate, the nonsensical nature of this proposed legislation cannot be supported by any sound logic, and therefore leads one to come to only one conclusion of the policy's implications: word spreads of this new legislation and it succeeds in isolating the international student body at the university. International students will either a) learn of this new reform while applying to university or b) hear nothing and attend university only to learn of it later.

If passed, the legislation will affect international students in several ways. After completing a degree in the UK, students will be forced to return to their home countries in order to then apply for a new visa so that they are able to return to the UK for work. What's more, it has been proposed that students on visas will have their weekly work hours per term limited. Such a policy only acts to alienate those students working to help pay their fees or support their dependents. Why should a student be


NASA

discouraged from studying just because they have a family? In particular, many of the postgraduate programmes at, for example, the University of Edinburgh, have large percentages of international students which in turn contribute to the university's research funding. The worst of all of this is that all the aforementioned potential consequences of the reforms were recognised in the original reform proposal, yet little weight has ever been attached to them. In light of this, the reforms can only hurt universities.

Introducing a tougher English language requirement not only undermines the ability and capability of a university to determine which students are fit to study within the programmes offered, but is offensive to students already accepted by the same institution. Once again, what is the purpose? The second largest number of international students at the University of Edinburgh, behind Chinese, is North American. Go figure.

In the 21st century, the only way for universities to stay both competitive and innovative, at the cutting-edge of research, is to offer a plethora of high calibre courses whilst attracting highly able students from all walks of life. A university's ranking hinges on such details. Not only will the classroom suffer from a lack of cultural exposure and diversity of viewpoints, but these reforms are also counterproductive to British, or at least Scottish, academia's new strategy and direction exemplified by Edinburgh University's new model: internationalisation.

Evidence suggests that each year, the University of Edinburgh is falling in the league tables. This decline might be attributed to multiple areas. Yet in the wake of the current debate, one should look no further than the domain of international students for some answers to the challenges that the university faces. To stay competitive, universities across the United Kingdom must decisively resolve to act and support their international communities – for their own well-being, if nothing else. ❖

COMMENT

The Economic Shortcommings of Aid

Lump sum donations to the third world are not helping long term development argues Rebecca Kelly

Today, much of the Sub-Saharan wallows in an ostensibly never-ending cycle of corruption, disease and poverty; this is despite the fact that its countries have received over $300 billion in development assistance since 1970. Over the last 30 years, why have the most aid-dependent countries exhibited an annual average growth rate of -0.2% and why, according to the estimates of Dambisa Moyo, do $10 billion in foreign aid receipts leave these countries each year?

The majority of the western population will argue that aid vitally allows disadvantaged countries to remedy economic hardship and that it undoes much of the damage caused by natural disasters that these countries could not overcome on their own. Maybe this is true, but only if the money reaches the correct people and matches exact need.

Donors more often than not move in herds, pumping money into 'trendy' sectors of 'star' countries while neglecting others. These substantial but brief increases in the volume of aid, measured by overseas development assistance statistic (ODA), tend to be followed by secular declines. This inconsistency and volatility makes it difficult for recipient countries to predict or plan their long-term financial futures. A more significant problem has therefore emerged: aid-dependent countries become less and less able to cope with the adverse external shocks to which they are prone due to pervasive liquidity constraints and a lack of effective countercyclical policy tools. In this way, erratic and procyclical aid can undermine the benefits of foreign assistance by heightening overall macroeconomic instability.

Definition of Sub-Saharan Africa, according to the United Nations institutions in green

At the same time, the effectiveness of foreign aid has long faced a much bigger problem: the corrupted hands in which the money falls into. Historically, foreign aid has frequently been redirected by the corrupt administrations of recipient countries to pay off long-standing government debt or to finance the personal spending of those at the head of the economy. Though by no means a continual case, corruption has certainly helped detract from the benefits of foreign assistance.

Many will argue that aid simply makes the poor poorer, growth slower and corruption more lucrative. Indeed, Dambisa Moyo has suggested that when aid flows were at their peak in Africa, the poverty rate actually rose from 11% to 66%. She and others have argued that money in the wrong hands fuels greed, which in turn fuels corruption and economic inequality. The mismanagement of aid therefore carries negative implications for both the poor and the economy on the whole.

In another line of thinking, one can compare the transfer of aid to the machinations of the labour market. When one's non-labour income increases – analogous to the input of aid – this leads to a pure "income effect" such that leisure will increase and hours worked will decrease. In this way, an increase in aid acts as a disincentive to the supply of labour, another source in reducing economic growth of developing countries.

In light of the various downsides to lump-sum aid, other methods to increase the well-being of disadvantaged countries have recently been given renewed attention. On the one hand, developing countries can strengthen their economic growth from within by encouraging micro-financial services and projects like M-pesa; on the other hand, foreign direct investment (FDI) can help drive economic development in many of the world's poor or rural regions. On aggregate, the FDI in Africa comes from China. Having pumped investment into Africa's natural resource sector in return for oil, China has impelled the economic growth of many African countries by increasing employment and efficiently transforming their infrastructure.

Though foreign aid has helped many countries at various times overcome seemingly insurmountable problems – like the dramatic effects of natural disasters – the shortcomings of lump-sum aid throw into sharp relief the benefits of encouraging sustainable investment and microfinance in struggling developing countries. In this way, we would be giving the disadvantaged not a fish for the day, but a rod whereby they may eat for a lifetime. ❖

Encampments in Darfur

Microcredit: North vs South

Kate Beioley asks what the different approaches to microcredit mean for the sector, the economy and society in the 21st century

In recent years, microfinancial services have been heralded as a cure-all for much of the developing world's poverty. With the hope that the impoverished may improve their circumstances one microloan at a time, microfinance has been celebrated as an innovative, grassroots approach to empowerment. In countries such as Bangladesh and India, for example, small-sum loans with low interest rates have directly improved the economic conditions of many families and small businesses. At the same time, growing scepticism is bringing the darker side of microcredit to light.

In some areas, like the Indian state of Andhra Pradesh, insufficient transparency and inadequate regulation have been at the centre of censure. Indeed, the politicians of Andhra Pradesh already cite the coercive tactics of money recovery, the high rates of suicide associated with the pressure to re-pay and the problem of multiple borrowing as critical flaws of microfinance in practice. Elsewhere, microfinance has been criticised for its lack of financial sustainability: while re-payments have been high and small-sum loans have been popular, criticism has been levelled at banks such as the Grameen for needing high subsidies to maintain low interest rates - rates that make the system

Board members stand in front of their 'thrift cooperative' in Mulukanoor, Andhra Pradesh (Brett Epic) viable. This issue has created a fault line between institutions who want to be financially independent, thus needing to raise interest rates, and those who refuse this as a contradiction to the core values of microcredit. A recent report undertaken by the Malegam Committee in India has stipulated that lending margins of under ten percent must be maintained, however many claim that this makes microfinance untenable due to very low profit margins.

The growing disillusionment with microcredit schemes and their long-term feasibility has brought not only the idea of microfinance under fire, but also its major proponents. Mounting scepticism and political agenda nearly culminated in the ousting of Mohammad Yunus, a former Nobel Prize recipient, as managing director of the Grameen Bank. Yunus, among others, has been criticised for assuming that all poor people are natural-born entrepreneurs. In addition, there is a lingering question that needs to be addressed: is the opportunity to start a business the best thing we can offer the poor, or should we instead alter the social welfare system or social safety net built into the state?

Faisel Rahmann of Fair Finance

‘...there is a lingering question that needs to be addressed: is the opportunity to start a business the best thing we can offer the poor, or should we instead alter the social welfare system or social safety net built into the state?’

As the benefits and detriments of microfinancial services in the developing world are weighed, microcredit schemes are gaining increasing popularity in the west. The two areas reflect very different microfinance pictures, however. The state of markets and the regulation and ideology supporting them are very different in the global north and south: in the developing world, microfinance aims to broaden the market by infusing a more open marketplace with more entrepreneurs. In the UK, however, microfinance often offers a new perspective on banking and situates itself as an intermediary between the state and the market. While microfinance in the developing world is often seen as a central to a neoliberal dream of fostering a nation of independent entrepreneurs, microfinance in the west is not seen as so separable from the welfare state.

One of the key players in the UK is Fair Finance, a middleman bank aiming to help the exploited rather than just the excluded. Set up by Yunus protégé Faisel Rahman, Fair Finance provides loans to small businesses and banking services to those marginalised by the formal system. Its efforts are anything but unneeded: six million people in the UK lack access to a bank account, and around 400,000 households in less affluent areas of London are not serviced by a local bank branch. At the same time, payday lenders and loan sharks abound. Not only are many of the impoverished denied bank accounts and other financial services due to low or unsteady income, they are frequently forced to borrow from disreputable lenders. Britain is remarkably laissez-faire on this front: in 2007, it was decided that dealing in credit required only a £200 license, after which a lender could charge any interest rate, like APR starting at 2000%. By contrast, community banking schemes like Fair Finance offer affordable financial services and maintain relationships with customers that reverse the alienating and anonymous tendencies of modern banking. Rahman believes that Fair Finance offers a more socially responsible form of banking. He argues not for a new bank of individualist entrepreneurs, but a new financial model. In this way, microcredit may work best when it positions itself between the market and the state, as a different model of socially minded banking. In either case, this attitude has been heartily adopted by the many other community finance initiatives springing up all over the UK.

As the differences between the various microcredit schemes around the world show, microfinance is broadly defined in terms of attitude and service. Both in the global north and south, microcredit schemes hold incredible promise and have so far enjoyed enormous success. Nonetheless, we must keep a close eye on what these schemes are offering. High regulation and decisions about financial viability will be central to deciding what role microcredit has to play in our future. Ultimately, it is how this credit is managed that will determine whether it will be harnessed as a force for good or a driving factor behind further financial instability. ❖

Talking about a Revolution

Revolutions in the Arab world are about economics, not politics, says Stephen Devlin

Michael Thomas

When Mohamed Bouazizi set himself alight in December 2010, his act of despair and protest incited a revolution of historical proportions, the full scope of which is yet to be determined. For many reasons, it is important that we do not forget why he was driven to such extreme action. As a young Tunisian man with virtually no employment prospects, rising living costs and the demands of a large family, Bouazizi's most immediate concern was arguably economic, not political.

Many analysts now retrospectively recognise the economic conditions in many Middle Eastern states as a 'ticking time bomb.' Above all, the greatest affliction has been the horrendous levels of unemployment. For the past ten years, the unemployment rate among 15-24 year-olds in both Tunisia and Egypt has been above 30%. Indeed, the situation has been almost as severe in many other countries, including Bahrain, Lebanon and Syria.

Consumer price inflation has been another cause of grievance, hitting about 12% in Egypt over the past few years. On top of this, the lower classes have suffered the detriments of economic inequality and government corruption. Though a series of trade and investment reforms made Egypt a more open economy with strong economic growth (hovering around 5%), this initiative actually helped to stimulate the revolutionaries who saw an aging elite grow wealthier while they continued to struggle in poverty. It is therefore easy to understand why an army of jobless youths might take to the streets in an effort to better their circumstances.

The struggle for political democracy in the Middle East can arguably be attributed to underlying economic ailments, and it is for this reason I suggest the revolutions are not fundamentally about politics. As Zachary Karabell said in 'The Wall Street Journal:' "You can have economic reform, or you can have political reform. You cannot have neither." In other words, the political regimes of Mubarak or Ben Ali may well have been sustainable had they introduced economic reforms that gave the people 'some control over their material lives and a chance to turn their dreams and ambitions into reality.' In some cases, most notably China, economic freedom has proven a rather good substitute for political freedom. Where neither of these freedoms exists, like in much of the Middle East East, revolution seems to rear its head.

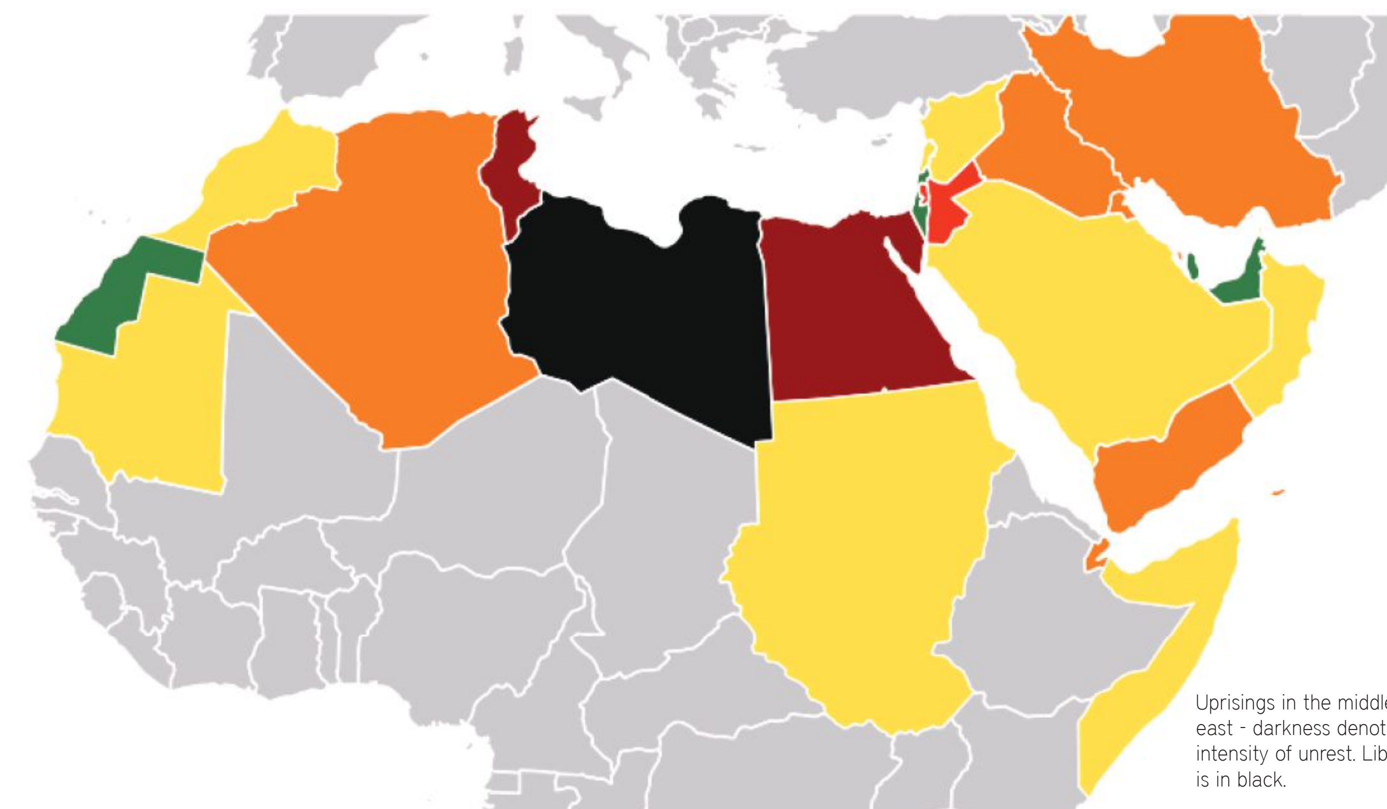
So far we have seen two autocrats deposed; how many more to go? But amidst the conspicuous pride of the Egyptians and all the political bloodshed in Libya, a new and immediate problem emerges: the aggravation of local economic conditions, which itself stimulates further uprising. Jobs in Egypt and in Tunisia have become less secure, inflation is likely to worsen, businesses are postponing investment decisions and national growth will almost certainly be stunted. The reality of revolution has paradoxically – if temporarily – inflamed its root causes and, although political victories have been made (though this is debatable), there is now the necessary realization that the real emergency is economic in nature. The sudden creation of a new democratic system from the ground up will not automatically make life better for everyone, and this is not what the Middle East so immediately needs. In any case, the kind of democracy that is likely to emerge in Tunisia or Egypt will initially be frail and slow to find its feet. What is needed is urgent economic relief directed at the sources of unrest.

> 'The transition of developed Western economies to democracy cannot provide a reliable prediction of what will happen in the Middle East following the current climate of revolution because the institutional, social and cultural contexts are entirely different'

The problem boils down to whether economic liberty can be achieved on its own or whether political freedom is a necessary precondition. Is it possible to make reforms that tackle unemployment, inflation and inequality under a transitional or military government? Or are improved economic conditions required to give democratic changes credibility? The recent exodus of Tunisians to the Italian island of Lampedusa evidences the lack of public confidence in the ability of the interim government to remedy economic hardship.

While the spirit of rebellion sweeps through Libya to Bahrain and Syria, there is a tangible sense of pressure in other Arab nations to sooth the spreading rash of revolt. The King of Saudi Arabia has announced increased spending on housing and social welfare for this purpose. Likewise, Jordan's prime minister subsidised fuel and basic foods before his resignation. Whether these measures are sincere and permanent reform efforts or futile attempts to appease angry mobs remains to be seen.

The possibility that reforms could succeed begs a crucial question: what would be the long-term consequences of an outbreak of democracy in Arab economies? The West tends to



Uprisings in the middle-east - darkness denotes intensity of unrest. Libya is in black.

associate democracy with economic prosperity, but that is due to its own experience. The transition of developed Western economies to democracy cannot provide a reliable prediction of what will happen in the Middle East following the current climate of revolution because the institutional, social and cultural contexts are entirely different. As an example, with Islamic doctrine as the foundation for social instruction, Arab democracies might be more likely to accommodate religious interests in state affairs. The overall effects of these contextual differences are difficult to foretell: on the one hand, a democracy functioning under Islamic values might stunt the economy by continuing to inhibit the contributions of women; on the other hand, a collective Arab identity which transcends nationalism might stimulate economic growth by diminishing trade protectionism.

As it stands, the spread of revolution is far from conclusion with no confident prognosis. The only sure thing is that Arabs everywhere are calling for change. Success will not be determined by the integrity of new governments, but by the alleviation of the economic difficulties that led Mohamed Bouazizi to become both a founder and a martyr of the Arab Revolution. ❖

Speculation, Speculation, Speculation

Lack of regulation in the global commodities markets is being exploited by bankers and speculators at the expense of producers says Gabija Misiulyte


Goldman Sachs New World HQ, Battery Park City, NY

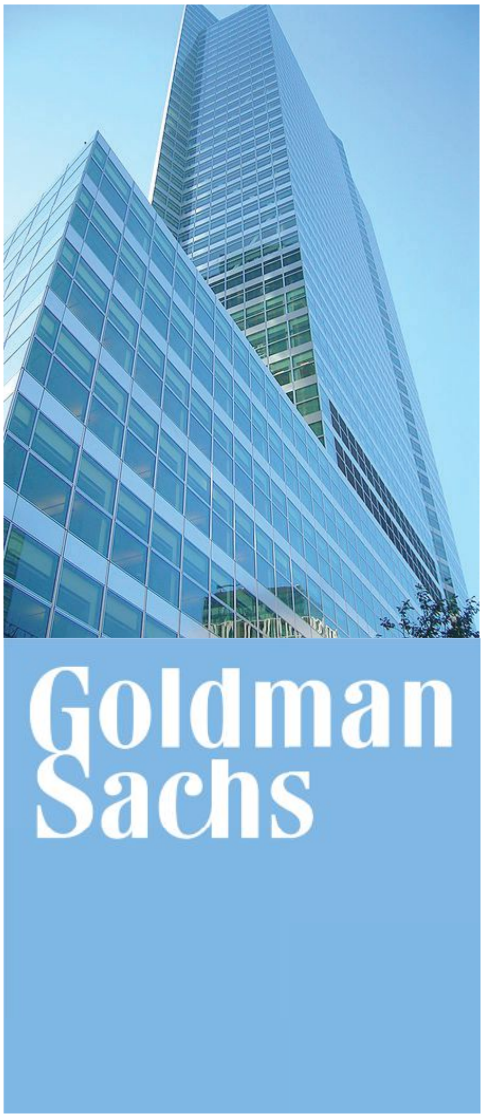
"My God, The Dukes are going to corner the entire frozen orange juice market." The 1983 comedy 'Trading Places' with Eddie Murphy and Dan Aykroyd is fictional, but observers of soft commodities markets might spot a parallel. In July 2010, it was announced that a single trader, London hedge fund Armajaro, had accumulated a long position on 24,100 cocoa futures contracts. This one purchase was enough to move the entire global cocoa market, sending the price of cocoa to its highest level since 1977. Rumours surfaced that one or a number of speculators – possible hedge funds – were attempting to corner the European cocoa market and force prices higher.

Looking at the facts in food and commodities markets, a few questions arise: can price itself generate demand? Or, has real demand for commodities diverged from price?

Futures contracts, originally created for agricultural products traded in the US, allow farmers to guarantee the price for their next harvest in advance. As an example, take the wheat market, in which there are traditionally two kinds of players. On the one hand, you have the bona fide hedgers – farmers, millers and others with large businesses and capital stakes – who actually buy and sell wheat; on the other hand, you have speculators following the price fluctuations in the futures markets.

Speculation occurs through 'commodity index funds,' where speculators put money into derivatives across a range of commodities. It has been estimated that the total money in these funds has increased from $46 billion in 2005 to $250 billion in 2008. These indexes are used by institutional investors such as pension funds, insurance companies and mutual funds. The largest banks at the centre of commodity speculation are Goldman Sachs, Bank of America, Citibank, Deutsche Bank, Morgan Stanley and JP Morgan.

The legal grey of speculation dates back to the first half of the twentieth century. After the Wall Street crash of 1929, the US introduced provisions – like position limits – to prevent excessive speculation by distinguishing between real buyers and sellers of food and speculators – the Commodity Index. Accordingly, J. Aron & Company – a commodities trading company acquired by Goldman Sachs – wrote to the Commodity Futures Trading Commission (CFTC) in 1991 suggesting that limits on the number of contracts should not apply to them. J. Aron argued that they should be treated as hedgers, not speculators, on the grounds that they were using food derivatives to hedge their risk in other markets just as farmers use futures to hedge their risk against



changing food prices. The argument was accepted. At first, farmers welcomed speculators because a continuous stream of “buy and sell” orders gave farmers the freedom to trade wheat as they pleased. Eventually, this led to the “going long” strategy where managers would acquire and hold long positions on a range of co’mmodities futures. They would not hedge their futures with the sale or purchase of real wheat, nor would they cover their positions by buying low and selling high as traditional speculators would do. Their main goal would be to keep buying at any price.

In this way, speculators accumulated a historically unprecedented pile of long-only futures. The build-up of artificial demand for wheat let to a phenomenal price spike. In the absence of speculation, the price of wheat would have gone up to \$3 or \$6 per sixty-pound bushel. Instead, prices went up to \$12, then \$15, then \$18 during the “Food Bubble” following 2005. By 2008, spring futures settled at \$25 per bushel even though 2008 was a record wheat-producing year. Of course, the influence of speculation has not been limited to wheat. From 2005 to 2009, most global food prices – including those of corn, soy, cooking oil and rice – increased by over 80%. While the price of wheat was reaching its peak in 2007, there was no significant supply response. With no widespread expansion in food availability and a subsequent fall in the number of contracts by index speculators, strong price declines occurred in Autumn 2008. Between June and September in 2010 wheat prices rose by 70%, though the world wheat harvest was the third highest on record.

While derivatives in key staples – wheat, maize and soybeans – tend to be traded in the US, other commodities – cocoa, sugar, oil, metals and carbon permits – are predominately traded in Europe. The French government has suggested that the EU create an equivalent to the CFTC of the US. The introduction of a commodity derivatives regulator would aim to limit all transactions in derivatives outside the trade of real agricultural products. Limits would allow financial markets to provide liquidity for real buyers and sellers of food to hedge while aiding to prevent excessive speculation.

Sadly, from the pool of money gathered from paper food “going long” deals, almost nothing comes back to the bona fide hedgers in the market. For a banker to make an order, only 5% of the client’s money is needed. The remaining 95% is invested in safe financial tools. If the price of commodities goes high, bankers do well. If it goes down, they still do well. For farmers, neither case is a victory. Given the discrepancy between futures and spot prices caused by speculations, bona fide hedgers can no longer afford to use the market to hedge their risk effectively. From 2003 to 2008, margin levels as a proportion of contract value increased by 142% in maize, 79% in wheat, and 175% in soybeans. High price volatility complicates decision-making for buyers and sellers and limits opportunities for producers to access credit markets. Maybe export economies could be a winner, but the heightened costs of importing foodstuffs and agricultural inputs mitigate any potential advantage. Instead, speculation causes a destabilizing effect on real exchange rates and puts a severe strain on weak economies. ❖

‘Eventually, this led to the “going long” strategy where managers would acquire and hold long positions on a range of commodities futures. They would not hedge their futures with the sale or purchase of real wheat, nor would they cover their positions by buying low and selling high as traditional speculators would do. Their main goal would be to keep buying at any price’

Short Term Disaster, Long Term Illness

The recent earthquake in Japan provides both an opportunity and a threat to its future economic recovery argues George Lerner

Hugging a seismically active fault line, Tokyo and its prominent sister-port city of Yokohama were absolutely laid waste to in the Great Kanto Earthquake of 1923. In a few minutes, Japan's new-found growth of the early 20th century, with its beautiful and bustling streets and carefully organized blocks of archetypical wooden houses, were turned into an unsettling sight of a seething mass of destruction and desolation at the hands of Mother Nature. The recent Great Thoku earthquake could forever be jotted down in history as the one natural disaster rivaling Kanto. The sheer immensity of the mayhem caused by the tsunami that occurred near Japan's industrial heartland seems not the only similarity to the past. The vast sums of money the Bank of Japan is dedicating in order to avert financial crises is also ominously comparable.

In 1923, the Bank of Japan (BOJ) decided to launch rediscounted "earthquake bills" leading to a massive injection of liquidity into an already fragile Japanese economy which turned out to be a bubble to burst. The Shwa Crises of 1927, caused by a request to redeem these bank bonds, was a national banking crisis which was followed by the globetrotting Japanese imperialism of the 1930s and 40s, slaughter of ethnic Koreans in Japan and a military-police state.

Now, as in the 1920s, the BOJ is printing money, almost all of which will be owned though internally in Japan. Banks have been given $483 billion of extra liquidity which is a huge amount not adding onto it the already whopping $300 billion bill necessary to rebuild. Additionally, the BOJ is also considering using its remaining $136 billion under a law passed after the Lehman Brothers crash in 2008.

The BOJ's reaction in the short term, in contrast to the country's reaction at Fukushima, was considered as adequate by financial experts around the globe as it quickly injected liquidity to avert

> 'It would be both wrong and right to say "this time is different" when comparing past and present crises'

financial panic. The Nikkei has stopped its rapid drop, money markets did not dry up and, in cooperation with the G7, devaluation of the Yen was partly successful.

In a general context, it would be both wrong and right to say that "this time is different" when comparing past and present. It is wrong because the history of the Shwa Crises with the aforementioned brutality is not an issue today. Yet, similar to the first third of the last century, Japan is facing dire straits as the countries general long term economic outlook is troubling. With interest rates at zero, a debt of about 200% of GDP and a worrying demographic outlook, the diagnosis is unambiguous: the patient will need long-term care. Stopping a deflationary trend and reducing the country's structural deficit is mandatory for both the BOJ as well as the government. They will have to offer better medication for a cure when the country is coming out of the emergency room.

It is imperative to consider these problems as a secondary priority compared to the earthquake recovery and the avoidance of the nuclear catastrophe. In dealing with this, two soothing factors are currently at work: The first is the spirit of the Japanese population with its striking discipline and solidarity that is unique in its own way. The second is the fact that Japan is still a highly developed country with a promising high-tech/industrial sector that will benefit from a slight spur in demand as rebuilding gains momentum. Yet, after overcoming the current crisis Japan will have to cope with its long term perspectives. Let's hope the country tackles the latter with the same discipline as the current crisis. ❖

ACADEMIC

One Billion and Counting

Joe St Clair discusses the world's slum dewllers and what to do about them

Two milestones.

In the last few years the world has reached two milestones. One is that for the first time in history more than half the world's population live in urban areas. No country has ever escaped poverty without industrialisation, and no country has industrialised without cities, thus urbanisation is seen as indispensable for development. To have more people living in urban than rural areas is therefore an encouraging sign for the economic prospects of the world. The other milestone is far more worrying; more than one billion, of the world's six point nine billion people, live in slums.

What are slums?

UN-HABITAT, the UN's agency for human settlements, defines a slum as a settlement that has deficiencies in one or more of the following: 1) Access to safe, affordable drinking water; 2) Access to a toilet; 3) Security of tenure; 4) Durable housing structure; 5) Not more than two people sharing the same room. But is it so terrible for a household to be deficient in these respects? Examples from Yemen will show that it is.

Why people live in slums; the appeal of cities.

The main driver of rural-urban migration is rural poverty. Rates of poverty are usually substantially higher in rural areas than in urban areas. This is unsurprising. With similar per person budgets, local authorities in urban areas have the advantage of economies of density in the provision of services, thus urban areas have higher levels of services. But it is jobs, not services, that are the main attraction of cities. People will tolerate living in crowded, dirty, unsafe, high crime, underserviced areas, all because of the greater income opportunities that cities offer. That so many rural migrants live in slums is testament to the appeal of cities. Are slums an inevitable product of urbanisation? This is unclear, but what is clear is that municipal authorities in developing countries struggle to keep service provision at pace with urbanisation and slums are the result.

Lessons: what not to do.

It is clear what should not be done in response to slums. Demolition and eviction of slums and slumdwellers is the worst policy, with Zimbabwe's recent 2005 'Operation restore order' being a prime example. It destroyed slums with the intention that slum dwellers would return to their rural homes and was widely condemned for directly making 700 000 people homeless. The main insight, do not destroy housing where a shortage already exists. The destruction of assets and social networks is a terrible policy for any authority to have. Another attempt at controlling rapid urbanisation is the 'hukou' system in China. The issuing of internal passports, that prevent rural workers from gaining legitimate employment in urban centres, prevents the natural flow of people to where they think they can be most productive.

Lessons: mixed successes.

1. The deficiencies of central planning. Allowing the public sector to be the provider of housing is a risky business. Although schemes such as South Africa's million homes policy can sometimes meet demand, they are also met with criticism for the poor quality of the homes provided.

2. Utilising the resources of the poor. In most developing countries the private sector accounts for the vast majority of housing provision. The provision of serviced plots of land for a family to then build a house upon is a reasonable policy. The advantage of this approach is that it utilises the resources of the household and also allows them to build at a pace they can afford.

Tenure: the key to improving slums?

Peruvian economist Hernando de Soto argues that there are 9.3 trillion dollars of dead capital in the developing world and that if people were given secure property rights this capital would turn into working economic assets and multiply in value. Erica Field, development economist at Harvard, finds that a large titling led to changes in fertility rates in Peru. Other possible consequences of titling are: formal sector integration, political enfranchisement, and ability to collect taxes. Opponents to titling programs argue that perverse incentives arise. By granting tenure to squatters one is legitimising law breaking. But would squatting rates increase if programs to ensure tenure security were put in place? This is an empirical matter that for example Dercon et al. are currently investigating in Dar Es Salaam. Brazil with its vast favelas has pro poor policies regarding tenure, with squatter's rights as part of the law. In Brazil if the land is used publicly and peacefully and without the intervention of the owner then continued occupation can lead to ownership.

Evaluation and the demands for rigour.

In order to better serve the needs of slum dwellers what is needed is rigourous evaluation of what works and what does not. Yet despite this need for rigour, lazy evaluation practices still exist. The World Bank evaluates slum upgrading projects on many different factors but each one still has an economic analysis that affects whether projects are approved. The current method involves the economic rate of return of the project; that is the discounted future benefits of the project minus the current costs. Worryingly the method for measuring the benefits is rather crude. It is only based on the change, due to upgrading, of land prices, either per sq metre or per housing unit. It is easy to understand why this simple methodology is used, for time and cost reasons, but to assume that the housing market perfectly reflects the actual economic benefits is shortsighted. More rigourous evaluation of the benefits of different programs and the mechanisms at work will allow researchers to better inform policymakers who in turn will, hopefully, make inroads into improving the lives of the billion people living in slums. ❖

Slums in Yemen.

Yemen can boast that it tops many tables, few of them good. In the Middle East it is: the poorest country, with GDP/capita at $2600; the country most likely to be the first to run out of water; it tops the Arab League index of unrest; and it has one of the fastest growing populations. This rapid population growth is partly why Sana'a, Yemen's capital, is the third fastest growing city in the world. As cities grow, so do slums, and those that live in slums face a number of hardships.

Water: Slumdwellers in Medinet Al' Leil (Sana'a) pay high prices for tanker water. This can be up to six times more expensive than the wealthier citizens who are connected to the formal network.

Toilet: Because of a lack of formal sanitation, women living in shacks in a slum in Taiz are forced to wait until the cover of night to defecate, to avoid shame.

Tenure: Without formal rights to the land that they live on, slumdwellers can be subject to the constant stress of possible eviction.

Structure: Mohammed Nasser Mohammed lives in a 5*6 metre wooden hut on the side of a hill in Aden. When it rains he worries that the whole structure will be swept away down the hill.

Space: Mohammed Nasser Mohammed is not the only person who lives in the one room structure mentioned; his wife and three kids also live there.

Nomen est Omen

Marcus Schaffranka speaks with Jose Rodriguez Mora about his reseach on intergenerational mobility and informative content of surnames

Our surnames have a large impact on our individual fortunes whether we like it or not. Just like genes, they are indicators of our wellbeing as they transport the socioeconomic status from our parents. The strength of this relationship is measured by a term called intergenerational mobility (IGM) that assesses the odds of a change in economic variables like income over generations. Maia Güell, José V. Rodríguez Mora (Edinburgh) together with Chris Telmer (Carnegie-Mellon University) examine a new method to determine IGM.[1] They exploit the informational content of surnames by applying the following rationale: The more a surname tells us about the wellbeing of an individual, the less IGM there is in society.


Jose Rodriguez Mora

Your interests as a macroeconomist are centred on social issues such as intergenerational mobility (IGM). What experience let you think that this is a crucial area of research?

Think of Napoleon. His generals were different from those of his enemies at the time when he conquered Europe. In the military of his enemies all the generals were the son of a duke whereas in his army, all the generals were ordinary guys. But they were really clever. Nowadays, we have a lot of evidence that many family firms are brutally inefficient and that there are various misallocations within our society of that type.

The occasion for me to think about this whole issue was my cleaning lady. She was far more intelligent than me, but she hadn't read a book in her life despite being a really talented person.

1 Guell, Maia, Jose Rodriguez Mora, and Chris Telmer. "Intergenerational Mobility and the Informative Content of Surnames." CEP Discussion Paper No 810 (2007).

You did your PhD at MIT under the supervision of Daron Acemoglu. How did this time influence your thinking as an economist?

(Laughs.) Actually, my way of thinking changed remarkably after doing my PhD. Of course, it affected me a lot; more in issues than in methods. Since I started economics, the profession has changed – in its focus and its centre. And I have changed with the profession in this respect.

Let us talk about your paper. Your approach was to let IGM escape from "the slavery of panel data". What are the main drawbacks for panel data in this case?

Panels are very hard to get. With a few exceptions, particularly Scandinavian countries, the panels are very short and very narrow, so we don't have a good panel for Britain. To get good results you would need a panel of 50 or 70 years. All panels are hard to compare and they produce biases. If we find a way of doing it without panels, we are better off. We are working with historical data and before the 50s there were no panels anywhere.

Your paper avoids panel data by using the informative content of surnames (ICS). Was the method new to you or is this a general technique in macro?

The idea behind ICS is the following: We use the difference in the R^2 of two regressions. One where a surname is randomly drawn from the surname distribution and the other with real surnames and the respective income as a dependent variable. The better the explanatory power of the "real" equation, relative to the "fake" one, the higher the ICS. It is also important to use infrequent surnames to ensure the bearers are most likely to be related. It wouldn't make sense to analyse the ICS of a surname like Smith.

To answer your question, this concept is, as far as I know, new in general.

The bottom line of your work is that, based on Spanish census data, IGM has decreased over time due to assortative mating (e.g. people from the same background are getting married). What are the causes for this trend in assortative mating?

Indeed, it matters a lot. We know how mobility changes by comparing the informational content of surnames among older and younger groups in the sample. We also know that this happened mainly because of assortative mating. It did not happen in the last ten years but over many decades. It is in the income dimension and also in the ethnic dimension. Certainly, it is not part of the work to look why this happened. It could be related to increased mobility and more freedom of choice; another reason is access of women to education.

However, we have to be cautious and a problem with the concept is the following: earlier, a non-educated woman that came from a rich family married a rich guy. Then she gets educated, but eventually one observes no assortative mating in terms of education. But this is wrong because they both come from the same background. You have to be careful not to understate assortative mating in the past. Our data takes care of that, but sometimes assortative mating is badly measured.

In general, I believe that the increase in assortative mating can be observed everywhere, not only in Spain.

Can you imagine effective policy measures to stop this general trend in IGM or should we not stop it at all?

It is hard to qualify these trends in terms of good or bad. Intuitively it sounds like low IGM is a bad outcome. Indeed, a problem is the existence of imperfect capital markets. Poor people that would like to invest in themselves cannot access finance. On the other hand, low mobility can be a sign of high inheritance determining your human capital. If it was always the case that children from wealthier backgrounds were cleverer than children of the poor, this was not a problem. But this is of course not the reality.

Imagine another following example: You have two guys, a butcher and a baker. They both have sons and the son of the butcher is born to be a perfect baker, but an average butcher. Similarly, the son of the baker is born as a wonderful butcher but only a mediocre baker. However, to be good you have to grow up in the house of the butcher or baker. To make things more efficient you would have to exchange the children. Who can do that except for a brutal dictator? I think, in general, to talk about efficiency and directly derive policy implications is dangerous in this world.

After writing such a comprehensive paper (57 pages), are there concerns that a smart colleague detects a major inconsistency? Did this happen to you or is it mostly the case that you as an author obtain such a huge degree of specialisation that very few people dare criticising you?

> “The occasion for me to think about this whole issue was my cleaning lady. She was far more intelligent than me, but she hadn’t read a book in her life despite being a really talented person”

You can always be wrong. In my thesis it happened, but then I was actually right. We economists work with models that are mostly mathematically so simple that you rarely see good papers where people are incorrect and logically inconsistent. The bigger threat is that your research is irrelevant. For our paper, the feedback was in general quite good and this is motivating since this paper is part of a bigger project.

How intergenerationally mobile is your family?

This depends on how you measure it. I am the only person in my extended family that has finished a superior university degree. So I am very mobile, but my family is not.

Let us get back to more general issues. A lot of students dislike econometrics and not only in your paper, but for most modern macroeconomics it is indispensable. Do you think professors still give us too few insights about its actual role?

I think that we may fail to show how important empirics are. I would not necessarily call it solely econometrics, but rather empirics. Nowadays, and this is part of the change in the profession, you cannot do anything if you don’t talk about the real world. If you don’t have data, you don’t have a relation to the real world and you just chatter. There are a few exceptions, for instance in the field of microeconomic theory. But for applied work it is indispensable. And yes, we do not emphasise its importance enough.

What are the advantages of undertaking research together with your wife?

It definitely has advantages and disadvantages. On the one hand you can talk about work at breakfast, on the other you do talk about work at breakfast. Do you understand what I mean? (Laughts, slience) It is bad for romance.

❖

What Are We Researching?

Insight speaks to the University of Edinburgh's Economics Staff about their work outside the classroom

Maia Güell and Sevi Mora

Economic mobility between generations is notoriously difficult to measure. Maia Güell and José Rodriguez-Mora (pictured above) propose an innovative solution; they use surnames as a longitudinal marker.

Almost all children inherit their surname from their parents. While it is unlikely that having any specific surname has much effect on the wellbeing of an individual, the surname is inherited along with other characteristics that actually do matter for the future welfare of the children, like wealth, or whether children were exposed to books, or beauty, or genes. Thus, surnames are informative about the wellbeing of individuals. Not because they matter in themselves, but because they travel across generations together with things that do matter.

Using a census of the Spanish population (of more than 40 million), they measure the informational content of surnames. They find that not only does family background matter, but it is mattering more – economic mobility, between generations, is decreasing. This trend is explained by an increase in assortative mating: like is pairing more with like. The hope is that their new method will be of use to non-economists too; e.g. in determining the importance of heredity for a medical condition.

Ric Holt, Andy Snell, and Jonathan Thomas

What are the implications of assuming that firms cannot pay similarly qualified employees differently according to when they joined the firm? For example, if the general situation for workers improves, a firm that seeks to hire new workers may feel it has to pay more to new hires. However, if the firm must pay the same wage to new hires and incumbents due to equal treatment, it would either have to raise the wage of the incumbents, or offer new workers a lower wage than they would do otherwise.

This is the subject of the ESRC funded project "Cohort effects within firms, and their implications for labour market outcomes and the business cycle", Ric Holt, Andy Snell, Jonathan Thomas (all of the University of Edinburgh), and Pedro Martins (Queen Mary, University of London).

Preliminary research suggests that wages will be less variable and employment considerably more variable if labour markets behave like markets for other commodities. When a firm is hiring new workers, conventional analysis suggests that if the labour market is tight, the wage will rise to bring supply and demand into balance. But if the firm cannot pay newly hired workers at different rates from existing workers, the analysis is very different. If the firm wants to pay a high rate to new workers, it will also have to pay existing workers at this high rate. This could be very costly if the existing workers would have been content to work at lower rates without new hires. When the labour market is slack, the firm could potentially hire at lower wages but these new hires would not be content to work alongside better paid but otherwise similar employees.

Andy Snell (left) Jonathan Thomas (middle), and Ric Holt (right)

The research project aims to build formal theoretical models of how wages and employment evolve when firms cannot pay discriminate (or can only discriminate to a limited extent). It is indisputable that pay relativities within organisations matter. There is much anecdotal evidence that, in many occupations, a worker might be especially upset to find out that a similarly qualified colleague is being paid at a higher rate. Understanding this phenomenon may well be more a matter of psychology than of economic theory. The project, however, will investigate to what extent the phenomenon can be detected in our detailed datasets, and aims to show that it can help explain certain features of labour-markets. ❖

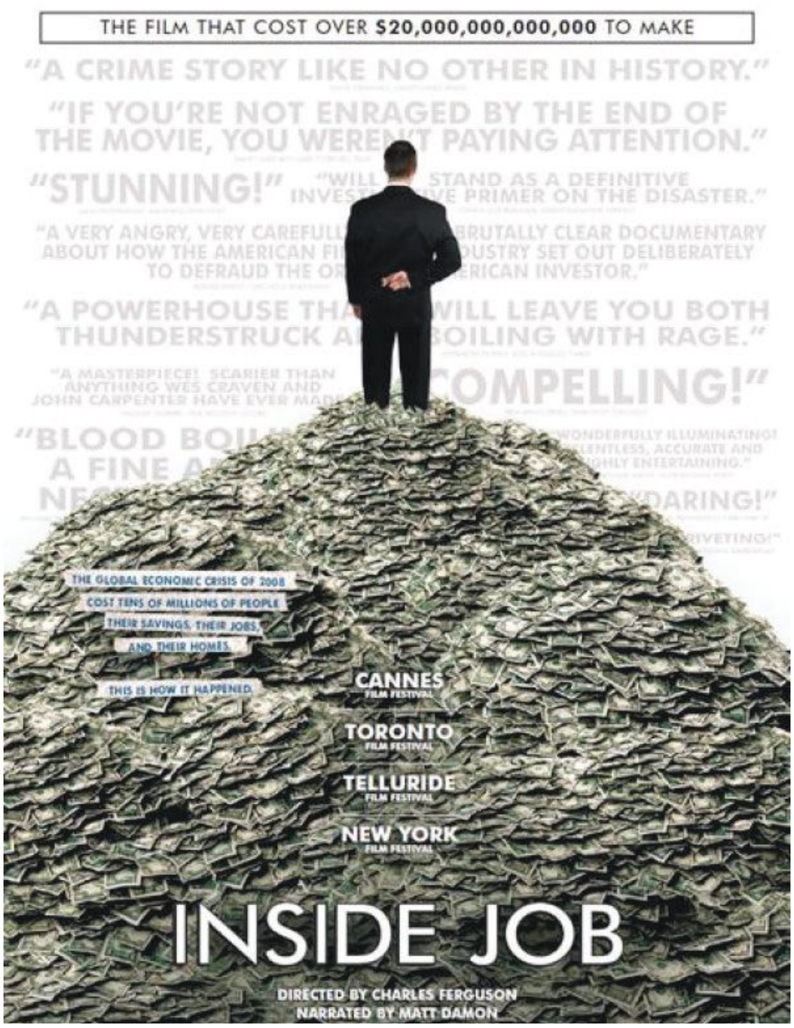
REVIEWS

"Inside Job"

Maria Vildavskaya

"Inside Job", directed by Charles Ferguson and narrated by Matt Damon is a documentary about the great financial crash of 2008. Aiming to uncover what goes on behind closed doors of Wall Street and the White House, the documentary offers an accessible look at how the world arrived at the Great Depression of our time. As many argue, the housing bubble and the consequent credit crunch are to blame for the economic meltdown. But is that really all that there is to it? As the documentary shows, there exists a tightly-knit society of bankers, government officials and academics, who play an enormous part in what goes on in the economy. Bank CEOs become government officials, creating laws that are convenient for generating revenue.

The 2008 global economic crisis appears to have been provoked by government action, and in particular by market deregulation. Market and financial services deregulation in 1980s, pioneered by Alan Greenspan (the Federal Reserve board chairman 1987-2006), proved fatal as market speculations and high-stakes trading got out of control. Essentially banks were freer to gamble with their depositors' money: this included the banker's ability to offer investors high-interest house loans mortgaged by high-risk borrowers – the "sub-prime" market that offered excessively high returns.



> 'Ferguson argues... that what brought on the economic crisis was market regulation, human greed and desire for profit'

Ferguson argues that crucially the banks were allowed to insure against 'bad debts' with credit default swaps (insurance policies) – any amount of these insurance policies could be purchased against one particular risk. The major insurer was AIG and once AIG defaulted on it's low credit rating and outstanding insurance payments the meltdown that followed cost not just peoples' homes and jobs, but also over $20 trillion to the world economy. What brought on the economic crisis then was market deregulation, human greed and desire for profit.

Perhaps the most sensational aspect of this film is the fact that the director suggests that the crash corrupted the discipline of economics itself. Distinguished economists from America's most renowned Ivy League universities were 'asked' by the banks to write reports that supported fierce deregulation.

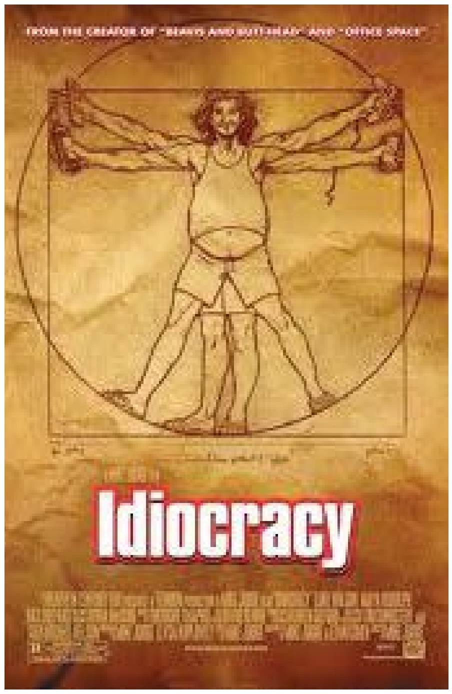
One of the key messages the director attempts to convey is that in times of crisis nobody is equal. For an ordinary person who defaults on their debt, they lose their home and have to live in their car. Yet, when a banker defaults, the taxpayer can be relied on to bail them out. But what can be done about all this? Ferguson has no answers and while economist, and author of the recent book, 'Crisis Economics', Nouriel Roubini, explains that a system should be introduced where bankers are paid in the same securities that they sell, the workings of such a pay scheme would clearly be too complicated. While this analysis suggests only greater regulation will do, the actions of the Fed the film documents makes this seem unimaginable. ❖

"Idiocracy"

Chanita Seedaket

Imagine yourself 500 years from today. The streets are filled with shops under inappropriate, sexual-related names. Landfills are piled up with mountains of waste. Doctors are not needed to diagnose your illness and it is not necessary to get up to go to the toilet. Technology has advanced to the extent that everything is done through machines. But does that actually make people less intelligent or physically fit?

Idiocracy is an intelligent satirical comedy which addresses these questions. Written, directed and produced by Mike Judge, creator of King of the Hills, it is a story about an average soldier, Joe Bauers (Luke Wilson), who is involved in a top-secret military hibernation experiment expected to last one year but ends up waking up in someone else's living room 500 years later. In his new surroundings Joe is faced with a world so dumbed down he is the smartest person on earth. Though at first he is put into jail for allegedly robbing a hospital because he did not have a 'tattoo', an identification barcode, his luck turns after he takes an IQ test in prison. After achieving a score higher even than the President, before he knows it he is appointed Sec-



retary of Interior.

The society Bauers finds challenges the precepts of Darwinism. Contrary to the theory of natural selection, half a millennium later the 'Have-nots' are the fittest due to their extensive free time and lack of attention to contraception while the 'Haves' focus more on their careers and the readiness of having an extended family. As a result of their greater reproduction rates it is the 'Have-nots' that rule the world's population. Reminiscent of Voltaire's social commentary of the seventeenth century in his work 'Candide,' indeed the ludicrous nature of the world of 2505 is exemplified by the background and name of the world's most powerful leader. The U.S. President is none other than a former wrestler and porn star named Dwayne Elizondo Mountain Dew Herbert Camacho.

In the film, technological advancement is a vital factor in the regression of humankind. The invention of GPS, for example, means that the ability to read maps is unnecessary. People do not know how to spell correctly as spell-check is available. Moreover, a simple calculation is carried out by a calculator. As the experiences of the bewildered average-Joe Bauers suggests though, this improved efficiency and wealth is not necessarily a positive development. Reflecting society's current preoccupation with constantly creating growth and becoming richer, the film perhaps acts as a warning, if a fairly light-hearted one, as to the downfalls of our current approach. Ultimately, becoming more efficient and richer is not everything after all. ❖

Edinburgh Climate Conference

Scott Daw reports back from Edinburgh University's first climate conference

In our last issue Insight proudly supported the Edinburgh Climate Conference (ECC) (you may have noticed the compelling advert on the back page). The conference took place on the 26th & 27th of February and brought together a host of world renowned speakers and a few fresh faces too. With a combination of talks, debates, workshops and poster sessions the ECC's mission statement was to take "a multidisciplinary approach to climate change and climate challenges" focusing primarily on how Edinburgh and Scotland can support the global effort.

Reviewing the success of the conference, the difficulties faced and what it has achieved, Scott Daw speaks to the organisers, contributors and participants of the Edinburgh Climate Conference.

The Organisers:

Speaking to the lead organiser, Robbie Marwick, he seems comfortable with their achievement "it was a lot of hard work, but we had a good team, a lot of enthusiasm and I think we pulled it off ok". Enquiring after their motivation he tells me in a forthright manner, "climate change is an important issue, and one which I think almost everybody can re-

Thomas Barningham addresses the conference audience

late to or at least has an opinion on". The organisation of a conference seemed apparently obvious, "Edinburgh has a wealth of talent in this area and it seemed like a great opportunity to do something which would be fun, enjoyable and importantly, potentially be of some benefit to people, and [though he admits this sounds cliché] the planet."

The focus of the conference was explicitly to take a multi-disciplinary approach to climate change, "this is because climate change is a multi-faceted problem and as such needs to be tackled from a broad range of perspectives and disciplines". From his own personal experience having studied the issues surrounding climate change both from a legal and an economic perspective, "there seemed to be a lot of overlap between the two and yet little understanding and appreciation of each by the other." A view that was felt, it seemed, by a lot of students from several schools across the University, most notably between the natural sciences and the social sciences. "We thought that by running a conference which took a multidisciplinary approach and aimed to bring together these different areas we could provide students, academics and members of the public with an informative and succinct overview of controversies and issues of each". As a truly global problem a holistic approach seemed appropriate and with fifty four contributors including Andy Kerr, Stephen Salter, Alan Boyle, Chad Damro, Gabi Hegerl and Stuart Sayer, who cumulatively specialise in the geosciences, economics, international litigation, geopolitics, and renewable energy generation they seem to have done just that.

> 'Having studied the issues surrounding climate change both from a legal and an economic perspective, there seemed to be a lot of overlap between the two and yet little understanding and appreciation of each by the other'

Finally, we touch upon the bigger picture and the crucial challenge we face in combating climate change; "I think the biggest challenge is gathering a workable consensus around the world as to an acceptable and achievable solution. Copenhagen demonstrated this only too well. In my own mind, this suggests that perhaps some other form of coordination is necessary, for example EU unilateral leadership or some hugely complex network of multi-lateral agreements. I think the biggest challenge therefore is not discovering what should be done - there are several ideas - but finding a solution which people and nations can actually agree on. As the debate between politicians of different parties on day one of the conference demonstrated it is not that there is disagreement whether climate change is happening but how best to tackle it."

The Contributors:

Thomas Barningham spoke on the topic of sea level rise and the implications and impacts this will have for society. As a current student at the University, he was the conference's youngest speaker and was also involved in the organisation.

Thomas is enthusiastic about his work, and his motivation for speaking seems obvious: "Many human societies now and throughout history have developed close to the ocean/coast. Why? Food, transport and access to foreign markets. We therefore have large amounts of infrastructure and people living in these areas. So sea levels are important, albeit as a component of a much bigger issue".

Looking at the importance of sea level rise, he feels that the communities and even the countries vulnerable to the sea are going to be affected in a variety of ways. "We will see people displacement, loss of agricultural land, loss of natural habitats, loss of coastal infrastructure and maybe even the loss of a country". The knock on effects could be vast and would not be isolated to the regions affected, "with economic losses and population migration we could see

a surge of climate refugees, who could spill over borders, where access to food, sanitation, clean water, and even safety could easily become issues". Consequences he feels aren't justified "as a result of a modern, consumption lifestyle".

The Participants:

Eager to explore the perspective of participants and audience members attending the conference we spoke to Olly Edmunds, a fourth year, studying Ecology with Environmental Science.

Olly chose to attend the conference as like the organisers he feels "if actual and effective developments are going to be made in both mitigation and adaptation strategies then all fields and sectors both academic and within industry are going to have to come together". For him the Edinburgh Climate Conference provided an "opportunity to hear about the issue from an economic and business perspective which contrasts with the science focus favoured in [his own] course."

Across the two days many different areas were discussed, with the aspect Olly found most useful being the consideration of business approaches and frameworks. "I found the business solutions really interesting because it was an area I did not know a huge amount about. Genevieve Patenaude's presentation on Reduced Emissions from Deforestation and Forest Degradation (REDD) in particular was fascinating and is an initiative that I think has real potential." He also enjoyed the section on technologies along with the tradeshow afterwards as this "offered the chance to learn about a range of innovations that are at different stages of development, and in doing so, introduced to you the types of technology being researched and developed so that you can make your own mind up on what has potential."

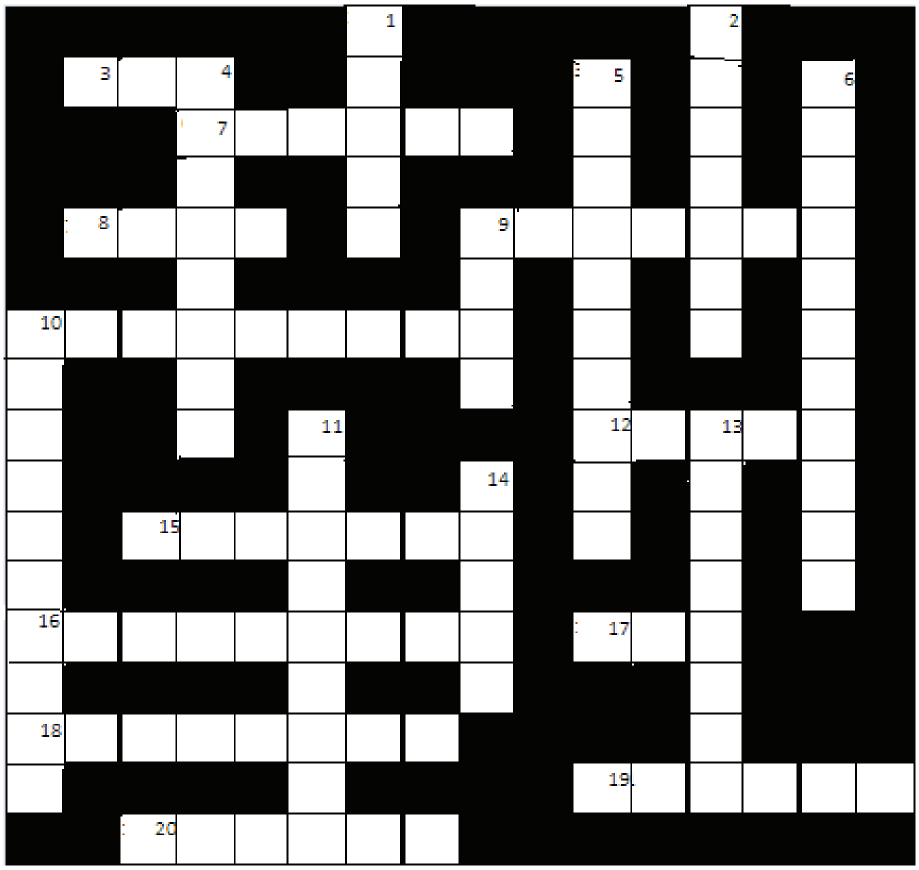
The exposure to different aspects of climate change research and innovation seems to have been the real success of this conference. As Olly tells me, "just knowing what others in the university are doing is very powerful as it opens up the potential for departments and those with different backgrounds and skills to work together on meaningful and effective projects in the future." Encouraging a broad and encompassing approach appears to have been the key outcome "discussions on many different topics relating to climate change certainly left you coming away with a lot to think about. I feel far better informed on the types of solutions that are being worked on especially from a business angle. It was also fascinating and encouraging to discover how much the university was involved in climate change related research outside of what I'd been exposed to within my department."

For further information see:
www.edinburghclimateconference.com

❖

"...just knowing what others in the university are doing is very powerful as it opens up the potential for departments and those with different backgrounds and skills to work together on meaningful and effective projects in the future"

Teatime Economics II



Down:

1. First word in the name of a famous Essex nightclub(5)
2. To reduce or underestimate worth (7)
4. Education system boasting the Ivy League (8)
5. An integrated course of academic studies (10)
6. The utilization of economic goods to satisfy needs (11)
10. The ratio of the percent change in one variable to the percent change in another variable (10)
11. The third major studio album by rapper Young Jeezy and his fifth overall (9)
13. Relating to or involving money (8)
14. '... for your thoughts '(5

As there were no winners from the first issue, an executive dinner with our Managing Editor, Matthew Riley, is still up for grabs. Send your answers via email to:

insight.edinburgh@gmail.com

See last issue for a character reference. Good luck!

Across:

3. Financial scheme applicable to students whose parents have a certain level of taxable income (3)
7. The combination of two or more commercial companies (6)
8. A political conservative (4)
9. Amount remaining after satisfying equilibrium (7)
10. Knowledge acquired by learning and instruction (9)
12. The greatest possible degree of something (5)
15. Curving inward (6)
16. A secret agreement to limit competition (9)
17. To make an incision or separation (3)
18. Key component of a Government's fiscal policy (8)
19. British economist who wrote 'The economic consequences of peace'. (6)
20. An organisation that is funded by taxpayers, but not controlled directly by central government. (6)

What is AIESEC?

What began in 1948 as an organization to help develop "friendly relations" between member countries is now a global association with activities in 100 different countries and territories.

AIESEC is the world's largest youth-led organization, active in over 1700 universities in 107 countries. Our core activities are focused on facilitating a global exchange scheme that provides challenging, cultural work internships for students and recent graduates

AIESEC Work Abroad Experiences

Students and recent graduates are given the opportunity to Work or Volunteer abroad for a period between 6 weeks and 18 months in one of over 107 countries.

Our members get the chance to support students in gaining real work and life experience abroad as well as supporting the local business community by bringing international students into local companies to work on a number of different projects.

By having the unique opportunity to operate a student society, and work with over 110 AIESEC countries, AIESEC members gain the much needed soft skills and leadership drive that employers are looking for in today's students.

Quite a lot of people often wonder what they will be doing in after graduating from university. AIESEC is part of that 'exploring' progress. Our programs provide meaningful opportunities to help identify career paths for young graduates while expand their cultural horizons.

At the same time, AIESEC can also be part of the undergraduate process. Our short-term work abroad programs can help undergrads expand cultural awareness through exchanges. AIESEC provides four types of Work Abroad Programs: the Development Traineeship, the Educational Traineeship, the Management Traineeship, and the Technical Traineeship.

Wondering how to apply?

Visit this link: http://www.aiesec.co.uk/portal/registration.aspx, or simply e-mail the AIESEC Edinburgh representative for Outgoing Exchange at: vpogxedinburgh@gmail.com for more information about AIESEC.

TeachFirst

The link between low family income and poor educational attainment is greater in the UK than in almost any other developed country. But it doesn't have to be this way. Addressing this injustice drives the work of Independent charity Teach First.

The charity was founded by its current CEO Brett Wigdortz to create, equip and mobilise a movement of leaders with a life-long commitment to raising the achievement, aspiration and access to opportunity of children from low socio-economic backgrounds.

At its core Teach First is about developing leaders and achieving success – both for the top graduates it recruits as teachers and pupils they will teach. It sees teachers as leaders, inspiring and motivating large groups of young people. Through its innovative Leadership Development Programme it provides graduates with the skills, strategies and behaviours to be leaders in any environment, in any sector, including education.

Beginning with the six-week Summer Institute the two-year Leadership Development Programme combines working, qualifying and training as a teacher with leadership development training, coaching and mentoring, and a range of networking and internship opportunities. On completion of the Summer Institute graduates will begin their teaching careers in the classroom. Throughout their first year they will work towards a Post Graduate Certificate in Education (PGCE), and secure Qualified Teaching Status. Gaining a PGCE means that, whatever they choose to do with their careers, they can always return to teaching.

Since its launch in 2002 Teach First has worked hard to ensure that top graduates see teaching in schools in challenging circumstances as a prestigious career of choice. At the beginning of the month its hard work was recognised when it won a clutch of prestigious graduate recruitment awards, including being named Graduate Employer of Choice in the Public Sector at the Times Graduate Recruitment Awards 2011; securing the runner-up position in the Most Popular Graduate Employer category at The Target Jobs Awards, out of 250 organisations and being named as the third Most Popular Graduate Employer in the Guardian 300 rankings.

For those Teach First teachers who, on completion of their two years in the classroom, choose to pursue careers outside of schools, they can draw on the skills they acquired as Teach First teachers to improve their employability with a range of employers.

High-profile recruiters from all sectors recognise that the skills developed in the classroom are directly transferable to management careers, and 17% of former Teach First teachers have gone on to work for corporate organisations. As Charlie Kennard, who studied Economics & History at the University of Edinburgh and joined Teach First in 2008, points out "After two years teaching in a challenging school, anything you do afterwards seems easy! I gained transferable skills in leadership, resilience, organisation and a new level of confidence, all of which are extremely valuable to any future employer".

This sentiment is shared by graduate employers, as a spokesperson from Barclays Capital highlights: "Teach First is producing leaders of tomorrow – individuals who demonstrate energy, enthusiasm, confidence and imagination. These are attributes we look for in our employees at Barclays Capital."

It is important to note that more than half of Teach First's teachers remain in the classroom beyond the two years and this proportion has been steadily rising, with 72% of our most recent cohort (2008) remaining in education.

The charity also offers a number of different ways for its ambassadors to maintain their involvement in the mission of Teach First – from mentoring a sixth-form student, becoming a school governor to becoming involved in education policy.

Although Teach First has developed an enviable position among graduates as a leading mission-led graduate employer, if it is to transform the lives of ever increasing numbers of children it needs to recruit more top graduates apply to be teachers and leaders in schools in challenging circumstances.

Applications for 2011 have now closed but will open for 2012 in June later this year. For further information please visit: www.teachfirst.org.uk