TMEJ

THE MANWOODIAN ECONOMIC JOURNAL

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VOLUME II

FOREWORD

Following the remarkable success of the previous publication of The Manwoodian Economic Journal, we are delighted to announce that seven more article writers have decided to get together and produce a new publication of the journal, for 2024. Since each article writer has varied interests in topics related to economics, in this edition, you will be able to find (and hopefully become more expertise) on different topics, beyond the traditional curriculum.

I would like to thank the writers, mostly pictured below – Michael, Joe, Joseph, Danika, Gabriel and Jess for taking time out of their busy schedules, for coming up and writing interesting and intellectual articles, and therefore producing a successful journal to rival the success of the previous journal.

As an editing team, Danika and I would like to use this edition of the journal to inspire future economics classes to continue the success of The Manwoodian Economic Journal for the foreseeable future, as well as potentially publish a physical edition in the future. I'd like to mention a special thanks to Danika, who proofread all articles, which is a very tedious job in itself, but who also managed to create an article!

We hope you enjoy the second (again, albeit digital) edition of the journal.

- **Henry Shek, Chief Editor**

Welcome to the second edition of The Manwoodian Economic Journal! Here, we aim to make economics engaging and relevant, connecting economic theories to real-world events and stories you may have seen in the news.

As you read through these pages, you'll discover articles that explore a variety of topics and their impact on the economy. Each piece offers insightful analysis and fresh perspectives, making the subject matter both accessible and thought-provoking.

Echoing what Henry said, a huge thank you goes out to all the contributors who brought this journal to life. Their talent and dedication shine through in every article, which will inevitably become clear to you. Of course, there is a special thank you to Henry, who put in endless amounts of effort to make this work. Without you, the edition would not have been possible.

Although TMEJ was only launched last year, looking forward, we are enthused by the journey and growth of the journal (hopefully some of you would like to participate in the future).

So…read on, and enjoy how economics comes to life.

- **Danika Whiting, Chief Editor**

IN THIS EDITION

In this edition, you can read about a vast range of topics, including Ronald Reagan and his take on economics, the financial market in the world of football by focusing particularly on Chelsea, as well as an economic-historical analysis of tea, the Argentinean economy, and the economic impacts of Britain's food insecurity crisis and impacts of 9/11.

WHY SHOULD I CARE ABOUT THE ECONOMY?

What is the economy? Why have an economy anyway?

When asked what they think the economy is, many people say ‘money’ or ‘something we’re all part of’. It’s what economists study; what the government obsesses over and what puts food on the table. It’s beautiful and useful, but unpredictable. Just like a person!

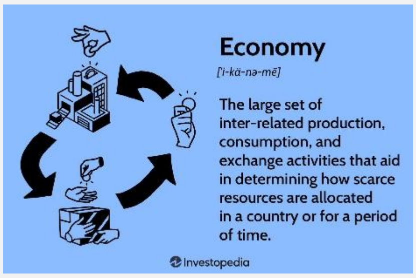

Figure 1
Credit: Investopedia

Imagine the UK as a person: It eats and drinks to keep itself alive. It needs a steady stream of sustenance because it is always using up resources to stay alive.

The UK isn’t disappearing any time soon; it will continue to consume resources long into the future. And it always wants more: more workers, more land and more materials. But the UK can only access a finite amount of these resources and so they must be distributed across the country.

Bear with me here… Imagine you wake up and you want an apple, but you don’t have an apple tree. What do you do? You have to buy it. You want an apple, and the apple-seller wants your money. The money and apples are redistributed so that everybody wins! That’s the economy.

How can we measure the Economy?

Every country has its own economy because, broadly, economic events in that country affect that country most. For example, if the UK goes into a recession, it’s just the UK’s economy which is receding.

One measure of the economy is GDP, which is how much we are creating or spending. Today almost all governments are trying to keep their economies (or their GDPs) growing. But why?

The idea of GDP can seem quite abstract. Why does it matter if we have more money next year than we do this year? GDP is important because it represents how much money is available for spending in our economy. When we go out and spend money on apples the apple-seller keeps his job thanks to our money. The pickers of the apples, and the owner of the orchard, and the seller of the apple trees also benefit indirectly because the money flows through the supply chain from the consumer to the supplier to the producer.

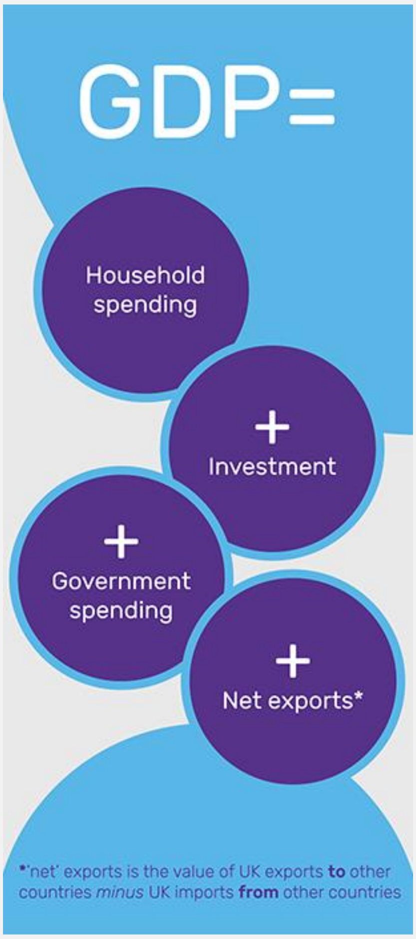

Figure 2
Credit: Bank of England

So, we see that the economy keeps our jobs safe and puts food on our tables. Woohoo! Go the economy!

The reason we try to keep the economy growing (at about 2% year-on-year) is because any closer to ‘no growth’ than that we run the risk of accidentally moving into a recession - six months of less money being spent than was being spent before - and this creates a downward spiral of less spending, people losing their jobs and thus spending less - the paradox of thrift.

So, the government, which owns the Bank of England, tries to keep growth - or inflation - at 2% so that the pound retains its purchasing power, and we retain our jobs, food and services!

This is the magic of the economy. Money gives us a standard currency which can help us work together. Mostly in the UK we work and provide a service to the country and in return we receive services to us in the form of money. Everybody wins! That’s why the economy is important.

Figure 3
Currency has existed for millennia. These knives, used in China around 400 B.C, were made valuable by their difficulty to forge and alloy makeup

Written by Michael Richardson

CHELSEA FOOTBALL CLUB'S FINANCIAL TURMOIL

The cause of Chelsea's financial turmoil

The successful £4.25bn acquisition by American businessman Todd Boehly and Clearlake Capital Group, marked the conclusion of a 19-year tenure by previous owner Roman Abramovich after he was originally sanctioned due to proven links to Vladamir Putin during the outbreak of the Russia-Ukraine war.

It is suggested that Todd Boehly wanted to 'show the size of his wallet', despite not being fully knowledgeable about what players were needed on an individual skill level. This shortfall may be attributed to not poor advisory support, or disregarding to the advice that they gave. The demands by ex-manager Graham Potter for an increased budget to spend on younger players (who was appointed after a dispute with previous manager Thomas Tuchel), combined with the realisation of amortisation, led to a heightened spending amount to stagger over £1bn on new players in the past three transfer windows.

Figure 1
Credit: Caught Offside
Todd Boehly

New signings in the 2022-23 season include Enzo Fernandez from Benfica and Mykhailo Mudryk, for a British record amount of £105m (including taxes). Despite transfer signings reaching over £1bn, £303.9m (or 31% of the total Boehly-Clearlake transfer spend in the first three windows of their ownership) has barely been seen on the pitch for Chelsea at all.

This bracket includes developmental signings such as Gabrial Slonina and Deivid Washington, who have been bought in the hope that they 'can one day blossom into stars, or at least grow into assets who can be sold for profit'.

The extortionate transfer costs were described as 'eye-watering figures' by Simon Stone, a chief football news reporter, and has caused Chelsea's financial expenditure to become under intense scrutiny, especially after the club remained mid-table in the Premier League after a spending of £747m (2022-23) on transfers last season (according to accounts published by Companies House), followed by a second consecutive campaign without European football at Stamford Bridge in 2024-25.

How did Chelsea F.C not break FFP/PSR Rules?

Profit and Sustainability Rules, (formerly known as Financial Fair Play rules) were introduced by the Premier League and UEFA in the past decade, in an attempt by governing bodies to maintain the financial sustainability of football clubs by regulating spending and revenue. The main regulation formed by the relative governing bodies mandates that 'English top-flight clubs must not incur loss greater than £105m over the past three seasons.'

Non-compliance with this regulation may lead to fines, transfer bans and point penalties, such as the original 10 point deduction (before a renewed deduction of 6 points after appeal) imposed on Everton Football Club after a recorded loss of £125m over three years, which consequently caused a position drop in the Premier League from 14th to 19th place in the table, and back up to 15th place after the appeal.

The primarily used strategy 'amortisation' refers to the decision that Chelsea Football Club have undertaken to fund the large amounts of spending, by implanting long term contracts and spreading out the cost of transfer fees over a longer period rather than the traditional four or five year deal, reducing the annual financial burden.

Take the recent signing of Mykhailo Mudryk for example: the original cost of Mudryk would have cost Chelsea around £62m before tax, but the amortisation for a contract of eight-and-a-half years, relative to the usual four of five years, has meant that the annual cost to the club for this player was only £7.3m.

Figure 2
Credit: ESPN, Mykailo Mudryk

This strategy, which is used by many clubs of the Premier League, was quickly recognised by UEFA, causing the loophole to be closed last summer, by imposing a maximum five-year contract length, however the Premier League has not yet followed suit. This benefited Chelsea and their 12th place finish last season as this meant that they did not qualify for any UEFA European competitions, and therefore meant that it was unnecessary to adhere to the newly imposed regulations.

Another strategy used by Chelsea F.C. includes the offload of high earners such as Pierre-Emerick Aubameyang and Kalidou Koulibaly, and replacing them with younger stars, who needed a considerably lesser wage. Thirdly, the Blues have also generated over £200m in players sales in the last summer alone, with notable footballers such as Kai Havertz being sold to Arsenal and consequently accounting for £65m of profit by himself.

Departures of certain footballers such as Mason Mount and Ruben Loftus-Cheek for a combined £75m meant that this £75m was pure profit, since these players rose from the academy, and therefore didn't come with a transfer fee.

Could Chelsea face punishment for breaking FFP/PSR rules in the future?

Rob Wilson described Chelsea as being 'the biggest red flag' when it comes to the Premier League's top clubs potentially being hit with charges for breaking Profit and Sustainability Rules (PSR), due to the accumulated spending of over £1bn ever since the takeover by Todd Boehly for ownership of the club.

Reports in recent months have claimed that Chelsea made a pre-tax loss of £90.1m, followed by another loss of £121.4m in previous years. If Chelsea were to qualify and compete for European competitions such as the Europa or Champions League, or if the Premier League were to follow the steps of UEFA and implement the fixed contract period, then this would mean that Boehly and the club would need to 'sell big' this summer in order to avoid the exceedance of £105m threshold for losses over a three-year period, or they could be potentially be met with a points penalty or fine in future seasons.

Conclusion:

Overall, the ability for Chelsea Football Club to go around the implemented Financial Fair Play Rules poses a threat to the Premier League, UEFA and other governing bodies, especially if more teams replicated this. So, what do you think, what can be done to reduce this, and what would you implement to ensure this?

Written by Henry Shek

Figure 3
Credit: ESPN FC Twitter, captioned "Despite an all-time January transfer window, Chelsea have won just once in their last nine matches

STEEPING AND SIPPING SUCCESS:
An Economic-Historical Analysis of tea

The Blend of Humanity's Brew

Tea is remarkably simple. Regardless of additives or preparation methods, you more often than not end up combining boiled water with leaves. Even still, it has consistently captivated humans for millennia, and remains the most popular and affordable beverage besides water.

In 2020 around 60.2 billion cups of tea were consumed in the United Kingdom, and in that same year Britain imported over £251m worth of tea - with the industry indulging in a £748m annual turnover. Tea exports have risen worldwide in the past few decades, initiating increases in production and consumption, driven by consistent rises in demand partially because consumers have steadily recognised its associated health benefits. British tea consumption has gradually declined, particularly from its summit in 1961 whereupon British imports accounted for 42.6% of the World Tea Trade.

The drink is a critical aspect of Chinese national identity, having become embedded in the country's culture over thousands of years, and as a result is considered a symbol of civilization. Tea has been academically regarded as amongst the country's greatest contributions to humanity, and while that may seem an absurd claim, it is one worth exploring. The tea trade was facilitated by the Industrial Revolution, prompting a decline in waterborne diseases within rapidly expanding cities - helping improve the health within these urban environments. A healthier population is indicative of higher quality human capital, and so theoretically tea indirectly contributed to potential growth in a range of economies worldwide.

Figure 1

Credit: Amazing China Trip

In 2013 the global tea market was estimated to be $15.4bn in terms of production value, with the retail value in the following year being $40.7bn, and so as one would expect, tea is a significant contributor to the economies of producing countries. Throughout the world tea exports increased, on average, by 2.31% per annum between 1991-2000, from 1078m~ kg to 1325m~ kg. tea exports would continue to increase from 2001-2012 1401m~ kg to 1740m~ kg. Of course, countries that have these markets as such a prominent part of daily life will also associate tea with unique cultural traditions and social importance, further adding to the plant's acclaim.

Economies in Malawi, Rwanda, Tanzania, or Uganda remain notable sites for tea production, however the largest producers within the market are concentrated within Asia, being in China, India, and Sri-Lanka. Kenya remains the exception to this pattern, and is significant like the aforementioned three.

China has a 28% production share in the global tea market, and accounts for 18% of all exports within the industry. Around 70% of tea produced is consumed domestically, a statistic that reflects upon the reverence of the drink within the country. Roughly 8m workers within China are employed in the industry.

India has a 25% Production Share, and a lower share of exports relative to China, at 12%. Most tea is consumed domestically, and tea is India's 2nd largest employer at 3.5m workers. Kenya is the largest exporter of tea at 26% by value despite only holding a 9% share of production. Generally speaking tea-business is one of the largest employers within the private sector in Kenya, and makes up 11% of the agricultural sector.

A share of 18.3% of global exports originates from Sri-Lankan production, and tea is also the primary source of foreign exchange for the nation, in 2013 comprising 15% of all foreign exchange earnings. The tea sector in its entirety employs 30% of state sector employees, and provides work for 10% of the whole population.

Tea industries evidently provide a vital source of export earnings, which are particularly useful if sustained for a long period of time. Ceteris paribus, a rise in exports will initially increase aggregate demand, but will raise aggregate supply in the economy because national firms will invest to expand production and capitalise upon profitable opportunities. This should also coincide with a rise in demand for labour, as national firms compete against foreign firms in the global market, and therefore innovate. In this scenario, provide cheaper or higher quality tea. Export-led growth strategies can lead to rapid actual as well as potential increases in national income, demonstrated by Hong Kong, Singapore, South Korea, and Taiwan between 1970-1985. Additionally, the employment opportunities that our desire for tea demands has an incredibly significant impact on communities.

Economics aside, the tea industry also provides important services for ecosystems, including carbon sequestration [capturing carbon dioxide within the atmosphere], protecting soil Fertility, as well as water conservation. These services all have positive impacts that reduce the risks that come with climate change, and in the long run help expand the productive potential of the global economy by lessening potential environmental failures.

In reference to what tea means to individuals, regardless of the degree to which it has been oxidised, it is a source of antioxidants - a compound that has a plethora of protective benefits and reduces disease risk. Tea is also socially significant, with tea being the foundation of social gatherings that enable all sorts of cultures around the globe to thrive, helping improve our human relationships, and by extension quality of life.

Just a humble shrub

Legends say that Shen Nung accidentally discovered tea in 2737 B.C.E, when his servant was boiling water so it would be safe to drink, and some leaves from the tree he was sitting beneath blew into the newly created infusion. Though it is far from implausible, it is impossible to know if this story is true. What is more certain is that it is of humble origin.

Tea was a luxury item by nature, as it was scarce proceeding its unintentional discovery, so it was rationed out by its high price and reserved for the wealthy elite. That would be up until the expansion of cultivation techniques and trading networks primarily throughout the Tang dynasty's reign from 616-906 A.D, including the completion of the Grand Canal. Tea prices would drop significantly as trade became more economical, transforming it into a daily commodity for the nation, enabling its spread outward to other cultures.

Tea would reach Japan, as well as societies in Tibet and Mongolia that developed a taste for the drink. It would be integrated into each of these cultures and unique practices would steadily develop centred around the beverage. As tea was traded in exchange for horses, particularly to control the "barbarian peoples" that existed outside of the dynasty, the potential of the Chinese tea monopoly would be realised.

Maintaining this monopoly for Chinese dynasties that followed meant guarding the tea crop from those seeking to enter the market, and they would successfully do so for over a thousand years, up until the tea crop first arrived in Europe in the 17th century. An additional two centuries would elapse before it had become a stable commodity for The British.

Figure 2

Of course doing so was far from easy, but efforts would eventually grow to become lucrative. The British Empire's ambition was not only to disrupt China's monopoly on tea, but control the market at every level, including but not limited to plantation, distribution and marketing. This was undoubtedly a reaction to China having employed protectionist measures against trade with foreigners, who were forced to reside in small districts, and conduct all commerce through Chinese merchants. The Canton System of Foreign Trade also levied tariffs against foreign merchants and forced a limited window whereupon trade could be conducted.

Mercantilism emerging in Europe alongside pre-existing desires from foreign traders for the incredible range of goods the world's largest economy offered collided with Chinese protectionism. A particular interaction in the 18th century between the British and Chinese epitomises this lack of harmony. Having been offered the pinnacle of European Technological and Scientific advancement in exchange for tea, The Qianlong emperor, the 5th emperor of the Qing dynasty simply replied:

> *"I set no value on objects strange or ingenious, and have no use for your country's manufactures."*

Yet by 1813, import duties on tea alone made up 10% of the British government's revenue, and between the 1880s and 1930s, the British would control two-thirds of the global tea trade, with the drink being embedded into the many cultures that the Empire encompassed. In the 1790s, the Qing demanded silver in exchange for tea, which was in short supply within the British Empire at the time. Negotiations proceeded, culminating in a counter trade: opium for tea. Between 1821 and 1836, opium sales increased fivefold, and by 1838, 2,553 tonnes of opium were entering China in exchange for tea leaves.

To make a long story short, the Opium Wars would pass, and China's protectionist policies were destroyed as China was compelled to open up to foreign trade. Tea plantations were established on an industrial scale utilizing cheap Indian labour and modern agricultural innovations, both of which decreased production costs and enabled increases in the supply of tea. This had the effect of further decreasing prices, stimulating demand, and opening up opportunities for innovations—such as the tea bag, which increased convenience and expanded the market even further.

Improved cultivation practices and technological developments have facilitated expansion in the productive potential of the tea industry in recent decades. This has been fueled by increasing population sizes, which have further enabled increases in the level of production. Tea has become increasingly socially acceptable in numerous cultures, which increases demand that firms meet by increasing production even more.

The Leaves' Tannic Blemish

Everybody who has delighted in a cup of tea is all too aware that tea stains. Throughout its five thousand year history, the commodity has profoundly benefited governments, economies, and people across the globe—yet its legacy has been marred by catastrophes.

Opium, though profitable, had devastating implications for Chinese society. Citizens of the Qing Dynasty were ravaged by the addictive carcinogen, which instilled physical and psychological dependence in those who abused the substance. Misaligned price signals far underestimated the social cost of opium, enabling a myriad of negative externalities so severe that the period following the First Opium War is referred to as "The Hundred Years of National Disgrace." An additional 20 million Chinese perished in the Taiping Rebellion (1854-1860), and soon afterward, the globe witnessed the collapse of Dynastic China.

It may seem strange to realize that this was all driven by a desire for tea, but it doesn't end there, as the traditional Chinese tea farming industry steadily declined following the establishment of the British East India Company. Future Maoist policies also contributed to social and cultural losses due to the prioritization of grain and rubber production.

Plantations have historically perpetuated slavery, and labour controls in modern tea plantations have been identified as restricting otherwise free labourers from leaving exploitative conditions. Unfortunately, this is nothing new in the tea industry. As the British founded operations in Bangladesh, labourers burdened by drought, hunger, and unemployment were brought over from Indian states. They would work as a means to secure debt repayment, but this repayment was not defined, enabling managers to exploit the vulnerability of a labour pool through "debt bondage."

The effect of these efforts to restrict the civil rights of tea labourers was compounded by their low wages and lack of education, keeping them dependent on exploitative conditions and separate from the mainstream workforce. This fundamentally

Misallocated resources and labour in the tea industry hinder economic growth, especially in developing countries where such growth is more likely to benefit society as a whole compared to post-industrial economies. In this scenario, workers were deprived of the opportunity to upskill themselves, thereby reducing the quality of labour, which stunted potential growth. This was worsened by the geographical inflexibility of the labour market within the industry. Morally, this practice is evidently reprehensible, and one can only imagine how being stripped of freedom degrades one's standard of life.

Tea, being a particularly labour-intensive crop, raises concerns among consumers regarding unethical production. An obstacle in the tea industry today is the lack of adequate labour. Low wages for plantation workers, despite additional welfare benefits, have prompted the youth of rural populations to migrate for better employment opportunities. Job losses in field operations have also been noted as mechanization is increasingly employed to boost productivity.

All major tea-producing countries have identified climate change as a significant challenge, one that limits opportunities to expand production by reducing accessible factor inputs, especially land. Over the last thirty years, high temperatures exceeding 30°C have been persistently recorded in northeastern India, reflecting the scale of this problem. Such temperatures are not suitable for the growth of tea shrubs, rendering the land redundant and unutilized.

As the useful available quantity of land declines, the remaining land must be competed for, and there are indirect consequences associated with environmental developments. Tea-growing regions have received low-intensity rainfall over the past two decades, resulting in soil losses, drought damage, and higher occurrences of pests and disease. Much uncertainty looms over the tea business, with one of the few clear facts being that these coming difficulties are unprecedented.

Perhaps tea is not as simple as I had initially claimed. The cultivation of these leaves has had profound economic effects, directly and indirectly, across the globe. They remain a cultural cornerstone that unites societies that otherwise share nothing in common. Yet human desire is without limits, and has produced abominable outcomes, raising worries about how capable the industry may be in handling future hardships. One can only wonder how different the world might have been, if five thousand years ago a leaf hadn’t fallen into Shen Nung’s water. To let that story steep, I would recommend sitting down and enjoying a cup of tea.

Figure 3

Written by Gabriel Koubanakis

THE ECONOMIC IMPACTS OF 9/11

There is no doubt that external shocks affect economies negatively. In 2020, the UK's Gross Domestic Product (GDP) fell by 9.9% in response to the COVID-19 pandemic and the resulting restrictions. However, another tragedy comes to mind when talking about shocks: the September 11 attacks. When two planes hit the World Trade Center in New York City, the so-called "world's financial capital", the economic effects were felt by the entire global economy.

The Stock Exchange and financial markets

The opening of the New York Stock Exchange was delayed at 8:46am when the first plane hit the North Tower, but trading was suspended and the building remained closed until the 17th of September after the South Tower was hit. When it became clear that New York City had been attacked, and there was uncertainty about the next target, the NYSE building was evacuated, alongside almost all other financial institutions on Wall Street.

Other stock exchanges around the world were closed and evacuated, including the London Stock Exchange. This is due to the anticipation of panic selling and chaos in the worldwide stock markets. Shortly after the attacks had subsided, trading resumed, but $2 trillion had been lost in world equity markets and the US dollar fell in value.

The US stock markets fell more than 10%, and there was a decline of 5.7% on the London Stock Exchange.

Figure 1

Credit: Trading Economics, a graph detailing a trough in the United States Stock Market Index (US30) in 2002, the year of the 9/11 attacks

Infrastructure and property damage

The aftermath of the attacks left the World Trade Center in complete ruins. 30 million square feet of office space was destroyed, including the Twin Towers' surrounding buildings, which were destroyed by debris or as a result of being crushed by the collapsing towers. This massively worsened the productive potential of the city's economy. The initial cleanup and restoration of the World Trade Center cost $1.5 billion, but a further $16.4 billion was required in order to replace and repair the damaged buildings and their contents. All in all, it took 3.1 million hours of labour to restore the area completely.

Figure 2

Credit: Homeland Security, captioned 'A view of the World Trade Center destruction from the 20th floor of the World Financial Building 2 Sept. 17, 2001

Insurance

The insurance industry was one of the most profoundly affected sectors of the economy after the attacks. Insurance losses amounted to approximately $40 billion, with the majority of firms suffering huge losses being reinsurers. While insurance companies had the funds to cover the claims made as a result of the attacks, companies were hesitant to insure against terrorism in the future. Consequently, the majority of insurers do not provide this coverage anymore.

Aviation

Flights between certain areas across the US and Canada were grounded, owing to a fear of further terrorist attacks, and airlines were required to refund tickets for those who were unable to fly due to the restrictions. A study conducted by Suzanne Thompson of Pomona College concluded that 65% of people felt increased anxiety of flying immediately after the attacks. A subsequent fall in air travel left the share prices of airlines and aeroplane manufacturers drastically low, and airlines had no choice but to lay off workers; in the first week following 9/11, tens of thousands lost their jobs in the industry.

Many airlines faced liquidity, but two airlines, Swissair and Midway Airlines, did not make it out and went bankrupt. The consequences on the aviation industry are said to be one of the reasons for the retirement of Concorde, an aircraft which had the ability to transport passengers at a rate greater than the speed of sound.

Figure 3

Tourism in New York City

New York City is one of the most visited cities in the USA, even in the year 2000. However, following the attacks, tourism fell drastically, which is a severely important sector for the city. The effect was that 430,000 jobs were lost, with 3,000 people being laid off just in the week following the attacks. $2.8 billion dollars worth of wages vanished between October and December of 2001. Furthermore, 18,0000 small businesses lost their place in Manhattan, in close proximity to the site of the World Trade Center. Overall, the GDP for the city alone fell by $30.3 billion between the date of the attacks in 2001 and the end of 2002.

Homeland security and defence

The 9/11 attacks were a direct catalyst for the US invasion of Afghanistan, costing the government $2.26 trillion and resulting in the death of 176,000 people, including Afghan civilians and fighters. Additionally, these attacks provided the logic for the Iraq War, where the United States Department of Defense spent at least $757.8 billion, though this figure is contested and could be higher. Funding for other sectors was cut to redirect spending to homeland security and counter-terrorism. Moreover, the pursuit of enhanced security affected the global economy in the long-term, because it slowed productivity growth and created more barriers to the free exchange of goods and services.

Written by Danika Whiting

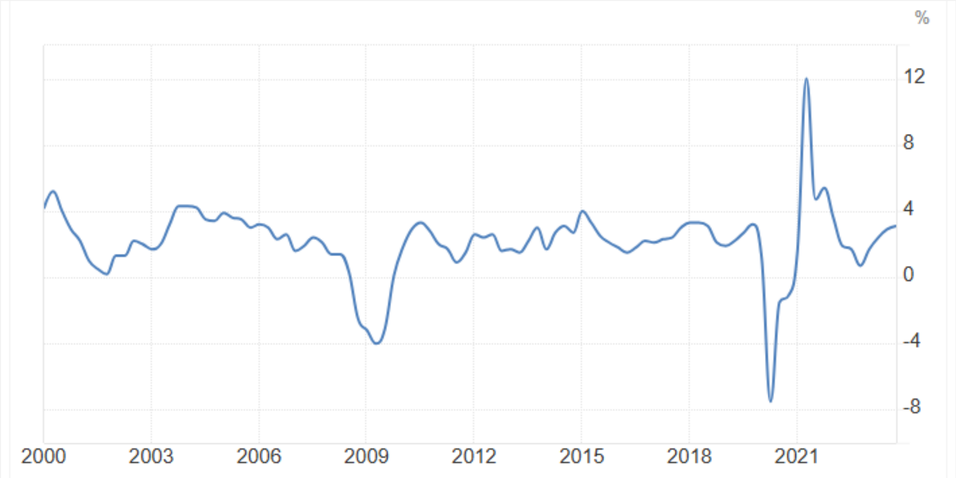

Figure 4
Credit Trading Economics, a graph showing the largest trough (excluding 2009 (aftermath of financial crisis), and 2020 (COVID)) as a result of 9/11

Figure 5

REAGANOMICS

What did it aim to do?

In 1980, Ronald Reagan was elected President of the United States of America. His 8 year tenure as President was incredibly influential for a multitude of reasons, not least due to his policy of ‘Reaganomics’ or ‘trickle down economics’.

Figure 1

Credit: Reagan Battalion on X

Reaganomics were a series of supply-side economic policies introduced during Reagan’s presidency that aimed to stimulate economic growth within the USA, to reduce the rate of inflation in the USA which was a staggering 11.83% when Reagan entered office, to reduce the government deficit which sat at just over $900bn in 1980 and to reduce government intervention in markets. Reagan hoped that by providing tax cuts for the wealthy and reducing government intervention in markets, firms would be incentivised to invest and innovate which would stimulate growth of the economy.

Furthermore, the increased innovation that Reagan aimed to inspire would hopefully bring down costs for firms who could then pass over those reduced prices to consumers, lowering inflation. As firms grew, they would hire more staff, increasing real wages in the economy.

These 2 desired factors combined would cause the average consumer to become more and more wealthy as a result of increased wealth for the rich, thus creating the term ‘trickle down economics’.

What policies were implemented?

Early into his time in office, Reagan introduced key policies, raising the Federal Bank’s interest rates to 18.39% in June 1981 in his aim to tackle the high rates of inflation as high interest rates encourage people to save their money as it will grow greatly in value. It also discourages borrowing for spending as the interest paid on the borrowed money will be high. He also cut the top tax rate in the USA from 70% to 50% in 1982 in order to encourage the wealthy to invest more as they would be able to keep a larger proportion of their returns. This is not to say that all went smoothly for Reagan though.

Lowering tax rates for the wealthy greatly reduces government revenue and Reagan aimed to reduce the government deficit, which meant that government spending must fall to achieve his aims. Reagan received backlash as he largely cut back government spending on welfare programs, leaving many of society's poorest even worse off than they had been before. This, however, did little to help achieve his aim of an improved budget deficit as the government deficit reached roughly $2.85tn when Reagan left office in 1989.

This problem was likely exacerbated by Reagan’s rise in defence spending during his 2 terms which also made it seem as though Reagan did not care for improving the budget deficit and merely cut welfare spending in order to help fund the extreme costs of defence spending. However, the main aim of Reaganomics was to improve the welfare of citizens by reducing the inflation rate and by increasing the wealth that they held and so this is the metric that should be used to evaluate its’ success.

Figure 2

Credit: Wikipedia, titled ‘Trickle-down economics’

How successful was Reaganomics?

The policies were certainly successful in reducing the inflation rate which fell from 11.83% to 4.67% within Reagan’s 8 year tenure as President and from 1986-87, inflation actually fell below the desired 2% rate, displaying that Reaganomics was extremely effective in the aim of reducing the rate of inflation. At first inspection, Reaganomics also succeeded in increasing the welfare of US citizens as GDP per capita rose from $13976.10 in 1981 to $22857.20 in 1989, an increase of 63.5%.

However, a different story is told by the Gini index, a measure of how equally wealth is spread through an economy. A Gini index score of 0 means that every individual in an economy holds equal wealth and a score of 1 means that one individual holds all of the economy’s wealth. In 1981, the USA had a Gini index score of 0.355 and by the end of Reagan’s Presidency, the USA had a Gini index score of 0.382. This indicates that the tax cuts for the wealthy made early into Reagan’s time in office, had increased the wealth of the rich, thus increasing the GDP per capita of the USA, yet it failed to provide an adequate rise in income for the average person.

This rising trend in inequality has continued to the present day as the Gini index currently sat at 0.495 in 2019, with the most wealthy in the economy growing their wealth at a faster rate than the middle and lower classes.

The poverty rate in the USA through 1981-89 fluctuated but largely stayed either around or above the 1981 levels of 13%. Therefore, Reaganomics was a partially successful policy that reduced inflation but failed to improve the lives of the working class.

Conclusion and Reagan's legacy

To conclude, Reaganomics experienced both successes and failures. It helped to bring down tremendously high inflation rates that had sat at over 10% for years. The rate of economic growth also rose, with GDP per capita rising by over 60%. However, there were many shortcomings of Reaganomics, the most notable being that the increased wealth was felt almost exclusively by the wealthiest in society, and wealth did not 'trickle down' to the working class in the volumes predicted by Reagan.

Furthermore, the national debt did not fall at all and instead, in 8 years tripled the national debt that had accumulated in over 200 years, a catastrophic failure of one of the key aims of Reaganomics. Today, economists and politicians alike share mixed views on Reaganomics as it exhibited mixed results. Interventionists such as Keynesian economists argue that Reaganomics was necessary to reduce the inflation rate, despite the increase in national debt while critics have lashed out at the policy, including George H.W. Bush who labelled Reaganomics "voodoo economics" in 1980.

Despite this, it is undeniable the effect that Reaganomics has had on the world today, with GDP per capita in America continuing to rise and inflation rates remaining low, outside of times of severe shocks to the economy, to this day.

The phrase 'when America sneezes, the world catches a cold' illustrates how the US economy influences other nations across the globe and so, despite his failings, Ronald Reagan achieving his aims of stabilising and growing the US economy has, to this day, helped the world economy remain prosperous and in good health.

Reagan's time in office also saw the virtual end of the Cold War, between the command economy of the Soviet Union and the free market of the USA, proving to the world that the free market is the superior form of economy as the end of the Soviet Union was brought about due to its poor living standards compared to the USA and Western Europe, due to greater innovation from the free market, leading to greater economic growth. As a result, the Soviet Union suffered severe pressure from its citizens to reform its political and economic system and in 1991, it had to concede and dissolve. During the years of Reagan's presidency, the superiority of the free market became drastically more evident and this was a large factor that brought about the end of the USSR. Therefore, while Reaganomics did have its flaws and did not massively improve the lives of Americans as well as failing to reduce the national debt, it stimulated economic growth, reduced inflation and brought about the end of the USA's primary competitor on the global stage. For all of these impacts, Reaganomics were responsible and helped to promote the USA to the role of the sole global superpower.

Figure 3

Credit: The Wall Street Journal, titled 'Ronald Reagan compares Republican and Democratic economic policies on taxes and spending at the White House

Written by Joseph Parsons

ARGENTINA'S ECONOMIC HISTORY AND THE HOPE FOR CHANGE

Argentina's economic history

Argentina was one of the richest countries in the world - it enjoyed the riches from trade due to its comparative advantage in the agriculture sector but due to the post World War I world economic crisis the country's economic growth slowed down; the countries that heavily invested in Argentina ran out of money and Argentina's exports suffered. The country was still growing till 1929 and had some political stability. However, the great depression further affected its exports, influencing Argentina's corrupt leaders to sign a deal with Britain in 1933. It wasn't in the interests of Argentina's people, as it gave Britain a monopoly on coal and some control over Argentina's meat industry. At the same time, Britain promised to buy a quota of meat at a discount price. This negatively affected the economy as Argentina was reliant on meat exports but it did make the country's leaders loads of money.

Argentina saw the value of its exports drop from $1,537 million in 1929 to $561 million in 1932, but this was by no means the most severe downturn in the region. However, due its previous political instability it created lots of extreme political views which in turn led to Juan Peron reaching power in 1946.

The Peronist movement

Juan Peron brought "Peronism" which was a left-wing interventionist ideology that focused on workers' rights, social justice, nationalisation, the nation, opposition to "imperialist ideals" and removing British influence. Peronism achieved some of its aims and Argentina's economy even grew from 1947-1951 growth won't last long. Economic problems came soon after due to Juan Peron nationalising industry which scared away foreign investment. He increased protectionism and limited trade which posed problems to Argentina's international competitiveness as it increased costs of production and increased import costs. Furthermore, Juan Peron's government had lots of political instability so lots was spent on the military to maintain power and of course, there was lots of spending on social welfare programs that were unsustainable but helped the party maintain their power - it financed through debt and printing cash.

The Peronist movement created a lack of investment, low business confidence, high levels of inflation and a very inefficient country as much of the industry was run by the state -the nationalist movement further limited growth as Argentina focused on industries where it had no comparative advantage as it tried to become independent from other nations.

This also led to the peso losing value causing imports to become more expensive. This coupled with money printing caused high levels of inflation further devaluing the peso. The country in the years following up to today suffered immense issues in political stability as there were high levels of corruption, poverty and inflation which led to polarisation in the country - the country became very inefficient as much of the industry was run by a corrupt state - the nationalist movement further limited growth as Argentina focused on industries where it had no comparative advantage as it tried to become independent from other nations.

However, many of the Peronist ideals were present from 1946 up to 2023 were the country finally realised that there was need for a change.

During this time there were dictatorships and many extreme governments but most followed the Peronist ideals. Many economist such as Milei or Robert Crassweller believe this is a significant reason why Argentina diverged from the path of a growing economy and it's GDP per capita is significantly lower than other countries that were wealthy during the 20th century.

Javier Milei wins the elections and sparkles hope

Milei, an anarcho-capitalist who believes in the power of the free market, wants to tackle the high inflation, lack of investment, low productivity, and high poverty. He believes this can be solved by giving back control to the private sector and fixing the government's finances. The negative effects from the previous governments are clear and hard to fix.

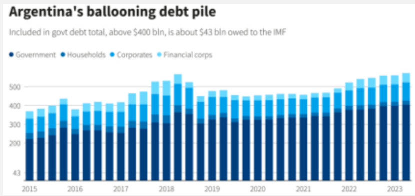

Figure 1

Credit: Statista

As shown above, the national debt are above $400bn in 2023. This is an issue as Argentina has a history of defaulting debt meaning that most of the interest on this debt is high. The government was even close to "impending 10th sovereign default" Furthermore, Argentina's hyperinflation is due to fiscal irresponsibility and nationalist policies from previous Peronist and Kishnerist governments. Inflation reaches 133.49% in 2023 as shown below.

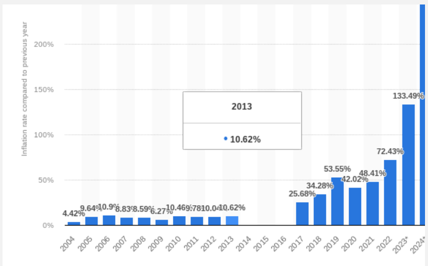

Figure 2

It made business investment unlikely, destroyed savings and eroded trust in Argentina's peso and government finances.

However, Milei's reforms will aim to improve the economy and make Argentina a rich nation by tackling the mentioned economic troubles. The new government, libertad avasa, (freedom advances) is bringing two important "mega" policies, the omnibus bill and the electric sea-sow plan, "el plan moto-sierra".

The Omnibus bill

This bill's main aim is to give the power back to the private sector. This bill is deregulating many sectors by changing 388 articles. Examples include deregulating rental properties, reducing the power of work unions, cutting some subsidies to transport, privatisation of public businesses and many others. This will improve the country's efficiency and increase the labour force - most importantly it takes away power from a corrupt state.

However, this will be an issue in the short term due to industries relying on government debt-funded subsidies. However, as Milei puts it "no hay plata". It's that simple, there's no money. However, due to the deregulation, industries will again become competitive without the need for such generous subsidies. There have been difficulties that entrepreneurship has faced including the difficulty raising finance, regulation, cultural barriers and fears of nationalisation. The finance available for firms in Argentina is limited due to low confidence, financial crowding out and high inflation.

Running an economy on debt wasn't sustainable, especially considering little money was well invested. Most of the investment was wasted as it was on industries that Argentina couldn't compete in so it didn't boost productivity significantly. This differs from other countries that have seen significant increases in productivity making their debt not as a problematic issue.

El plan motosierra

"El plan moto-sierra" is a plan to cut Argentina's government spending to achieve a balanced budget to restore confidence in international markets.

This plan cuts some subsidies and benefits, reduces public spending and stops money printing.

Despite hurting aggregate demand it's likely to cause economic growth as many resources will be free for the private sector as many argue that Argentina was suffering from both financial and resource crowding out. Furthermore, raising finance for Argentina will be easier in the long term as their bonds will be of lower risk.

Milei has already achieved a budget surplus in 2024 - this is a significant achievement considering that the last time the country saw a surplus was in 2008. The figure below contrasts the previous government fiscal finances compared to the new management of fiscal finance.

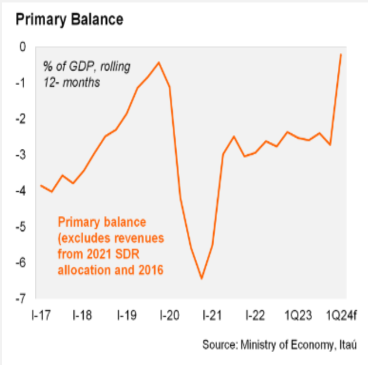

Figure 3

This has helped bring back trust in Argentina's government. Financial institutions are already increasing interest in investing in Argentina again. Furthermore, through the sea-saw plan, inflation has slowed "The month-on-month rise in prices was Argentina's smallest since the start of 2022, below forecasts of a 4.9% increase and down from a peak of over 25% in December." although still high, it shows the effectiveness of his

reforms - as time continues inflation should reach an even lower rate of around 3% if the policies continue to be effective.

Milei wants to set the country's infrastructure to allow for sustainable economic growth rather than just focusing on quick fixes to boost aggregate demand at the cost of further worsening the country's huge national debt that's just above 80% of its nominal GDP. However, "difficult times will come" as Milei has stated, due to the cuts in government spending and changes to the labour market. These cuts in spending are causing short-term economic troubles but the change needs to be made for a sustainable future of economic growth and stability.

These cuts in spending are causing short-term economic troubles but the change needs to be made for a sustainable future of economic growth and stability.

Milei's coming to power was a sparkle of hope. A hope that more countries will be moving away from the 20th-century socialist movements that have resulted in poor economic performance and corruption. There's the hope that other Latin American countries will move towards the free market.

Figure 4

Credit: Wikipedia, a picture of Javier Milei

Written by Joe Cocker

BRITAIN'S FOOD INSECURITY CRISIS

Britain is a country that heavily relies on imported food (48% of the total food consumed), and its own agricultural sector to sustain the growing population so it's far from self-sufficient. Behind the always full-looking supermarket shelves, there are many environmental and economic factors that can influence food production both domestically and internationally. This leaves food prices extremely volatile to influences the UK government can't control.

The food and soft drink manufacturing industry is the largest of the decreasing number of manufacturing industries in the UK. The UK supply chain represents 6.8% of Gross Value Added (GVA) and employs around 4 million people in jobs from farmers to fishers to packagers.

Recently, it's been very noticeable that food prices have been rising and have put pressure on many household budgets. The ONS has estimated that, between January 2022 and January 2024, the overall price for food and non-alcoholic beverages rose by around 25%. In addition, the latest public opinions and social trends survey concluded that 40% of adults in the UK have spent more than they usually would to buy the same amount of food, within the last two weeks, and 44% of adults said that they were buying less food. However, in 2022, the average household spent 11.8% of their income on food, whereas, in 1957 it was around 33% of income. Some farmers feel like although food prices are rising, they are not getting the money they deserve.

What did the public and the government do?

On the 25th of March 2024, tractors gathered in Parliament to protest about a lack of support from the government towards UK food production. There were more than 100 tractors 'going slow' around the capital to raise awareness and spark conversations around cheaply imported food and unsupportive policies putting UK food security at risk. The movement also took place the weekend before when 'Fairness for Farmers for Kent' took to the roads of Canterbury with hundreds of farm vehicles to try and send their message to the public. A farmer called Colin Rayner spoke to the BBC whilst he was protesting in London and said that 'We have been, as most farmers have been, living in our overdraft now for the last five years'. He described the prices as 'dismal', the cost of raw materials as 'horrendous' and the regulations that farms must abide by 'mind boggling'.

The UK government has introduced a more environmentally focused farm payments scheme, after leaving the EU in order to replace their subsidies, which is said to be coming at the expense of domestic food production as 'they [the government] will pay us more to plant wildflowers than to grow food.' It's evident that the UK agricultural sector does not currently feel like they are thriving, and it is slowly dying as a profitable industry.

If the UK doesn't want to see domestic food production decrease in the future, then the government should look at changing policies to support the industry and the whole population to prevent further price rises. Less domestic production of food would lead to even heavier reliance on imports which means that food prices are extremely volatile, and the UK would be even more food insecure.

Figure 1

Credit: BBC News, titled 'Tractors gather at Parliament in farmer go-slow protest'

Impacts of the food insecurity crisis

Increasing global consumption as the population rapidly increases and changing patterns of consumption e.g. eating more meat in developing countries, mean there is increasing demand for different types of food which can contribute to the global increase in prices.

However, increasing global demand can lead to other issues such as more diseases in both livestock and crops. An example of this is the Bluetongue virus which affects sheep and is transmitted by biting midges. Due to warmer temperatures further north, the midges reached the UK in 2007 and luckily a vaccine was developed which helped prevent further outbreaks in 2008 and saved an estimated £460 million and 10,000 UK jobs. It recently reached England again in February 2024, but measures were put in place to try and contain the animals.

It's extremely likely that there will be a larger outbreak which could negatively impact consumers and the UK economy. It could destroy exports of lamb and it's likely that many would have to be culled which would decrease prices for farmers and supply.

It's also likely that climate change will impact the food supply across the world and could lead to shortages as farmers and crops may struggle to adapt fast enough to these environmental changes. This could further push up prices of many foods as farmers across the world struggle with different weather conditions.

In 2008, the UK was hit by the 'food price spike' due to the global prices for wheat rising by 130%, soya by 87% and rice by 74%. As the UK relies so heavily on imports, this had huge impacts on the population and especially those in lower income households. Low-income consumers typically spend a higher percentage of their income on staple foods such as eggs, bread and milk which are usually hit hard by food price rises. This can lead to high levels of food insecurity within a country which can have many economic consequences.

Strain on the NHS due food insecurity

Food insecurity is when someone is unsure if they will be able to eat in the future and sustain a healthy lifestyle. According to the Food Foundation Tracker, 15% of households (around 8 million adults and 3 million children) experienced food insecurity in January 2024. They have gone hungry and skipped meals because they can't afford to buy groceries. When people can't access healthy food, the health of a country's labour force will decrease which means there may be more absences due to illnesses due to poor diets. This graph shows how NHS admissions from diagnoses related to diets have increased by 39% over the last decade. Significant increases were seen when COVID began, and the incomes of many people were lower as demand fell dramatically leading to some cyclical unemployment.

If the UK wants a strong economy, then they need to have a high labour force participation rate which is the number/percentage of people working or seeking work. If many people have chronic illnesses due to poor nutrition, for example, then participation in the workforce is likely to be lower than it should be which leads to less economic activity and productivity and higher healthcare costs (more government spending into the NHS potentially needed in a time when it's already under a lot of pressure). Also, food insecurity can impact children which means that parents may have to stay home to look after them, decreasing productivity as there is little contribution to the economy. There may be consequences such as lack of concentration which can negatively affect education which limits long term performance. Long term issues like heart disease and diabetes may also be more common with those on lower incomes, worsening UK inequality.

As we now live in such an interconnected world, the UK's food security issues (lack of pollinators, changing climate, diseases in livestock) will have a knock-on effect on global food prices. It's the same for other major exporting countries like Ukraine, who before the war produced 6% of the world's wheat.

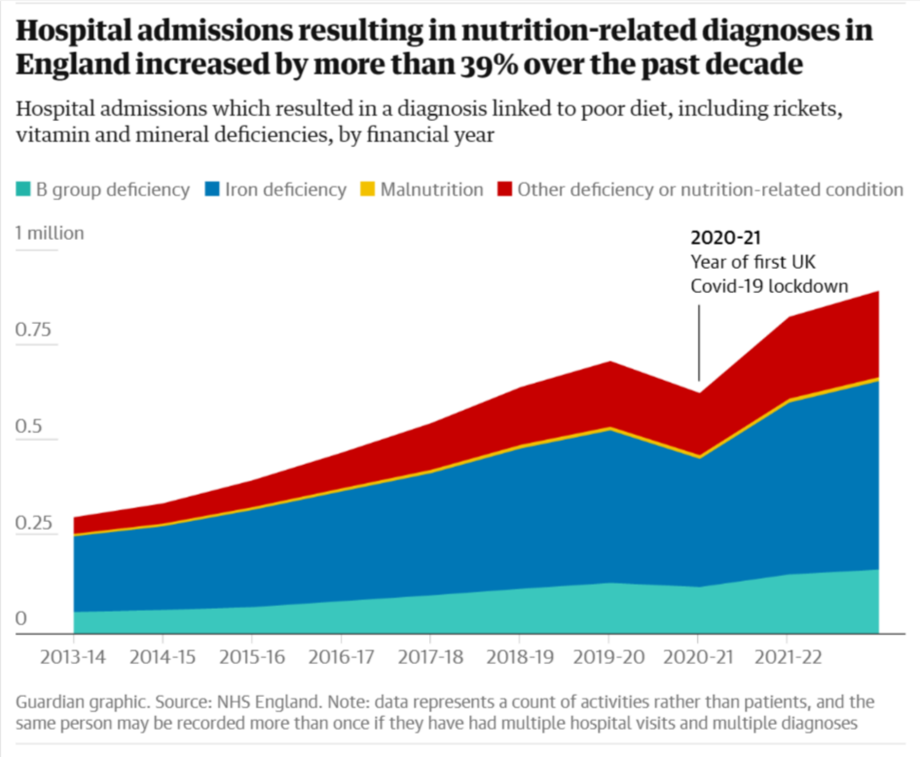

Figure 2

Credit: The Guardian, a graph representing a general increase in nutrition-related diagnoses in England over the past decade

world's wheat. If yields are low, price rises will be seen across the UK for both cereal foods and meat (as many animals are fed on grains). The UK may have to change policies and try to promote British farming if they want to be less vulnerable to changes in the global markets.

Written by Jess Homewood