Seven Kings School

ECONOMICS JOURNAL

CONTENTS:

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AN ORIENTAL JACKPOT - THE ECONOMIC RISE OF CHINA

NASIM ALI

CHINA IN BRIEF

NASIM ALI

China stands. Indestructible. In stubborn glory - a bittersweet conundrum for Western spectators.

Forty years ago, the People's Republic was plagued by a vastly inefficient, immobile, and crippling economy, as a result of ineffective and isolating economic policy. Handshakes with the global economy were rare, and China remained resolute in their vision of solitary growth. The liberalisation of trade, and groundbreaking economic reforms, catapulted China into one of the worlds fastest-growing economies - the Chinese thirst for influence and international competitiveness simply remains unquenched.

In 1979, a sweeping reform was made, opening the doors to a free market, and foreign investment was pipelined into the varicose veins of the economy, still scarred by a stagnant past. In 2018, the World Bank announced that China had “the fastest sustained expansion by a major economy in history”, boasting a real annual GDP expansion of 9.5% in one year.

In 2012, the whole Communist Party, and every enclave of society was mobilised, in unwavering conviction to cleanse a rural epidemic of deprivation. The unfaltering growth of China facilitated a remarkable feat of 800 million people being hauled out of poverty.

China doubles its GDP every 8 years. It is the worlds largest economy, on the basis of purchasing power parity. China is the US' largest trading partner. The Chinese "dream", or perhaps this inconspicuous reality, has cast its shadow on all corners of the world, and its compelling fumes have wafted into all aspects of global trade. The world has forged an indelible dependence on China, with cheap and readily accessible labour, low production costs, and an abundance of raw materials. It is consequently unsurprising that the UK has established formidable trade with China, worth £70 Billion in 2019.

However, in recent times, the glow of the five stars has dimmed, as the economy matures and ages, the economy is no longer spontaneous or volatile, with GDP falling from 14.2% in 2007 to 6.6% in 2018. The International Monetary Fund predicts that this figure will shrink to 5.5% in 2024. Nonetheless, this level of growth, in contrast to America's 3.1%, is an intelligible attestation to a roaring economy. China has understood the necessity to accept an economic model that sits tightly on the back of private services, consumption, and innovation, and has embraced slower economic growth. It has been dubbed as the 'new normal'. China's current economic model is scaffolded by an uninterrupted river of exports, as well as fixed investment.

Innovation has become the new key focus, in this gargantuan economy, with a huge government desire to stimulate revolutionary initiatives, such as 'Made in China 2025' - an extensive upgrade to modernise China's manufacturing in 10 vital sectors, through rigorous means of Government intervention. These measures have raised international red flags, as many countries are concerned that China is planning on using industrial policy to eradicate reliance on foreign technology, in addition to locking foreign firms out of China. Perhaps, global dominion is on China's agenda.

In response to an ever-growing threat, we have seen the vicious cycle of painful protectionism stoke economic conflicts and trade wars. Yet, as much as the United States has tried to scathe the Chinese economy, or disconnect itself from an allegedly tragic alliance, it has become extremely clear that China stands, on the higher ground. Though piling sanctions are hurled towards China, in response to various human rights violations in the Xinjiang province, they barely scratch the robustness of the fulfilling economy...

So when countries wage trade wars on China, only to find themselves at a loss, or unavailing trade sanctions are continually rendered futile, and Zhongguo accounts for 11.3% of global imports, all opponents are found on their knees, with their hearts chained to the rhythm of the Communist anthem. At this point, China cannot be avoided. It remains an inexorable and politically undesirable, lifeline for the global economy. Regardless of whether we like it or not.

INFLATION IN THE UK

HOW THE PANDEMIC AFFECTED INFLATION AND PRICE LEVELS

MUHAMMAD CHOKSHI

INFLATION

What is inflation?

Inflation is the rate that the price of goods and services rise
It applies to services too, like having your nails done or getting your car valeted. In the long term, these price rises can have a big impact on how much you can buy with your money.

The UK inflation rate hit 2.5% in the year to June, the highest for nearly three years, as the unlocking of the UK economy continued.
The CPI measure of inflation rose from 2.1% in May, the Office for National Statistics said, driven by higher food and fuel costs.
The rate is higher than the Bank of England's 2% inflation target for a second month.

Some consumers have turned to the used car market as a result of delays in the supply of new cars caused by the shortage of semiconductor chips used in production.

n increase in prices for clothing and footwear, compared with the normal seasonal pattern of summer sales, also added to the upward pressure this month

MUHAMMAD CHOKSHI

INFLATION

The latest rise in the inflation rate will add to pressure on the Bank of England to consider increasing interest rates to cool the economy. The Bank's Monetary Policy Committee (MPC) has taken the view that the current inflation surge will fall back after peaking at 3%. But the Bank's department warned last month that the risk of high inflation was rising fast and could reach nearly 4% this year.

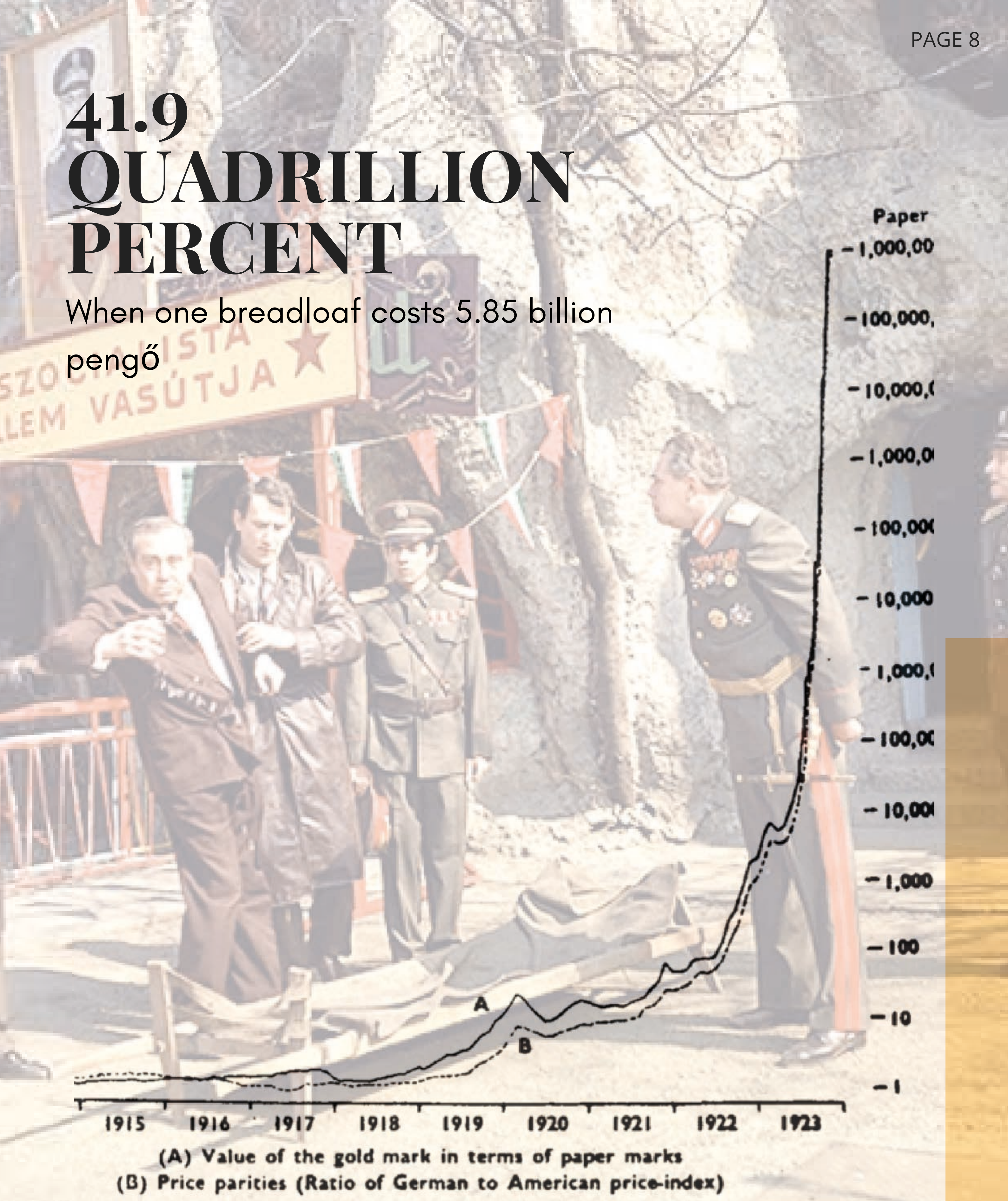
Inflation is up again, above target, with prices rising faster than expected across the board in June. Much of this is the result of comparisons with prices that were falling a year ago at the height of the lockdown. Bottlenecks in supply are also driving prices up. For example, car producers can not find microchips, so cannot build enough new cars, so used car prices went up 4.4% in a month. During the pandemic, the microchip market changed its supply to electronics due to a slump in car sales.

Inflation should peak at this level before falling back to normal, as the economy further reopens. It is, right now, high and rising and the reasons for this global rise are pretty clear: demand rebounding quickly after the pandemic, while supply is taking a little longer to catch up.

Muhammad Chokshi

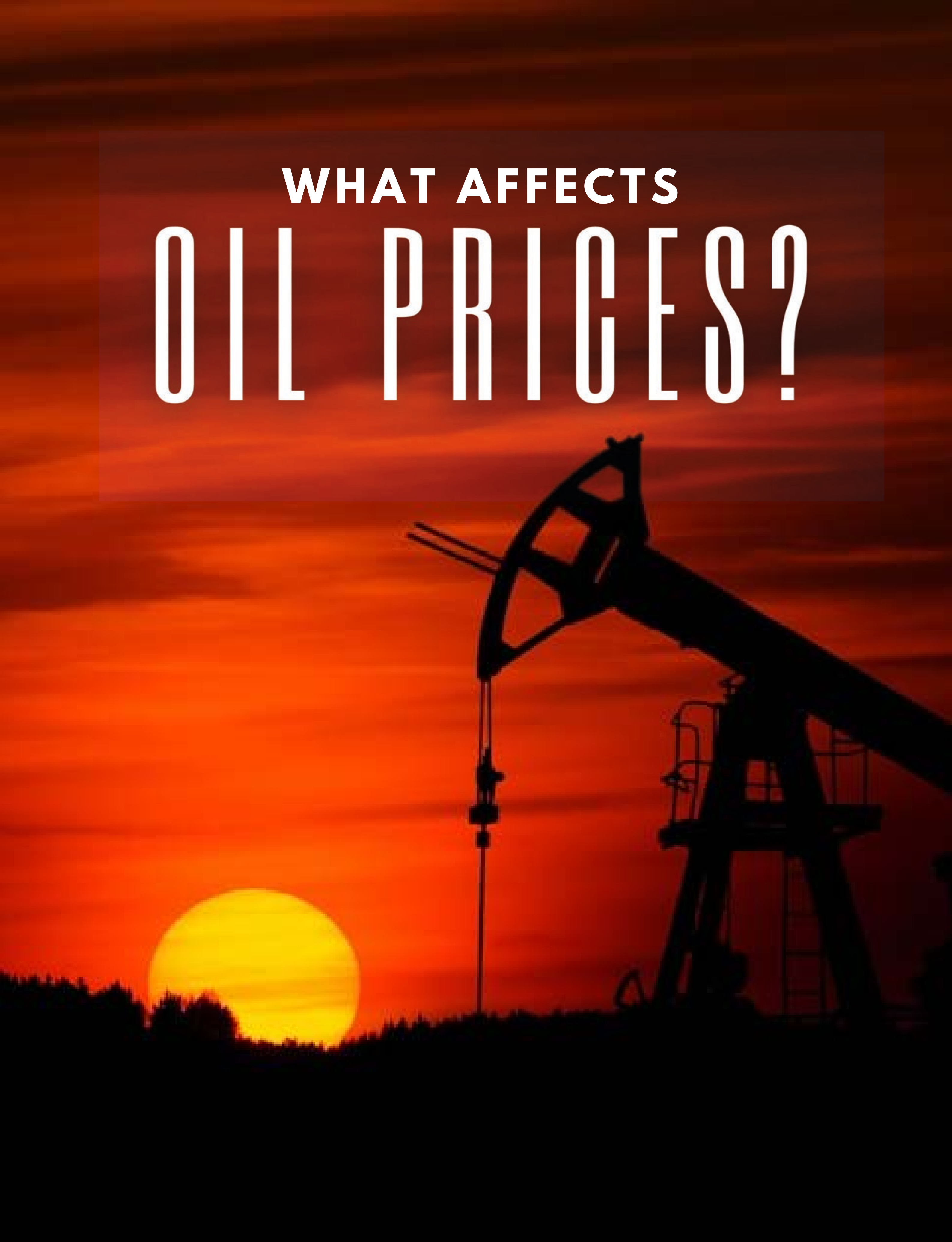
41.9 QUADRILLION PERCENT

When one breadloaf costs 5.85 billion pengő



The Post-World War II hyperinflation of Hungary held the record for the most extreme monthly inflation rate ever – 41.9 quadrillion per cent for July 1946, which led to prices doubling every 15.3 hours.

WHAT AFFECTS OIL PRICES?



Adam Siddiq

WHAT AFFECTS OIL PRICES?

Oil is used in everything we do in our day-to-day life. It simply is the most sought-after commodity. When we make our breakfast in the morning, when we switch on the light in the middle of the night, when we put our phones on charge and when we take off for that well-earned holiday -everything uses oil. However the price of oil is something that is constantly changing due to many supply and demand factors, we'll be looking at the supply factors today.

The Organisation Of petroleum exporting countries (OPEC)

OPEC is a group of 14 countries that export petroleum. The group was formed in 1960 and is made up of Saudi Arabia, Iran, Iraq, Venezuela, Kuwait, Libya, the United Arab Emirates, Algeria, Nigeria, Ecuador, Gabon, Angola, Equatorial Guinea and the Republic of the Congo. OPEC has come together to determine the price of oil by controlling supply. This was done because while oil is a finite resource, many countries have access to their own oil and extraction machinery. Thus OPEC was formed to protect against a "race to the bottom" in regards to price, which would have lead to the depletion of a countries' oil. While OPEC may seem like a major factor in the determination of oil prices, its influence has dwindled as time has gone on.OPEC used to hold the considerable influence of the price and supply of oil shown by the oil crisis in 1973 when OPEC restricted supply to nations perceived as supporting Israel during the Arab-Israeli war. By the end of the embargo in March 1974, the price of oil had risen by approximately 300%, from $3 per barrel to nearly $12 globally.

Non-OPEC Oil Producing Countries

OPEC does not include all oil producers, separate from OPEC the world's largest oil producers are The United States, Canada and China, with the US producing 13 million barrels a day in 2017. There is also the Organisation for Economic Cooperation and Development (OECD), which across its members produces 24 million barrels a day. As a whole, non-OPEC counters produce approximately 53 million barrels of oil a day.

Exogenous Shocks

Events that economics can't explain nor control, such as natural disasters, war and geopolitical instability all impact the price of oil. Examples of these shocks are the Gulf wars, the Arab-Israeli conflict, the Iranian revolution and Hurricane Katrina. When Hurricane Katrina hit America in 2005, it damaged vital oil supply lines, causing an oil crisis in America.

As a result prices for fuel rose more than half a dollar in some parts of the country. The situation worsened due to a media frenzy in which it was said that the supply of fuel would soon run out, which led to queues of people forming at petrol stations to fill up their tanks. The shortages were so severe that President George W. Bush released 30 million gallons of fuel from the American strategic reserves in an attempt to prevent fuel prices escalating further.

Oil prices affect us all and they are mainly determined by exporting countries, concerning supply. However, with tensions in the middle east (the main region for oil exports) always on a knife-edge oil prices will continue to fluctuate should tensions not be resolved.

Adam Siddiq

ECONOMIC BREAKDOWN
NASIM ALI

SOUTH KOREA

COUNTRY PROFILE

AS OF JULY 2021

POPULATION

51.7 MILLION

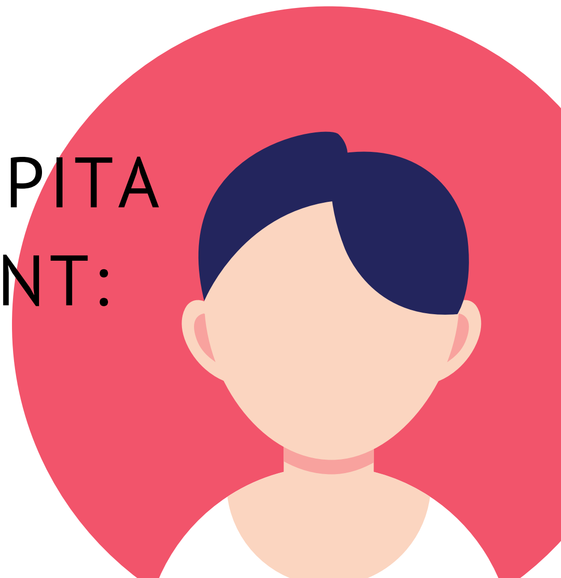
2% GROWTH

GDP (PPP) - $2.3 TRILLION

What is PPP? Purchasing Power Parity is an economic theory that allows for the comparison of the purchasing power of various world currencies to one another. It is the theoretical exchange rate at which you can buy the same amount of goods and services with another currency. The purchasing power parity tells you how much things are worth if all countries used the same currency.

$43,029 PER CAPITA

UNEMPLOYMENT: 4.2%



1.8% INFLATION

FDI INFLOW: $10.6 BILLION

FDI TO SOUTH KOREA HAS MAINLY BEEN ORIENTED TOWARDS FINANCE AND INSURANCE, TRADE, MANUFACTURING, REAL ESTATE, ICT, MINING AND QUARRYING, AND TRANSPORTATION – IN THAT ORDER

GLOBAL RANKINGS

MACROECONOMIC ENVIRONMENT: **6**/142
INFRASTRUCTURE: **9**/142
MARKET SIZE: **11**/142
HEALTH AND PRIMARY EDUCATION: **15**/142
HIGHER EDUCATION AND TRAINING: **17**/142
TECHNOLOGICAL READINESS: **18**/142
GLOBAL COMPETITIVENESS: **24**/142

FREEST ECONOMY RANK

24TH

HUMAN DEVEOPENT INDEX

15TH

PUBLIC EXPENDITURE ON EDUCATION AND TRAINING IS HIGH AT MORE THAN **4% OF TOTAL GDP**

INCOME AND **WEALTH INEQUALITY** IS LOW BUT IT HAS BEEN INCREASING IN RECENT YEARS.

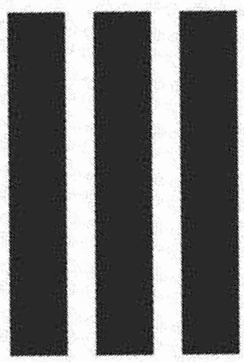
THIS RISING INEQUALITY CAN BE ATTRIBUTED TO **THREE** MAJOR FACTORS:

- RAPID POPULATION AGEING
- LARGE WAGE GAPS
- OCCUPATIONAL INEQUALITY BETWEEN GENDERS

In nearly every year since 1996 the annual increase in exports of goods and services has easily outpaced the growth of GDP – leading to a sustained rise in the share of exports in South Korean national income.

THE COUNTRY IS HIGHLY URBANISED (83% OF THE POPULATIO

80.6 YEAR LIFE EXPECTANCY



CIGARETTES AND THE SOLUTION

Scholarly Article

WRITTEN BY
ZARIA FAROOQ-KHAN &
NAISHA CHOWDHURY

ZARIA FAROOQ-KHAN NAISHA CHOWDHURY

CIGARETTES

Winner of the 2021 Negative Externality Award
Good read for Economics students.

Negative externalities occur when the consumption or production of a good causes a harmful effect to a third party. An example would be cigarettes. On average, the life expectancy of a smoker is 10 years less than a nonsmoker. Cigarette smoke has over 7,000 chemicals, 70 known to cause cancer. Nearly 90 per cent of smokers start before 18 and almost all by 26. From this fact, we see that most smokers start from a young age, so it is important to educate people on the harm it can cause from early on.

One solution to reduce the demand for the negative externality is to tackle information gaps. Perhaps the reason there is high consumption is that people are unaware of the effects that follow. One way to correct information is by ensuring there is enough of it on the packaging of the cigarettes, such as warning labels. Another would be for people to come into schools and educate on the downsides of smoking. You could also get previous smokers to share their stories.

CIGARETTES & THE SOLUTION

A different method could be the imposition of a minimum price, this is a government intervention used to tackle negative externalities. In a free market, too much is traded as externalities are ignored by the market mechanism. By raising the price, there is a contraction in demand. Minimum price laws make it illegal to sell a product below that price. Along with this, there should be a ban on special offers, such as buy one and get another half price to reduce consumption further.

Governments could restrict the display, those who are less addicted and are not heavy smokers may only pick up a cigarette if they see one, by reducing the display to only specific areas in smaller amounts, cigarettes might not be excessively consumed by the public.

Cigarettes contain nicotine which stimulates the brain to release dopamine, making it addictive in a similar way that sugar is. After smoking even one cigarette, people crave this euphoria again, especially during boredom and depression. As mentioned above, cigarettes have at least 70 chemicals that are known to cause cancer; furthermore, cigarettes can cause other cardiovascular and respiratory problems as well as many more health issues. These are negative externalities as they put a strain on the NHS-something which can be avoided. As the NHS is funded by the government, the government is simultaneously put under pressure to fund the NHS sufficiently, taking into account those who develop health issues from smoking cigarettes. Therefore, the government needs to provide solutions to reducing these health issues and costs from cigarettes.

One way they can do this is by providing subsidies to businesses that provide alternatives to cigarettes, like nicotine patches. As a result, businesses will be able to provide more products and at a reduced price. This leads to an increase in demand as more people are able to afford these alternatives, helping them to quit smoking hence reducing costs put on the NHS and the government to care for those made ill due to smoking cigarettes. This is due to the fact that these alternatives help people to quit smoking hence reducing their health risks and allows their bodies to heal, further reducing their health risks. As a result, there is a decrease in the likelihood of their need for the NHS, hence decreasing the government costs towards the NHS.

Another solution to this would be by introducing price caps, as mentioned above, however, the price cap would be setting a maximum price for alternatives to cigarettes. There should be a limit on how much businesses sell these for, as they need to be kept at an affordable rate so that they are accessible hence encourage quitting smoking. If these alternatives are too expensive, e.g. more expensive than cigarettes, it will deter people from buying them. Furthermore, people will continue smoking as it is an easier option for them. A maximum price would increase the competitiveness of these alternatives against cigarettes themselves, which dominate the market by far.

CIGARETTES AND THE SOLUTION

"Among the revenue proposals I have examined, tobacco taxes are especially attractive because they encourage smokers to quit and discourage people from starting to smoke, as well as generate significant revenues. It's a win-win for global health."
- Bill Gates, G20 Summit, France, 2011

However, these solutions aren't as straightforward as they may seem. Providing subsidies to firms and enforcing maximum prices are costs on their own. These subsidies and maximum prices must be sufficient enough to be able to cause a big change in the demand for cigarettes as well as their alternatives. Cigarettes are demerit goods, meaning that they have an inelastic demand curve so a large change in price is needed to cause a small change in demand. If the government is not generous with subsidies and strict with maximum prices, they will not get the desired large, long-term result they need to reduce their costs towards the NHS. The larger the changes they make, the more it's going to cost them (especially for subsidies) in the short term. In the long-term, the government's cost will indeed be decreased as more people quit smoking so fewer people need these alternatives, leading to a decrease in the supply necessary and, as a result, not as many subsidies need to be given.

Therefore, these solutions are worth the short-term sacrifice necessary to achieve the long-term reward.

ZARIA FAROOQ-KHAN & NAISHA CHOWDHURY

CURRENCY TRADING

AUTHOR

MUHAMMAD CHOKSHI

A brief insight into

CURRENCY TRADING

Currency trading is the buying and selling of currency pairs in the foreign exchange market at a specific exchange rate. An example of currency trading is when you convert pounds to the currency of the destination you go to before you go on holiday. For example, you would need to change British pounds to the Egyptian pound before going on holiday to Egypt because that's their local currency. The exchange rate tends to fluctuate between currencies meaning sometimes you may be getting less for your money. Currency trading can also be used as an investment.

When it comes to currency trading, there aren't any physical buildings where trading occurs, instead, it is done in trading terminals and computer networks between traders all over the world in practically every time zone in places from London, Paris, New York to Tokyo and Sydney. This means that when the forex market closes in one part of the world such as New York, it is still active in places like Tokyo and Sydney.

Unlike trading currency when you go on holiday, it can be done on the foreign exchange market also known as the Forex market. It works like the travel example where you buy one currency and trade it for another. The values of individual currencies vary based on demand and circulation and they are monitored by foreign exchange trading services.

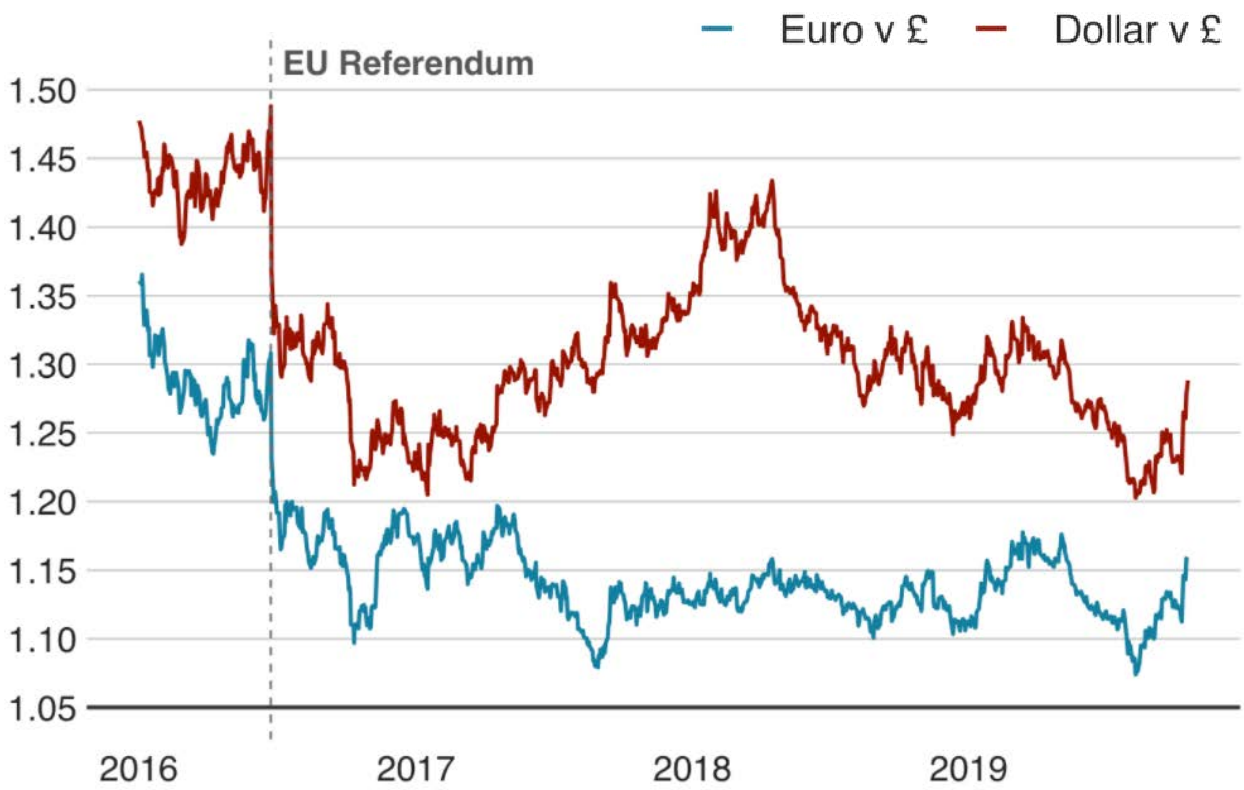
When trading currencies, they are done against each other side by side, this is known as a currency pair. For example, the USD/CAD (US Dollar and Canadian Dollar). When trading the currency pair, there is an ask and a bid. An ask is basically the amount it costs to buy the currency whereas the bid is the amount you would receive when you sell the currency. The difference between the ask and the bid is known as the spread. You make money based on the buy/sell decisions you make and the direction the value of the currency goes.

CURRENCY TRADING

The graph below, illustrating how the pound jumped once the Brexit deal was reached, highlights how much currency can fluctuate, and how different pairs of currencies are weighted differently.

DID YOU KNOW:

Currency trade is the only truly continuous and nonstop trading market in the world.



Technically speaking, the idea of currency trading has been around for centuries, as people have always exchanged money and bartered for goods and services, however, the idea of currency trading as we know it is fairly new. More currencies were allowed to be traded with one another in the 70s. This helped to open up the forex market to more people as previously, the forex market was mainly used by institutional firms and large banks however nowadays, traders and investors of many different holding sizes have begun to take part in forex trading.

The supply and demand for currencies are affected by various factors such as interest rates, tourism, trade and any geopolitical risks which can create volatility in the forex market. It is assumed that when one currency weakens the currency that is being traded with it will strengthen- this is important to remember as currencies are traded in pairs.

MUHAMMAD CHOKSHI

Celebrities are playing an increasingly impactful role in modern society and consumer patterns, being upheld as idols of lifestyle, public opinion, and fashion. Their endorsement and creative input allows them to bring attention, value, and quality to the brands they endorse, in ways that are far more powerful than conventional advertisements. Many marketers reap the benefits of this celebrity power to forge a seemingly personal and persistent bond with consumers, in hope of sizeable revenues.

With such influence over regional economies and enterprises, this edition of the Economics Magazine will put Celebrity business ventures in the spotlight, as they further boost consumption worldwide.

NET WORTH

THE ECON MAG

OPRAH WINFREY

Net Worth: $2.7bn

Oprah Winfrey has a very successful television show - most Brits may remember apprehensively watching the interview with Prince Harry and Meghan Markle on her show. in 2019, she made $37M and also makes $75m from her 25.5% stake in the show, according to forbes

KYLIE JENNER

Net Worth: $1bn

Kylie Jenner founded Kylie Cosmetics at the age of just 17, with the money she had earned from starring on 'Keeping up with the Kardashians' in November 2015. Her range became extremly popular, as she took advantage of her social media platform presence to advertise her products. She further went on to launch Kylie Skin in May of 2019.

JAY Z

Net Worth: $1bn

The billionaire rapper, and husband of Beyoncé, has also got embarked on several business ventures. He owns several champagne brands like 'Armand de Brignac Champagne' where he has a $50m stake in the company. Additionally, he founded the entertainment company 'Roc Nation' and bought streaming service 'Tidal Nation' which was worth $700m in 2017.

Net Worth: $1bn

KIM KARDASHIAN

The reality tv-star has a diverse portfolio, ranging from a large income from the show 'Keeping up with the Kardashians', all the way to her KKW Beauty and fragrance lines. She also has a clothing line company called Skims.

RIHANNA

Rihanna hasn't dropped an album recently, given that she's heavily occupied with her businesses, 'Fenty Beauty', as well her new clothing line collaboration, 'Savage X Fenty'. The brand name originates from her name, Robyn Rihanna Fenty.

Net Worth: $600M

Net Worth: $500M

ROBERT DE NIRO

Robert De Niro is making serious money in the food industry, after he partnered up with Japanese chef Nobu Matsuhisa in 1994 to open the Nobu Resturaunt, which is a go-to for A-list celebrities and famous figureheads. He further went on to co-found the company 'Tribeca Enterprises' in 2003 which makes an average profit of $17.3M per annum, for him.

MARY-KATE & ASHLEY

The Olsen twins decided to focus less on the acting career and wished to pursue a business venture by creating a fashion line called 'The Row' which launched in 2006. Beyond this, they set up another clothing and fragrance line called 'Elizabeth & James' which is highly profitable.

Net Worth: $400M

MARK WAHLBERG

Net Worth: $300M

Mark Wahlberg is in the burger business with his two brothers, Donnie and Paul, which has restaurants in the US, Canada and the UK. He is also the co-owner of a water company called 'Aquahydrate'..

SERENA WILLIAMS

Net Worth: $200M

The 23-time tennis Grand Slam Champion created a company called 'Serena Ventures' which was formed to help creators over a variety of industries to initiate their enterprise. She also owns a fashion line, like many other celebrities on this list, called the 'Serena Clothing Line' which sells sportswear and other sporting accessories.

CINDY CRAWFORD

Net Worth: $100M

Cindy Crawford owns three companies. The supermodel co-founded the skincare company 'Meaningful Beauty', as well as 'Cindy Crawford Home' which has an average revenue of $250m according to Forbes. She has also collaborated with Lebron James, Arnold Schwarzenegger and Lindsey Vonn to launch 'Ladder' - a company that sells wellness supplements.