

Hello  
and welcome to  
the first issue of the  
**Headington Economist.**



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The background of the cover is a grayscale aerial photograph of New York City. It shows the dense skyscrapers of Midtown Manhattan, Central Park with its winding paths and trees, and the Hudson River to the west. The water reflects the city lights and buildings.

# HEADINGTON Unraveling The Truth About Inequality ECONOMIST

# Hello and welcome to the first issue of the **Headington Economist.**

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In this issue, we will be focusing on: Unravelling the truth about inequality.

A dedicated group of L6 and U6 Economic and Politics students have worked tirelessly these past few months to put this journal together. In this issue, inequality will be analyzed from various viewpoints. We have a collection of interesting and thought-provoking articles on inequality in topics such as gender, education and even democracy. I hope you enjoy reading this as much as we had fun putting it together and I look forward to having more students involved in the next issue!

**Seun Onalaja U6**  
(Head of The Headington Economist team)

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A big thank you to Mrs. Waywell, Mr. Dixon and Mr. Thomas for all their help and support.

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# Divergent Brazil

by Magdalene Adochim 6TK

Issues of development, inequality and poverty exposes the real Brazil and challenge us to understand how the vulnerability of the population opposes the outward success and recognition Brazil has attained over the past few years.

able to achieve a balance between these two classes and a much higher GDP.

Brazil has the ninth highest crime rate in the world with a rate of 70.64.<sup>1</sup> A cause of this could be due to low living standards. With high levels of unemploy-

ment, people have turned to crime as a solution. With this high crime rate, much help is needed in order to ensure people out of work are adequately supported till they find new jobs.

Corruption entrenches existing political relationships and its impacts are felt mostly by ordinary citizens, making it a severe impediment to an economy's capacity to grow inclusively. An example of such corruption is the corruption scheme known as Mensalao, where public funds were given to members of the Congress to back the government in votes.<sup>2</sup> This not only eroded the public budget, but it stripped ordinary citizens of their right to put effective people in power as the scheme bought votes with money.

The situation in Brazil has to be addressed as they are currently experiencing the worst recession and have an inflation rate of 10.7%<sup>3</sup>. As a result of this, there has been an increase in the price of Brazilian commodities such as oil and soya, making it less competitive in the foreign market. Unemployment rates have also increased, and according to economic forecasters, GDP is expected to fall further and inflation to rise.

However, despite all this gloomy facts, there is still hope for Brazil. The Keynesian method of solving Brazil's problems can be put into effect by increasing government spending in order to provide jobs and boost employment. This in turn will help in achieving better equality between citizens and increase GDP as well. In my opinion, the answer to Brazil's problem of inequality lies in the hands of the government. But are they ready to make a major change?<sup>¶</sup>

## The poverty, crime and corruption in Brazil.



Picture by Sasin Tipchai via Pixabay  
< <https://pixabay.com/en/jump-action-fluent-the-activity-1822412/#> >

It is rather unfortunate that the country's high level of earnings from tourism does not reflect in either education, healthcare or its GDP and this suggests how corrupt the Brazilian government could be.

From my viewpoint, Brazil consistently suffers from huge disparity between the poor and rich due to the financial meltdown it is currently experiencing. The income gap between these two classes remains more than twice as wide as in most MEDCs. The real problem is the gap keeps getting wide as the years progress and GDP per capita keeps on decreasing. However, with a much more stable financial sector and less political corruption I believe that Brazil would be

ment, people have turned to crime as a solution. With this high crime rate, much help is needed in order to ensure people out of work are adequately supported till they find new jobs.

An increase in progressive tax can help ease this problem. This will lead to a rise in disposable income and an increase living standards for the poor. The government can use the tax revenue to finance spending on public goods and financial aid such as benefits and healthcare for the poor. This will increase their quality of life in the long run.

The situation in Brazil is surprising. Ideally, Brazil should be one of the most economically stable countries in the world because it has hosted many

1 "Crime Comparison Between Morocco And Brazil. Safety Comparison." 2016. 21 Nov. 2016  
<[https://www.numbeo.com/crime/compare\\_countries\\_result.jsp?country1=Morocco&country2=Brazil](https://www.numbeo.com/crime/compare_countries_result.jsp?country1=Morocco&country2=Brazil)>

2 "The Economist explains: What is Brazil's 'mensalão'?" | The Economist." 2013. 21 Nov. 2016  
<<http://www.economist.com/blogs/economist-explains/2013/11/economist-explains-14>>

3 "How to Profit From the Worst Financial Crisis since the Great ..." 2016. 21 Nov. 2016  
<<https://www.caseyresearch.com/articles/how-to-profit-from-the-worst-financial-crisis-since-the-great-depression>>

# Does inequality impede the Chinese economic growth?

by Andrea Liang 6TK

China's economy is the second-largest in the world, just after the United States. It is known for its fast-rising GDP which is growing at an average rate of 7% annually.<sup>1</sup>

However, this rising GDP is met with an uneven distribution of household income, which does not seem to be a priority for the government who are more focused on pursuing growth..

The Organization for Economic Cooperation and Development (OECD) warns that the level of inequality is a threat to economic growth. The Chinese government planned to invest in some regions first in order for them to become prosperous. This was for the purpose of achieving common prosperity faster, following the strategy that was presented by the country's former prestigious leader, Deng Xiaoping, who launched market-oriented reforms and opened the economy in 1979.<sup>2</sup>

However, research reveals that China's income inequality has grown rapidly in the the last three decades (which can be partly attributed to long-standing government development policies). In 2012, a survey by Peking University in 2013 found that the top 5% of the country's households took home 23% of the total household income while the bottom 5% earned just 0.1%.<sup>3</sup> The Chinese Gini coefficient

rose from about 0.31 to around 0.474 between 1981-2012.<sup>4</sup> A level above 0.4 is often believed to be a threshold for potential social unrest.

According to the OECS report, this is partly because there is a gap in education in the most unequal countries, which leads to a less effective workforce. Surprisingly, China isn't the only case of severe inequality. OECD member states also include many developed economies such as the US, all EU member states, Canada, Australia and Japan.<sup>5</sup> The OECD blames the growth in non-standard work, including temporary contrvacts and self-employment for growing inequality.

In fact, over 50% job creation of OECD member states have been a result of non-standard work rather than permanent since the mid-1990s. The greater inequality had been caused by household dependency on such non-standard work.<sup>6</sup> The report also pointed out that the fall in efficiency of tax and benefit systems at redistributing income is another reason.

All this evidence show that the group or region in China which "got rich first" did not effectively pave the way for the rest become rich. But will this enlarging income gap between regions be an obstacle for Chinese economic growth? »

1 "Economic Issues 8 -- Why Is China Growing So Fast? - IMF." 2006. 21 Nov. 2016  
<<https://www.imf.org/EXTERNAL/PUBS/FT/ISSUES8/INDEX.HTM>>

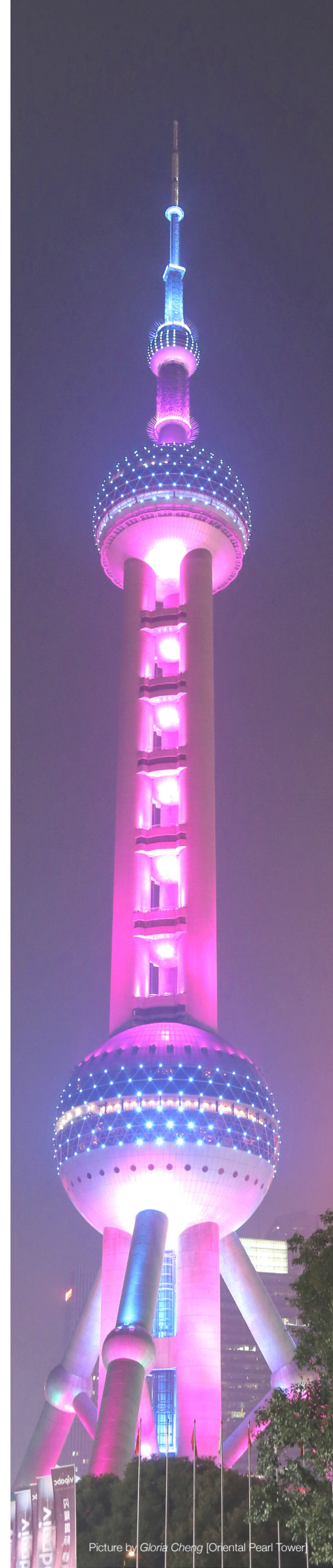
2 "Guangdong Leader Calls For Free Market Reforms - CSMonitor.com." 2008. 21 Nov. 2016  
<<http://www.csmonitor.com/1991/0513/oann.html>>

3 "Income inequality in China and the urban-rural divide - Journalist's ...". 2014. 21 Nov. 2016  
<<http://journalistsresource.org/studies/international/china/income-inequality-todays-china>>

4 Li, S. "The Challenge of High Inequality in China - World Bank." 2013.  
<<http://www.worldbank.org/content/dam/Worldbank/document/Poverty%20documents/Inequality-In-Focus-0813.pdf>>

5 "Members and partners - OECD." 2016. 21 Nov. 2016  
<<https://www.oecd.org/about/membersandpartners/>>

6 "Gap between rich and poor 'keeps growing' - BBC News - BBC.com." 2015. 21 Nov. 2016  
<<http://www.bbc.com/news/business-32824770>>





Picture by Gloria Cheng [Shanghai]

On June 15<sup>th</sup> economists at the IMF released a study assessing the causes and consequences of rising inequality. They estimate that “a one percentage point increase in the income share of the top 20% will drag down growth by 0.08 percentage points over five years, while a rise in the income share of the bottom 20% actually boosts growth”.<sup>7</sup>

## The bad effect of inequality on Chinese economic growth.

So, If efforts are not made to reduce inequality, it is highly likely that Chinese economic growth will be affected.

However, adverse effects might be caused in tackling inequality. Some economists suggests that some inequality is needed to propel growth. Without large financial rewards,

entrepreneurship and would grind to a halt. Arthur Okun, an American economist, argued that: “societies cannot have both perfect equality and perfect efficiency, but must choose how much of one to sacrifice for the other”.<sup>8</sup> However, the recent rise in inequality has led to a closer look at the economic costs and effects. Inequality can impair growth and mostly those on low incomes will suffer.<sup>9</sup> According to Dani Rodrik of the Institute for Advanced Study in Princeton, high levels of inequality can hinder confidence in growth-boosting policies.<sup>10</sup>

Increasing the national minimum wage is always a decent way to improve inequality. However, this may not be so effective as a considerable percentage of low-income workers in China work in the informal sector. Recently, as the widening wealth gap in China has brought about concerns over its impact on political and social stability, China has approved a plan to tackle the widening income gap between rich and poor, which includes raising its minimum wage to about 40% of average urban salaries by 2015.<sup>11</sup> State-owned firms would also need to give a greater share of their profits to

the government, who in turn will use the profits to fund social security. This plan also announced proposals such as: steps to boost incomes of farmers, improving the health care system, increasing supply of affordable housing, a ceiling on salaries of senior management at state-owned firms, and strengthening tax regulations.<sup>12</sup>

But some analysts have a sceptical attitude towards these efforts. A Chief Chinese economist, Zhang Zhiwei believes that the government may put more emphasis on income growth, rather than income distribution.<sup>13</sup> In his eyes, this proposal did not set an “explicit target” for Gini coefficient but offered only an objective to “reduce population in poverty and increase size of middle class”. He also added that the reform plans made by the government had not been effective.<sup>14</sup>

Overall, reducing inequality is beneficial for both the Chinese economy and the Chinese people in the long run. However, steps toward reducing inequality must to be carefully planned in order to prevent any trade offs in other area such as economic growth. ¶

7 “The Economist explains: How inequality affects growth | The Economist.” 2015. 21 Nov. 2016  
<<http://www.economist.com/blogs/economist-explains/2015/06/economist-explains-11>>

8 ““The Economist explains: How inequality affects growth | The Economist.” 2015. 21 Nov. 2016  
<<http://www.economist.com/blogs/economist-explains/2015/06/economist-explains-11>>

9 “The Economist explains: How inequality affects growth | The Economist.” 2015. 21 Nov. 2016  
<<http://www.economist.com/blogs/economist-explains/2015/06/economist-explains-11>>

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<<http://www.economist.com/news/finance-and-economics/21597931-up-point-redistributing-income-fight-inequality-can-lift-growth-inequality>>

11 “China promises rise in minimum wage to close income gap - BBC News.” 2013. 21 Nov. 2016  
<<http://www.bbc.com/news/business-21347819>>

12 “China promises rise in minimum wage to close income gap - BBC News.” 2013. 21 Nov. 2016  
<<http://www.bbc.com/news/business-21347819>>

13 “China promises rise in minimum wage to close income gap - BBC News.” 2013. 21 Nov. 2016  
<<http://www.bbc.com/news/business-21347819>>

14 “China promises rise in minimum wage to close income gap - BBC News.” 2013. 21 Nov. 2016  
<<http://www.bbc.com/news/business-21347819>>

# The Financial Crisis of 2008: Where did it all go wrong?

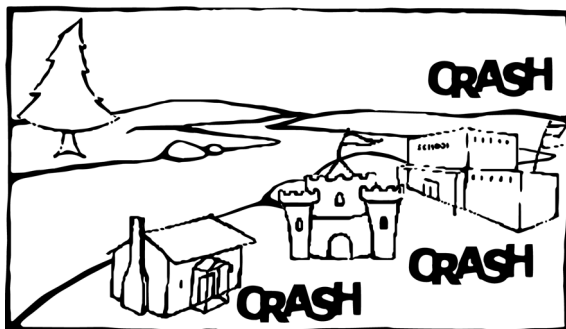
By Derin Elebute 6



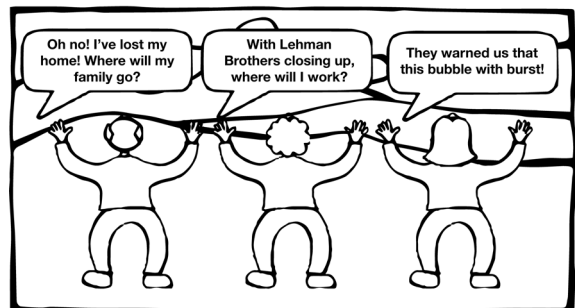
Speculation began : people thought the prices would go up so they increased demand



Bankers and lenders helped the bubble form by lending money to people, regardless of their credibility



However the bubble crashed as demand pushed prices up too high.



People lost their home and jobs.  
It was a period of recession.



At the end, regulators (such as the FDA) realised they had not kept an eye on the market so they put new rules in place in order to prevent such a crash from recurring again.

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# Is Excessively High Growth a Sign of Improved Standards of Living in China?

by Lotta Ilukwe 6CF



Picture via Adventure Alternative  
<<https://www.adventurealternative.com/media/201005/china-travel.jpg>>

The market based economic reform which began in 1978, under the government of Deng Xiaoping<sup>1</sup>, has led China to become the fastest growing major economy in the world and the world's second largest economy by nominal GDP. Although China's annual GDP has seen a slow and steady decline towards the government's annual target of 7%, it still maintains an average growth rate of over 9% since 1978.<sup>2</sup> This rapid growth has lifted over 700 million people out of extreme poverty and led to the achievement of a UN Millennium Development Goal to reduce the world poverty rate by a half.

China has lifted more people out of poverty than any country in the world, with per capita income quintupling from \$1,000 to \$5,000 between 2000 and 2010 and since then has risen to about \$8,000.<sup>3</sup> Subsidies given to urban dwellers, along with the introduction of rural pension schemes, have moved China into the ranks of middle-income countries.

Reforms by the government in the early 20th century (namely the

SanNong strategy targeted at agriculture and rural development) have led to a fall in income inequality. According to the National Bureau of Statistics (NBS) in China, the Gini coefficient-the measure of income inequality-declined slowly from 0.487 in 2006 to 0.462 last year.<sup>4</sup> The fall in income inequality during this period has had several knock-on benefits to society, with crime rates decreasing steadily over the past decade. The growth of the middle class means that more people are in stable employment, as a result they do not need to engage in criminal activity for economic purposes.

There were also improvements in health and education. The percentage of people who lack access to improved sanitation dropped from 34% to 24% between 2006 and January 2016.<sup>5</sup> During the same period, the rate

of enrollment in secondary school leapt from 68% to 96%.<sup>6</sup> In addition to these, China's increased factor mobility has resulted in a bridge in the digital divide with the number of internet users increasing from 1 in 10 to more than half of the population. These figures, coupled with the low rate of unemployment (4.04%)<sup>7</sup>, give evidence for the improved living standards of average Chinese citizens as access to basic social amenities is no longer seen as a luxury only to be enjoyed by the upper class of society.

However, experts and economic analysts suggest that the Gini index given by the NBS lacks validity and understates income inequality in China.<sup>8</sup> Although the Gini coefficient has gotten closer to zero (zero being the highest attainable position for income equality) it is happening at a very slow rate. Given that

1 "BBC NEWS | Asia-Pacific | Quick guide: China's economic reform." 2006. 21 Nov. 2016  
<<http://news.bbc.co.uk/2/hi/asia-pacific/5237748.stm>>

2 "China Economy - GDP, Inflation, CPI and Interest Rate." 2014. 21 Nov. 2016  
<<http://www.focus-economics.com/countries/china>>

3 "China has almost ended urban poverty - a promising start for the ..." 2016. 21 Nov. 2016  
<<https://www.odi.org/comment/9803-china-urban-poverty-reduction-sdgs-inequality>>

4 "China's Economy Realized a Moderate but Stable and Sound Growth ..." 2016. 21 Nov. 2016  
<<http://www.stats.gov.cn/english/PressRel>>

5 "This is how China's economy has changed in the last 10 years ..." 2016. 21 Nov. 2016  
<<https://www.weforum.org/agenda/2016/06/how-has-china-s-economy-changed-in-the-last-10-years/>>

6 "This is how China's economy has changed in the last 10 years ..." 2016. 21 Nov. 2016  
<<https://www.weforum.org/agenda/2016/06/how-has-china-s-economy-changed-in-the-last-10-years/>>

7 "China's urban unemployment rate at 4.04% - Business - Chinadaily ..." 2015. 21 Nov. 2016  
<[http://www.chinadaily.com.cn/business/2015-07/24/content\\_21397525.htm](http://www.chinadaily.com.cn/business/2015-07/24/content_21397525.htm)>

8 "Economic Growth and the Imbalance of Wealth Distribution in China." 2014. 21 Nov. 2016  
<<http://www.yaleeconomicreview.org/archives/378>>



Picture via Pixabay  
<https://pixabay.com/en/shanghai-old-town-renmin-road-crowd-565378/>



the Chinese government has adopted progressive taxation and since increased its transfer payments this figure should be a lot smaller.

The integrity of this figure has also been challenged. The Gini coefficient published by the NBS is a lot lower than the estimates of most economists; the index published by the NBS shows a slight regression line, while that of the World Bank has a positive slope (indicating that inequality is set to rise and not fall in the future). The discrepancy is

accounted for by the fact that Chinese officials, when collating data, use household occupational wages as the primary source to measure inequality. They fail to take into account non-occupational wages earned by the wealthy as well as income gotten from corruption and other illegal activity. Thus, the figure published by the NBS may largely underestimate inequality of income distribution and suggests that people (especially those in the rural regions) are better off than they are.

## The High GDP and growth in China but the poor standards of life and poverty the people face.

The Gini index shows the level of inequality in China as a whole and cannot account for differences in inequality within and between different areas, the urban areas experiencing a much steeper rise in the level of inequality over time. The gap between the urban and rural dwellers also continues to rise, with your average urban resident earning more than twice as much as someone in a rural settlement. Although absolute

poverty may have decreased drastically over time, there still exists a wide inequality gap which puts China above the global average of 0.44.<sup>9</sup>

Economic analysts have previously concluded that an attempt to reduce the level of income inequality in the Chinese economy would be met with a steep downturn in growth. However, an analysis carried in 2014 by the Organisation for Economic Co-operation and Development (OECD) suggests that decreasing the income gap will lead to faster growth rates. Greater income inequality in Spain, China and France helped increase GDP per Capita prior to the financial crisis of 2008.<sup>10</sup>

The lack of investment in education by the poor is the main factor behind inequality hurting growth. However, when governments invest in educating people from low income backgrounds there is an increase in social mobility and skills development. People who originally came from low income backgrounds will be more able to seek high paying employment and thus their productivity levels and purchasing power will increase. This will then lead to a rise in domestic consumption and investment by firms, subsequently increasing the level of aggregate demand.

China's 12th Five-Year Plan (2011-2015) aims at eliminating all poverty by 2020.<sup>11</sup> It suggests more progressive tax policies and strengthening legislation on tax evasions as possible areas of reform. In addition to these, China should also increase the level of transfer payments and make public services, such as good quality healthcare and education more accessible. ¶

<sup>9</sup> "BBC News - Inequality in China: Rural poverty persists as urban ..." 2011. 21 Nov. 2016  
<http://www.bbc.co.uk/news/mobile/business-13945072>

<sup>10</sup> "Inequality hurts economic growth, finds OECD research - OECD." 2014. 21 Nov. 2016  
<http://www.oecd.org/newsroom/inequality-hurts-economic-growth.htm>

<sup>11</sup> "United Nations Development Assistance Framework China 2016-2020." 2016. 21 Nov. 2016  
[https://www.unicef.org/about/execboard/files/China\\_DPDCPCHN3\\_draft\\_U](https://www.unicef.org/about/execboard/files/China_DPDCPCHN3_draft_U)

# Towards the Abyss: Venezuela

by Margaret Tsai 6KT

With the world's largest oil reserve of 298.4 Billion Barrels, Venezuela should at least be reasonably prosperous.<sup>1</sup> Yet, the country has the highest murder rate and inflation rate, with the IMF forecasting its CPI to top 1,640% and GDP to shrink to 10% by 2017.<sup>2</sup> Severe shortages of food, electricity and basic lifesaving medical supplies have pushed the poorest group of Venezuela's 30 million population to the edge of an economic and humanitarian abyss.

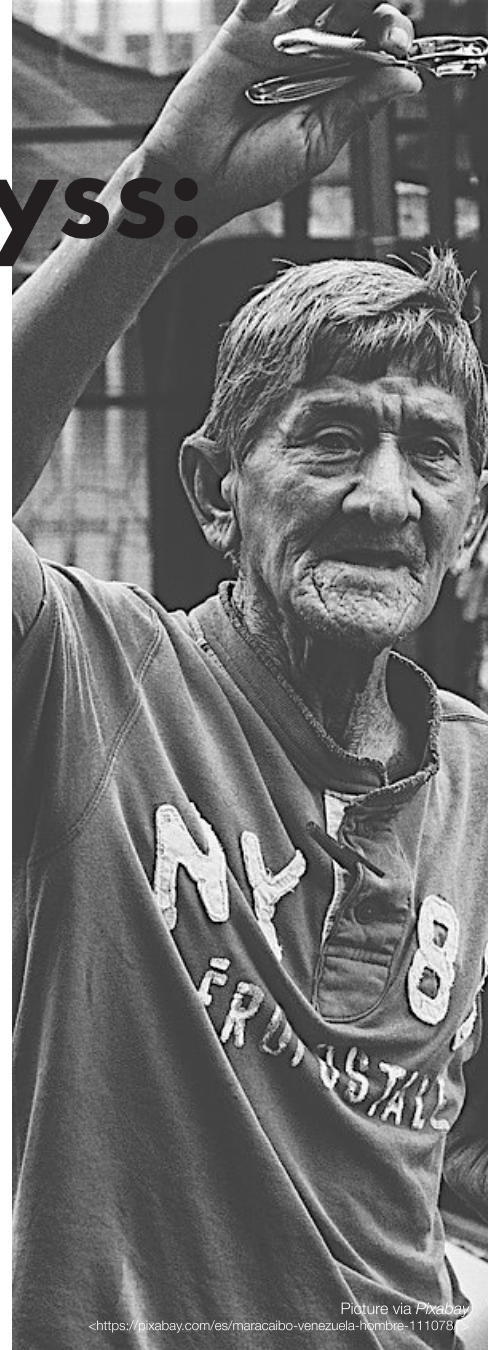
## Chavismo

Before 1999, the abundance of petrol made the price of fuel incomprehensibly low (USD 0.01 a litre).<sup>3</sup> This meant that driving a car was virtually free for Venezuelans. But all that changed for the worse when Hugo Chávez came into power. He embraced socialist populism and named his project Bolivarian Socialism (a better name would be Chavismo, without tarnishing the revolutionary hero, Simón Bolívar's name), which mercilessly failed. Chavismo is no different than authoritarianism and has destroyed Venezuela as dictatorship usually does. Chávez took over and shattered the once-flourishing oil industry- he used the 'petrol dollars' to subsidise daily products, which appeared as a seemingly altruistic move but in fact, it suffocated producer incentives and

generated a system of state dependency (moral hazard), the country has consequently suffered catastrophic fuel shortages and a prospering black market. Chávez died in 2013 before he could witness the failure of his policies. Global oil market collapsed the following year.

## The Descent

Chávez's successor, Nicolás Maduro, a former bus driver, pursued and extended Chavismo, despite the devastating fall in oil prices. Production at the state oil company, PDVSA, has fallen by 450,000 barrels a day from 2.7m barrels- each barrel worth less than half its value in 2012.<sup>4</sup> This left an enormous hole in the government's finances. Nonetheless, the decline in oil output was incomparable than that of agriculture. Despite abundant resources favourable to agriculture, miles of empty, fertile land around the country are under-cultivated or left idle. As prices of crops are kept low, local farmers had little incentive to produce. As a result, grain production fell by 80%, meat by 40% and vegetables by 18% between 2012 and 2015.<sup>5</sup> The shortages were once covered by imports, but the government has to use its remaining 'petrol dollars' to repay debts, giving rise to problems of food shortages.



Picture via Pixabay  
<<https://pixabay.com/es/maracaibo-venezuela-hombre-111078/>>

As Venezuela descended into an economic crisis, Maduro's popularity plunged. The political opposition struggled to use the regime's failures to take back the legislature but after a series of political stalemates, the Maduro regime jailed its opposition leader, Leopoldo Lopez, accusing him of inciting violence at anti-government protests in 2014.<sup>6</sup> Things have worsened towards the end of 2015. The country began to

1 "The World's Largest Oil Reserves By Country | Information | Blog ..." 2016. 21 Nov. 2016  
<<http://www.qatarday.com/blog/information/the-worlds-largest-oil-reserves-by-country/20818?pg=11>>

2 Venezuela's inflation is set to top 1,600% next year - MarketWatch." 2016. 21 Nov. 2016  
<<https://www.marketwatch.com/story/venezuelas-inflation-is-set-to-top-1600-next-year-2016-07-18-81032112>>

3 "Pump price for gasoline (US\$ per liter) | Data." 2010. 21 Nov. 2016  
<<http://data.worldbank.org/indicator/EP.PMP.SGAS.CD>>

4 "Venezuela on the brink: a journey through a country in crisis | World ..." 2016. 21 Nov. 2016  
<<https://www.theguardian.com/world/2016/oct/11/venezuela-on-the-brink-a-journey-through-a-country-in-crisis>>

5 "Venezuela on the brink: a journey through a country in crisis | World ..." 2016. 21 Nov. 2016  
<<https://www.theguardian.com/world/2016/oct/11/venezuela-on-the-brink-a-journey-through-a-country-in-crisis>>

print more money to keep up with the ever-increasing pace of inflation. However, by the time when oil prices started to cool down, inflation had already spiraled out of control and the economy is now trapped in a crisis of stagflation where daily necessities such as antibiotics and powdered milk are astronomically expensive, rendering low income families hungry and helpless.

## In Vain

The government stepped up futile measures in alleviating the tumult such as saving electricity by moving nation's timezone forward a half-hour to GMT -4 zone (which had last been changed by Chávez in 2007);<sup>7</sup> ordering rolling blackouts and reducing working week for government workers to two days. In addition, the country temporarily opened its border with Colombia at several points over the summer to allow people stock up basic necessities. People are dying in filthy hospitals due to lack of prescriptions and care. However, the government's hesitation in fully acknowledging the intensified the crisis- Maduro referred to the shortage of medicine as a lie fabricated by his political opposition to stir up social unrest.

## Vigilantism on the rise

While the government remains weak and incapable of dealing with shortages, crime, and corruption, vigilantism is replacing state policing. Homicide rates have worsened in line with the economy- 27,875 killings in 2015, according to the Venezuelan Violence Observatory.<sup>8</sup> Although the opposition is frail and divided, Maduro has weakened with his approval ratings falling to 15% as well as his PSUV (United Socialist Party of

Venezuela) losing its majority in the National Assembly.<sup>9</sup> Yet, the Venezuelan army remains increasingly powerful and influential politically.

## Wake Up Call

One can easily come up with a list of economic measures such as rebuilding private sector confidence by improving investment, climate and diversifying exports to reduce dependency on oil output. But we should acknowledge that the root of the crisis is not the substantial drop in oil prices nor any non-existent economic war waged by Colombia or the United States- it is caused by a series of blatantly defective economic policies held in place under an authoritarian regime. Freedom, innovation and the entrepreneurial spirit are shattered under a dictatorship, which obstructs

# The social unrest, crime and lack of freedom in Venezuela.

the employment of individuals' talents and labour in pursuing prosperity. Venezuela does not need any step-by-step guide in tinkering the economy- it needs to abolish the dictatorship that is disguised as a dysfunctional democracy, and implement a constitutional political order, a democratic capitalism.

International aid agencies and world leaders should have been publicly denouncing the infringement of a free political order in Venezuela 17 years ago. The escalating crime rate, widespread social discontent on the streets and increasing political tensions of a civil war- what Venezuela is facing is completely unnecessary and it is time shed some light on the root causes of the problem. In 2017, the response to the turmoil in Venezuela is the reinforcement of human liberty, not economic tinkering.<sup>¶</sup>

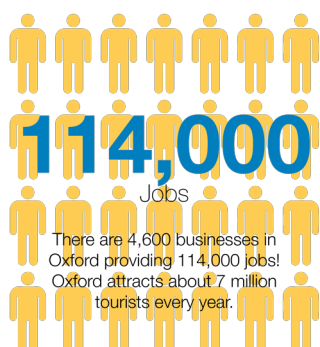
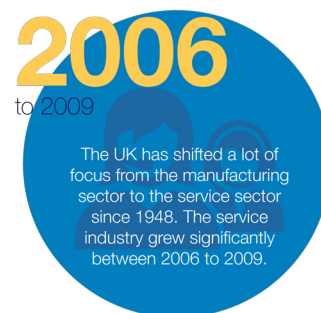
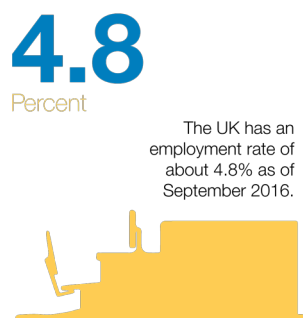
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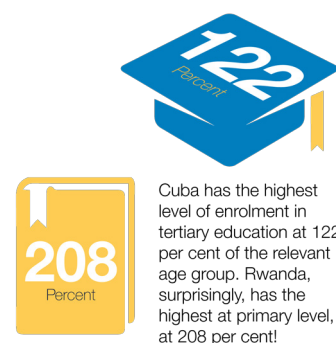
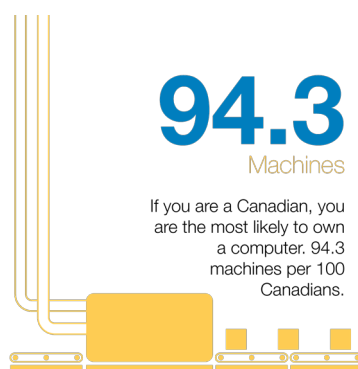
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# Get Around Economics

## Lesson 1



Learn more  
about the  
**WORLD**  
around you



Graphics created by *Natalie Cheung*

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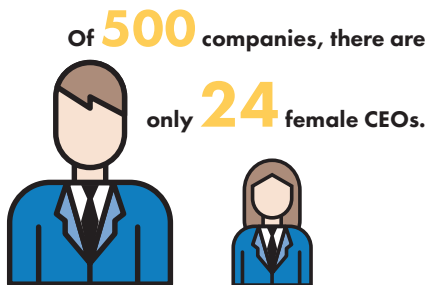
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# The Glass Ceiling: Gender Inequality

by Kate Kielty 6PT

Gender Inequality is a word we have heard many times this year, and though it seems there have been many advances made in empowering women in particular, this year, there is still much work to be done before economic gender equality can be achieved. Currently, there are much fewer executive positions held by women than there are by men; of 500 companies, there are only 24 female CEOs.



Created by Natalie Cheung

The metaphor of the 'Glass Ceiling' is one often used to describe this issue. The term was first coined in 1979 by feminists Katherine Lawrence of Hewlett-Packard and HP manager Marianne Schreiber, at the Conference of the Women's Institute for Freedom of the Press.<sup>1</sup> The conference was one of a series about promotion and opportunities for women at HP. The term describes a barrier which prevents women from rising to high leadership positions in the business world. Ann Morrison writes in her book *Breaking the Glass Ceiling*; [it is a barrier] "so subtle that it is transparent, yet so strong that it prevents women from moving up the corporate hierarchy."<sup>2</sup> Many today call into question whether or not a glass ceiling

actually exists. However, statistics seem to indicate that the 'ceiling' has not been broken; in a recent Wall Street Journal survey over 80% of the executive women interviewed said they believed that there were disadvantages to being a woman in the business world.<sup>3</sup> One of the most common arguments put forward to undermine the idea of the 'Glass Ceiling' is the notion that women hold fewer positions in business than men because of their 'choices'.

This is one of the issues tackled in the McKinsey Global Institute's 2015 report, titled "The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion to Global Growth." The report found that by 2025, if women participated equally with men in the labour force, the global economy would grow by \$28 trillion, a figure almost equivalent to the combined GDPs of the USA and China.<sup>4</sup> So what does the report say are the major obstacles holding women back from achieving this? It breaks the factors down into three groups: fewer hours worked; low participation in the work force; and the fact that women are not represented proportionally to men in low-productivity sectors (ie. the agricultural sector). It emphasises that women have made great strides in coming closer to gender equality, but stresses that much needs to be done before this can be achieved. According to the report, women do 75% of the world's unpaid work<sup>5</sup>, this includes work done in households or the family care they provide. If women were to get paid for the work they do in the household,

this would not only decrease this shocking figure, but also boost the global economy by \$10 trillion USD.<sup>6</sup> Another solution suggested to this problem, is to convert some of this work into jobs for other professionals. This can be seen in Scandinavian Countries where women have the highest female participation in the workforce rate, and child care is subsidised by the government.

**Women not achieving their career potential and the need for women in the corporate world.**

Finally, there is the issue of the gender-pay gap, which contributes to economic gender-inequality. This year in the UK, on average, women were paid 18% less than men.<sup>7</sup> The World Economic Forum said this year in a report, that if we continue to progress at our current rate, the gender-pay gap will only close in 170 years.<sup>8</sup> The gender-pay gap is the most poignant statistic as it reflects the discrimination and sexism that still exists in all countries in the world. Whilst there have been many strides in getting closer and putting cracks in the 'glass ceiling', it remains still.<sup>9</sup>

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Picture by Seun Onalaja

# Inequality in Education: A need

The debate over public versus private school is often centered on the Western world as the main 'case study'. Be it through lower university entry requirements, apprenticeships or sponsored degrees, there is an increase in institutions making effort towards providing opportunities for children from low-income households to provide them with access to the same resources their wealthier counterparts have.

However, in order to unravel the truth about the varying levels of access to and the quality of education, one has to shift attention from the Western world to those parts of the world where not much effort is being made to provide more opportunities for children from low-income households and/or in poorly funded schools. The quality of education a child receives from a state school in a country such as the UK is not the same as what another child receives in a state school in a developing country. This is because of the harsh reality that some countries are economically disadvantaged and less able to pump huge sums of money into public education. This often leads to low-quality resources and education.

What is even more interesting is that one does not even need to cross borders to notice varying standards of education as in some developing countries, children from high-income households tend to get better education than those from low-income households who end up attending state schools.

Take two girls, let's call one Jen - who attends a private primary school in Nigeria, and the other Susan - who attends a state primary school in Nigeria.

Now, although Susan pays no fees, her family still has to struggle to fund the hidden costs of her education such as books, note-pads, and a uniform, while providing for her other siblings. As her parents are low level working class citizens, this may be very difficult to do due to their income level, and as a result, they may have to make sacrifices and may eventually be unable to fund these hidden costs resulting in Susan not being able to go school after primary school. After all, they may see it as wasted investment seeing as she will eventually marry one day and be a stay at home wife or trader.

## The poor quality of education in developing countries as opposed to developed ones.

However, during her time in primary school, she often arrives hungry and is unable to concentrate in class. This, coupled with the heat and her teacher, (who is also poorly trained and is earning low wages) form an equation for low-quality education. During lunch time, Susan is able to enjoy her first meal of rice, provided by the government. Now, she may not have been able to concentrate all morning as a result of her grumbling stomach, and because her parents are not able to afford all her books, and her school is not equipped with an up to date library, Susan is not able to do research or study

to better herself. Thus, Susan leaves primary school and goes back to help her family trade, but she has not been able to learn much due to the poor education she has received.

Now, her counterpart, Jen comes from a middle to upper-class family so she is given the opportunity to attend private school in Nigeria. She gets driven to school in an air conditioned car and a tummy full of breakfast. When she arrives at school, she gets taught by well-trained teachers and has access to a well-stocked and up to date library so before she goes on to secondary school which she most likely will, she is able to learn more about the world around her. Due to all the resources that she had access to, she is able to attend a private university and is given a good foundation to start a career.

You may look at these two scenarios and think 'well you can't choose the situation you're born in', but these are good examples of how differences in opportunities can affect the outcome of the standard of living of individuals in the future. Susan is not the only young child facing situations like this, in fact, according to a UNICEF report, only about 54% of young children from low-income families go on to attend secondary school.<sup>1</sup> In Nigeria, there are similar statistics seen in other developing countries.

The whole purpose of the government in an economy is to provide public goods and merit goods. However, in developing countries, it appears that this job has been left to the private sector who are willing to deliver the best service as they are aware that parents pay high fees and would expect nothing but the highest quality of education. Due to the low government funds available, and in most cases, the misuse of government finances, there is only so much the government budget can do. What is even more disheartening is that private education in most developing countries is quite expensive and not affordable



for most working class citizens.

Situations like these highlight the importance of access to high-quality education. The fact that not all individuals are receiving the same quality of education is a huge hindrance to any efforts made towards achieving equality. Education provides people with the tools for life.

The current matter that should be addressed is how to ensure that all individuals are given access to outstanding learning resources in a sanitary and learning conducive environments, so future generations have a chance to make their mark in the world.

No matter how unrealistic this may seem now, if enough resources and investment in public sector education in developing countries is put in, lower income families will be confident that their children can attend school at affordable prices, receive the best quality of education and be equipped with the skills to work in order to better their standard of living. That will be the ladder to help them out of poverty.¶

<sup>1</sup> "UNICEF Nigeria - The children - Education." 2016. 21 Nov. 2016  
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# Young Enterprise:

Meet our sixth form entrepreneurs



Vertex is a group comprising of L6 students, Charlotte Zhao, Melissa Leung, Betty Su, Caroline Liu, Happy Wang, Imogen Shang, Victoria Chan, Yiming Jin, Kathleen Ng, Xixi Bollen and Jessica Li.

At £2.50, their bracelets are not only affordable, but they are fashionable. This is definitely a Young Enterprise group to watch out for!

Contact: S00210@headingtonschool.com

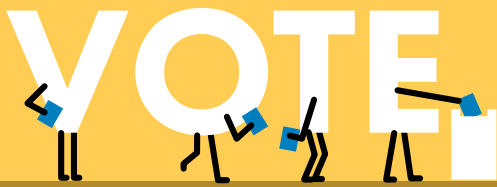


Luna handcrafts scented candles available in small, medium and large sizes. The candles are available in seasonal scents or calming scents for all occasions.

Contact: L00145@headingtonschool.com

# The Inequality of Democracy

by Kikelomo Kilaso 6TK



Democracy is slowly fading away, shifting closer and closer to the hands of the elites. The rising level of inequality in democracy is unbelievable but yet it goes unnoticed.

Let's take America for example, the 2010 Campaign Finance Reform Act weighed the ability of large corporations to donate money, part of the first amendment as a freedom of speech. The Campaign Reform Act was an act that enabled limitations on spending by US political parties. It put caps on how much an individual could donate and how firms could donate. Once this reform took place, these caps were removed and people could spend as much money as they wished, as they felt it was a liberty.

The removal of this cap causes large amounts of inequality as power could only be gained with the ability to raise large sums of income. There are no longer difficult caps of how much money a candidate can raise, instead candidates have to rely on raising large sums

of money to even be considered to be a successful presidential Candidate. This could be seen in 1999 during the Republican Primaries when Elizabeth Dole dropped out of the Presidential Race simply because she 'just didn't have enough money'.

This goes to show that there are large amounts of inequality in Democracy as money seems to have become a determinant for success in an election. Furthermore it sends across a message that to even be given a platform to make a change and be taken as a serious presidential candidate you need to be able to depend on or have access to significant amounts of funds from individuals or large corporations.

Whether the money comes from individuals or foreign firms it is crucial to restore the cap on the amount of funds that can be used in a campaign so all people, regardless of income or background, have a fair chance at being serious contenders in any election. ¶

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# What happened this term?

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12<sup>th</sup> Oct  
2016



Movie Night

## The Big Short

A group of L6 & U6 students got together to learn about the 2008 crash in a fun way, through watching the movie, The Big Short. The 2015 Ryan Gosling movie, gave us a good background of the events that led up to the crash, such as the high risk securities that were being traded under false credit ratings. All in all, it was a fun learning experience and we even had some non economists in the room!

13<sup>th</sup> Oct  
2016



## Insightful Day for Sixth Form Economists!

The Sixth form economists were treated to a talk on the topic: 'Can Economist Forecast Crashes' by Dr Jennifer Castle from Magdalen College, Oxford. This was particularly beneficial for the U6 Economists who were studying financial crisis at that time, and it was an opportunity for the L6 students to learn ahead. The session enlightened us on various models and ways of producing models in order to forecast crashes which affect the economy adversely.

13<sup>th</sup> Oct  
2016

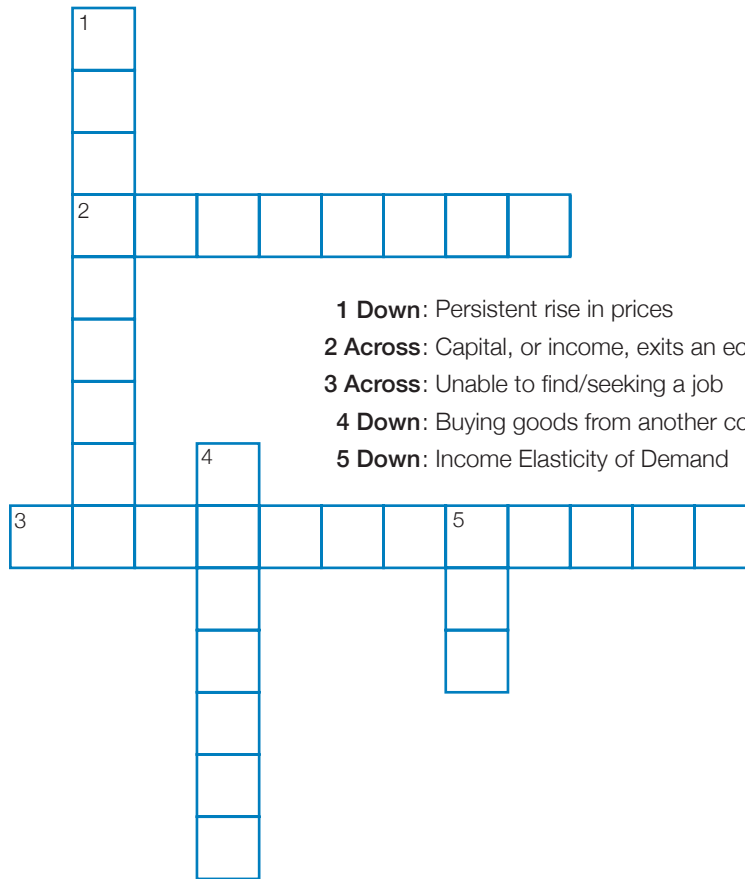


## Young Enterprise

Some of the L6 Young Enterprise groups made their debut at the bonfire night! The groups included Vertex and Luna.

# Test Your Economics

ANSWERS AT THE BOTTOM



## Make up the components of Aggregate Demand!



Fill in the gaps.

Answers  
 Inflation, Leakages, Unemployment, Imports, YED  
 $C+I+G+(X-M)$

**Keep  
calm  
and  
study  
Economics.**

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