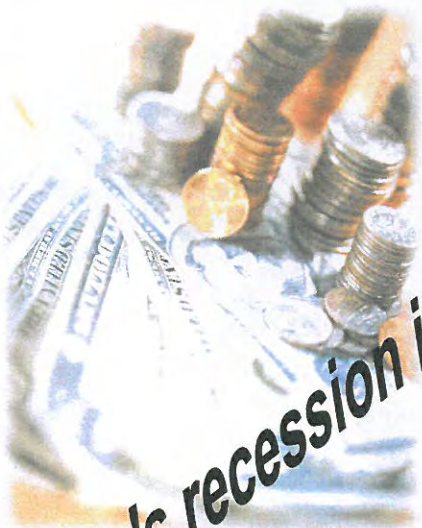
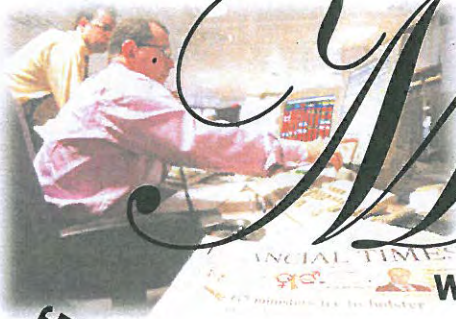


Money Minded

WGS Economics Magazine



1.1601	-	1.16%	↓	0.38
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'British house prices are heading for long-term decline'

'Britain's recession is over'



'Lehman Brothers files for bankruptcy'

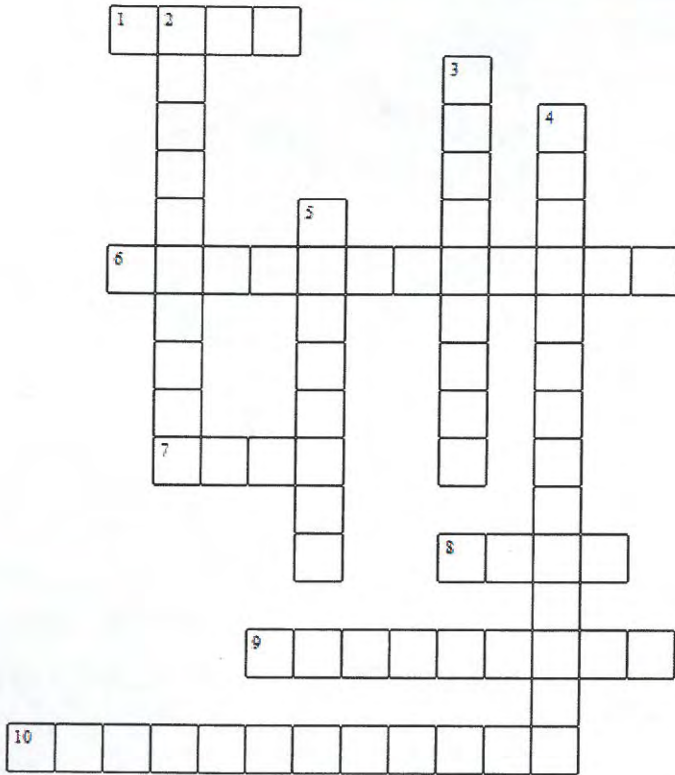


'Cadbury shareholders approve Kraib deal'



How much do you know about Economics?

First 5 correct crossword entries to the Economics room get a prize!



ACROSS

- 1 The Currency in China
- 6 The first woman to win a Nobel Memorial Prize in Economic Sciences
- 7 When spending exceeds income
- 8 A period of economic expansion or prosperity
- 9 Rise in price levels
- 10 The popular 2005 non - fiction book by University of Chicago economist Steven Levitt and New York Times journalist Stephen J. Dubner

DOWN

- 2 People who are out of work
- 3 A period when growth and output falls or becomes negative
- 4 Study of economics as a whole
- 5 Gross _____ Product

Solve the puzzles!



Irish People, Pubs and Economics

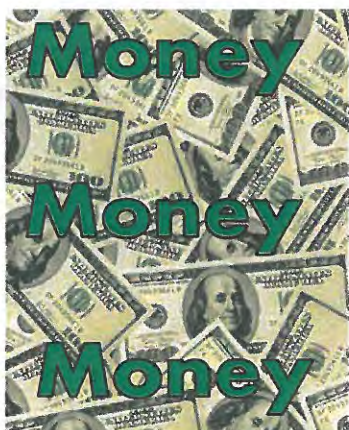


Irish people will use the location of a pub to navigate long after the pub has ceased to exist. Local people, some too young to have seen the pub in question, let alone enjoyed a drink in it, will nevertheless refer to it when giving directions. For locals, the navigation system works perfectly, with many major junctions identified by names which are **common knowledge**. Yet for visitors or tourists asking for directions, the system is enough to make them give up and head for the first pub they can actually see. Recently the city council tried to impose a more efficient system, labelling key Dublin junctions with a letter and a number in accordance with location, then commissioning new signs to match. This has probably made

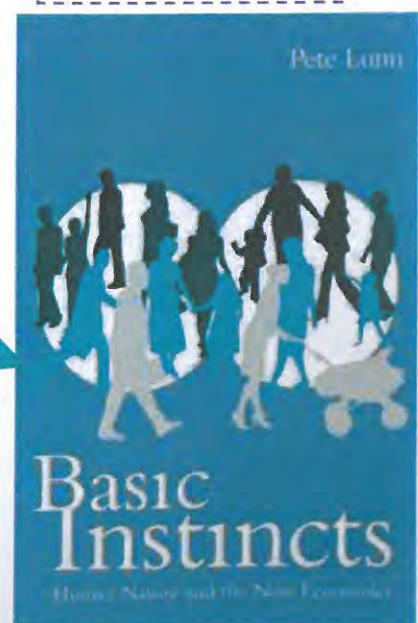
matters worse. No Dubliners use the labels, visitors are therefore even more confused and any tourist who asks a taxi driver to drop them at J14 may well experience a rich stream of Dublin slang that is, thankfully, also beyond their comprehension. The council was doing its best; but the way **mutual understanding** spreads through a community does not necessarily follow what is most efficient or rational. Likewise, we can often assume, like the planners at the council, that people will gravitate towards the most **rational** way of buying and selling. However, tradition, trust and the relationship between people and the market, or how they relate to certain locations is often an important factor.

In the same way that people do not always follow the rational solution to a problem, as seen in the Irish pub story, the difference between economic theories and **economic life** – our experiences of how the economy actually works is revealed. The influence of these different factors reveals the way in which economics is not simply a study of rationality, numbers and mathematical theories but it also considers people, their habits and choices and works to understand our **economic instincts**.

By Chloe Honeyborne

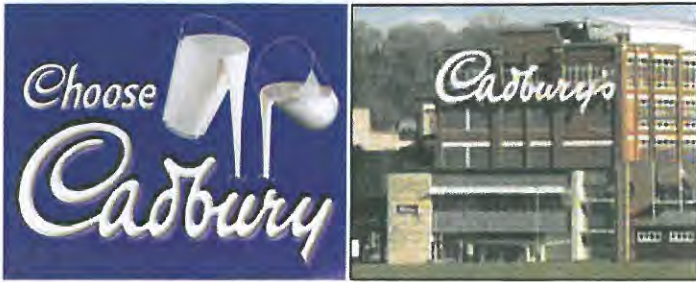


To find out more about economic ideas in the **real world** and how and why people choose to spend their money, read this book. It's **interesting, readable** and **entertaining** and even better you can find it in the school library so it's **completely free!** That's what we like in Economics 😊



British? Where?

By Alex Davis



With the buyout of British - owned beloved brand Cadbury's by Kraft confirmed at a staggering £11.6 billion, it seems more and more that there are very few British firms left these days. So what does Britain have to offer in terms of keeping the patriotism alive in business?

Over the past few months Cadbury's has held on to its independence from Kraft, an enormous American - based, worldwide food chain which houses brands such as familiar favourites Oreos, Toblerone, Philadelphia and even Kenco. However, with Kraft outbidding all other contenders, Cadbury's shareholders could not resist such a deal. The deal could help turn Cadbury into a 'global confectionery leader', expanding business into the markets that Kraft has already cracked and turning over large profits. However there are, of course, potential risks to Cadbury's as a family business and a British business.

Kraft has been known for its ruthless cost-cutting policies, which suggests that jobs in the UK are at risk of being scrapped in exchange for cheaper and more efficient labour. Cadbury's employs 45,000 people worldwide, with 4,500 of them being UK - based including major production factories at Somerdale and Bourneville. With Kraft using around £7 billion of debt to finance the deal, it seems that conditions and job cuts are the first to go in a bid to reduce the running cost of the business. Cadbury's unions have led the opposition to the takeover, warning that thousands of jobs will be put at risk.

This would also go against all that Cadbury's stood for in Britain of middle - class families turning a simple business into a nationwide success, employing the local people and attracting wealth to the area of Bourneville. Around the neat, red-brick houses and

the cricket ground in Bourneville, where the Cadbury family built their chocolate business amid the industrial sprawl of central England, the villagers are anxious. "I think they'll destroy what Cadbury's brought up," said Kathleen Handley, 86, who worked for the company in Bourneville for 23 years until 1982.

Cadbury's, the second largest confectionery company in the world will now be part of the second largest food group in the world, turning over nearly 5 times what Cadbury's turns over in revenues and employing twice as many staff. But does this mean good thing for Cadbury's and its values?

The beneficial work Cadbury's has done for the poor farming areas of South America by buying Fairtrade cocoa beans could easily be undone with the takeover of the company. Kraft has stated that it expects 'to honour Cadbury's commitments to sustainable and ethical sourcing, including Fairtrade' but with its history of cost cutting, it looks unlikely that Kraft would continue to expand its use of Fairtrade cocoa beans into brands beyond Dairy Milk.

Cadbury's is just one of the latest takeovers from foreign bidders and does not come as a shock to many. But on the other hand, we cannot moan about the way British companies are becoming more and more rare! The value of overseas companies the UK have bought has outstripped the value of UK assets bought by foreign companies such as in 2007, when the value of assets we bought overseas outstripped UK assets sold by £113.3bn. In this way we are inflicting exactly the same conditions on foreign businesses as big American buyouts are doing to us! So it seems that whilst Kraft is not suffering from a 'Credit Crunchie' (see what I did there), the British are not much better themselves in the ruthless world that is survival in international business.

What would you do with £4200?

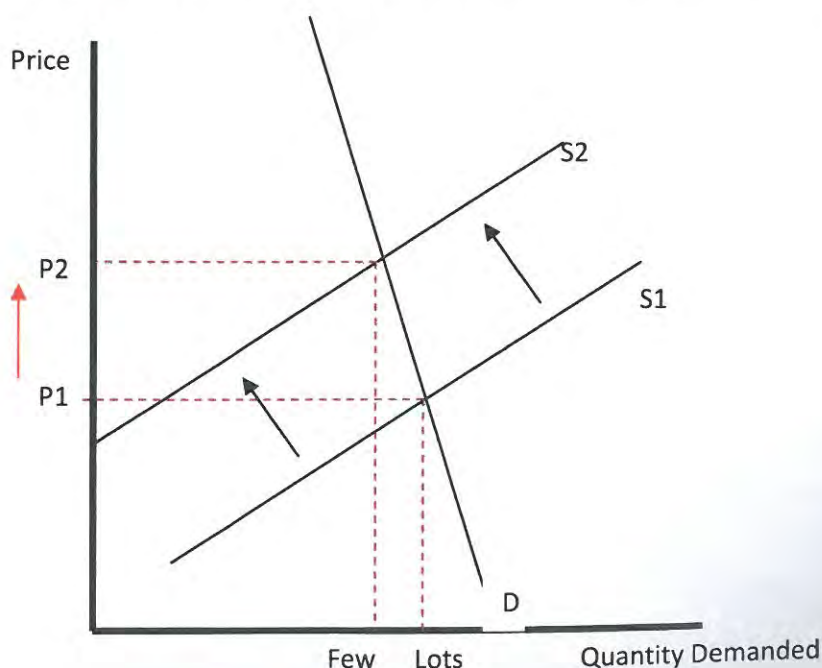


Imagine for a moment you have £4200. Think of everything you can buy for that amount of money... 28,000 Freddo's, 35 pairs of UGG boots or even 6 months' worth of priceless education at our school. Or you could spend it all on this bag. The price of this bag starts at £4200 but can reach 5 or even 6 digit prices. It has a waiting list of over two years. It is, of course, the famous Birkin

bag. Often seen on the perfectly manicured arms of WAGs and socialites, it is coveted by many and owned by the wealthy few. Victoria Beckham's collection of over 100 of these bags is estimated to be worth \$1.5 million. But why would people pay these ridiculous prices? It's all to do with supply and demand.

The graph below shows the number of bags demanded at a certain price. It is called a supply-demand graph and companies can use it to set their prices or to decide how many products to supply.

One of the main reasons this bag has been such a success is that there are very few in supply. As you can see on the graph, when lots of bags are supplied (S_1), the price is at P_1 . However when the number of bags supplied is lower (S_2), the price is at P_2 , meaning it can be sold at a much higher price. Also, thanks to the celebrity endorsement of the Birkin bag,



it has price inelastic demand. This means that no matter what the price is, it will still have a large demand.

But why would this bag still have a large demand if it's such a ridiculous price? This is to do with a theory called 'conspicuous consumption'. This is when people spend

money on goods to show off how rich they are or to gain status. An example of this is the many WAGs who buy the Birkin bag in order to prove to everyone that they are in fact in the same league as Mrs Beckham, no matter how far from the truth that is!

So is it really worth it? To evaluate this we need to take into account the opportunity cost- or in other words, what we are sacrificing. In my personal opinion, although you may receive huge numbers of envious glances if you spent your parents' savings on this beautiful bag, I think it would be so much more worthwhile to invest that money in your education so you can get a good job and buy as many of these bags as you want... or at least buy the 28,000 Freddo's anyway!

By Ellie Atkinson

'The Glass Ceiling'

Is it breakable?

In the past 30 years, the pay gap between men and women has closed at quite a dramatic rate. However, inequalities between the genders still exist in the workplace. Will this differential ever be removed? Or will women always be faced with trying to break through this 'glass ceiling'?

There have clearly been huge changes in attitudes about the role of men and women in society in the last 50 years. Nowadays, it is not unusual to find a woman as a partner in a Law firm, or as a high-flying business executive; however, in the past, the story would have been very different.

Saying this, there is still significant evidence to show that, on average, a woman with the same skills in the same job will earn 18% less compared to a male. Recent progress in terms of equalling out wages for men and women has significantly diminished. In the past, each generation of women has made considerable progress in closing the gap compared to the one before. However, recent figures have showed this rate is slowing down with the current generation doing only slightly better than the previous one.

Perhaps the first question to answer is why are there differences in wages due to gender? The first reason is due to the long-standing prejudices established in many workplaces against women. Women can be discriminated against when it comes to promotion, especially in senior positions, as well as being seriously under-represented in boardrooms. A recent article published in The Independent highlighted this problem – in November, figures found that only 12.2% of FTSE 100 board members were women. What makes the problem hard to solve is that it can often be very difficult to legislate against, as the employer can simply claim that the 'better' person was given the job. Prejudice against women has existed in the workplace ever since women started to become more career driven, and secure jobs as high up as



men. Women today are often still regarded as 'less able' than men, and this assumption of discrimination is a tough obstacle for all women to overcome.

Secondly, women are far more likely than men to move in and out of the labour force, with many taking a long break in their career to raise children. Time spent out of the labour force means a loss of valuable experience and therefore a lower productivity, which is reflected in lower wages. Moreover, there is evidence that males tend to be more 'attached' to the labour force than females. Females have the challenge of having to be able to quickly adapt back to the working environment.

It is also thought that the age at which the average woman tends not to be in work, due to child-bearing, is just the age at which most progress up the career ladder is made by those who do not take a prolonged period of time out of work.

Until relatively recently, it can also be argued females enjoyed fewer educational opportunities than males; and subsequently, did not on average attain as high a qualification as men, resulting in a correspondingly lower efficiency rate.

However, with increased educational opportunities for females in today's society, this should not be an obstacle for most women today. Even if time is taken out of the labour force to raise a family, females should be given the opportunity to prove their ability in the workplace. Kathryn Bigelow being the first woman to win the Oscar for Best Director this year is a step in the right direction in striving to dissolve prejudice and inequalities against women.

Perhaps, one day in the future, the wages and opportunities for men and women of the same ability in the same job will have no differential. The fundamental question we have to ask ourselves is 'how long will this take to happen'? **The answer lies with all willing females - aim high, and try and break that glass ceiling.**



By Julia Rose

THE LOVE GAME THEORY

Annie Jefferies and Jasmin Lane

With Valentine's day swiftly under our belts, the more privileged of us may have found that special someone, but for the rest of us lonely spinsters, we have to seek other optionse.g. stealing someone else's arm candy (and no girls we are not talking about your Gucci handbags).

.....FEAR NOT ! we are here to provide some handy hints to suss out your opponents.

If you stick to our tips based on economic 'Game Theory', yes girls love is a game, next Valentine's day you might not be so alone! Game theory is all about considering your opponent's behaviour, using this to determine your own actions, which will guarantee you the prize.

The first step to bagging your beauty, is to decide whether we're facing a low risk or a high risk situation. For example having your best friend as your rival is an extremely high risk situation, which we do not recommend, well at least not on your first attempt, however on the other hand some random girl from another school we can definitely deal with!

TIP 1: Finding out what you are dealing with is very important; a great way to do this is befriending your opponent or their friends. You need to know their strengths and weaknesses so you can play to them appropriately. EG. you've engaged in conversation with your opponent, 'Jen' and it has come to your attention that she suffers from foul breath. Your action: carry around fresh mints with you at all times and offer to the guy 'Brad', with perhaps the occasional "don't you love it when people have fresh breath" comment.



TIP 2: Presumably you already have 'Brad' on Facebook, all that needs to be done now is some light facebook stalking. Do not underestimate the power of the 'like' button. (Boys apparently need some re-assurance once in a while that they look 'ok'). Use the medium of facebook discretely to observe 'Brad' and 'Jens' relationship.

E.g. if he says he supports United, next time he happens to be wearing the United colour of red, show him your appreciation for the club, we're not saying that you need know the recent transfer schedule, but a little research never does any harm!

TIP3: Hopefully by this point 'Jen' should be feeling a little threatened by you. You need to be prepared for whatever actions she may be take.

'Jen' may go in a different direction and up her game, by upping her liking on facebook to 9 photos a day. This seems a little excessive but if your man is not put off her (we suggest you consider your choice in men) do not retaliate. Alert 'Brad' of your concern that 'Jen' may be turning into a stalker.

How can Economics help?

The **prisoner's dilemma** is a fundamental problem in game theory that demonstrates why two people might not cooperate even if it is in both their best interests to do so. Here prisoner A is you and prisoner B is 'Jen' and you can think of your confession as your confession of your love to 'Brad'. If you both confess then you both jeopardize your changes with

'Brad', the best turnout for you would be that you confess and get 'parole' while 'Jen' does not confess and gets 'life' – ie a 'life' without 'Brad'!

		Prisoner B's Strategies	
		Do Not Confess	Confess
Prisoner A's Strategies	Do Not Confess	1 Year / 1 Year	Parole / Life
	Confess	Life / Parole	20 Years / 20 Years

A SWEET NEW TAX!

Alex Davis Nicole Jessé

A brand new tax for the budget of 2011 on sugary drinks such as fizzy pop, energy drinks, fruit juices, smoothies and ice teas could bring positive externalities to society as a whole such as reduced amounts of litter on the streets, improved health of the nation and increased government revenue at the same time! The tax should work equally as well as the Stop Smoking tax has in cutting the number of smokers throughout the UK and improving people's health.

Sugar - filled drinks such as Coca-Cola and Red Bull help contribute to the obesity levels and dental problems of today's youth; issues that absorb a large percentage of the UK's health budget every year. The tax would help the nation to cut down on its sugar intake of popular sports drinks like Lucozade. The nation's favourite includes 140 calories per bottle (a relatively small amount of the daily recommended intake) but contains around a whopping 21 teaspoons of sugar per 500ml! The British Dental Health Foundation puts Cola at 2.5 on the pH scale, making it a highly acidic drink and advises that:

"Fizzy drinks can increase the risk of dental problems. The sugar can cause decay and the acid in diet drinks can dissolve the enamel on the teeth. The risk is higher when you have these drinks between meals."

Price elasticity also shows that a 10% increase in price would cause an 8-10% decline in consumption, therefore reducing the country's sugar intake through fizzy drinks by a significant margin. So an extra 15 pence per ton on top of production costs (around 10% on top of average costs for leading beverage firms) should help reduce consumption by up to 10% and also raise government revenue.

For one beverage company alone, Schweppes, about 1.3 billion drinks are sold every day, so it seems that the revenue raised from sugary beverage sales is almost guaranteed! It would be the choice of large firms like Schweppes whether to absorb the extra tax into their average costs or pass them on to consumers in the form of higher purchasing prices. This should not, however, affect the beverage business much because prices would not rise significantly, yet the tax would raise a considerable amount of money that could be used by the government to bring benefits to the country.

Benefits could include public campaigns about the health consequences of drinking lots of sugary and fizzy drinks and subsidizing diet drinks or water so the prices are cheaper for consumers, thus making them more attractive to buy than more expensive, less healthy drinks.



A staggering 21 teaspoons of sugar go into just one bottle of 'Original' Lucozade! Think about that the next time you fancy an energy boost!

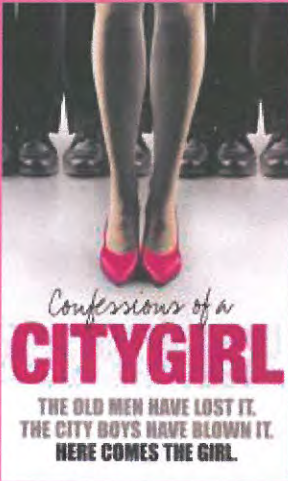
Greater public awareness and higher prices together could help achieve the goal of tackling the high levels of obesity and tooth decay that drain the country's resources, whilst creating a healthier and more productive workforce that takes less time off work for medical reasons.

Olivia Davis, of Chorlton, Manchester also said *"I love a can of Coca-Cola but I would be happy to switch to flavoured sugar-free water or something similar if the prices were lower than the can of Coke"*.

So it seems apparent that the dangers of fizzy drinks are clear and the new tax on sugary drinks would benefit nearly every person in the UK. The new tax would also be easy to regulate because the number of these types of drinks in circulation can be easily monitored, making tax collection simple and effective. Therefore it seems this new proposed tax truly is SWEET!

Confessions of a Citygirl

Economics' very own Carrie Bradshaw



'City Girl' was born when she arrived in London, and joined her first merchant bank in the boom days. She worked for old-school stockbrokers in the shadow of the Bank of England and competed against the bad-boy brokers of Canary Wharf. She worked with the super-rich hedge-fund managers in the sleek streets of Mayfair. She met, married and divorced her very own City Boy. She made and lost millions of pounds. She's seen it all, done it all and lived to tell the tale.'

Confessions of a Citygirl by

Barbara Stcherbatcheff

Rating



'Confessions of a Citygirl' is a novel which examines aspects of life in the city and the role of women in the workplace. The narrative provides a female perspective, rare in a novel of this topic. The humorous and interesting style engage the reader as the character 'works her way up the ladder' and strives towards her dream of becoming a trader. The ideal is clouded by the prejudice she encounters due to her gender, yet the reader sees the character eventually break through the glass ceiling of the financial world and achieve equal success as her male peers.

As part of a school trip to London, we visited the London Metal Exchange. One of the most noticeable things while visiting 'The City' was the lack of women, not only in the metal exchange but in the surrounding area. During our lunch break in a near Starbucks we were swamped by men dressed in smart suits typing furiously into their blackberrys, however I could count the number of women I saw on one hand.

As I want to study Economics at university myself, and one day work in the city, it frustrated me that this "glass ceiling" was still present and fuelled my desire to work hard and help annihilate this ceiling forever. However after reading City Girl I am beginning to re-evaluate my future. Although this novel empowers the female reader, encouraging them to exert their influence, it also led me to consider the price women have to pay in order to pioneer the financial field. Despite achieving all her success in her final job, we see CityGirl and her female co-workers given a substantially lower bonus than their male colleagues and change their personalities and conversation topics to specifically suit the male gender. It made me personally reassess a job in the city as Citygirl was forced to adopt a much harder demeanour in order to fit in with her predominantly male colleagues. Although CityGirl's success is admirable, is it desirable?

Sarah-Kate Eyre