

The TSEconomist

Student Magazine

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Le Burkini : Plus qu'un maillot de bain ?

The Spanish housing bubble



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Remark

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Article references are available upon request.

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The times, they are changing

Come gather around readers, wherever you roam, and welcome to the 14th issue of *The TSEconomist*. The new editorial board is thrilled to present to you the first number of the academic year. This semester we welcomed a significant inflow of new students who quickly set to the task of producing a high quality and ambitious issue. Like the times, TSE is also changing and we are changing with it. After almost five years on the market, it is safe to say that we are just getting started.

Returning readers may notice that we have restructured the sections of the magazine. We are now casting a "Spotlight" on the armed conflict in Colombia. This semester's Spotlight team reflects on the background and reasons they believe pushed Colombians to the rejection of the peace agreement. I strongly encourage you to read their pieces, which hopefully will shed some understanding to a problem that sometimes feels distant in Europe. In addition, to resonate with the student community, we included a "French Corner". We inaugurate this section with two timely articles: one on the French labour law and one on the burkini affair that shook France during the summer. Moreover, we continue the line of previous publications by featuring interviews with prominent economists and a Nobel Prize winner, a faculty article and a PhD contribution. In these pages you will also find numerous articles written by the new figure of in-house writers.

The ambition of our projects is growing as well. We have just started collaborating with the institutional magazine of the school, the TSE Mag, which will give our members a wider access to interviewees. Next semester, we will host the fourth TSEconomist Public Lecture, where *The Economist's* correspondent Adam Roberts will speak on "A changing media landscape: social, political and economic consequences". Do not miss this event on February 23rd. In addition, we are working on the third edition of our successful Writing Workshop to share with the TSE community the writing mechanisms we have learnt over the years. We will, of course, continue to hold our monthly Coffee Talks, which have seen a significant increase in popularity thanks to the moderators and topics discussed this semester. Finally, to celebrate our fifth-year anniversary, we are organizing a get-together of old and new members in March.

The TSEconomist is growing quickly and adapting to the changing times. If there is one thing 2016 has shown us is that of the importance of factual, well written, and well-presented information. This is a fascinating time to be in a student-magazine. Do not hesitate and come to meet us. In the words of 2016's Nobel Prize in Literature Bob Dylan: "Come writers and critics who prophesize with your pen, and keep your eyes wide the chance won't come again."

Marina Sanchez del Villar
Editor-in-Chief

Cover painting: *El presidente* by Fernando Botero.

Fernando Botero is a figurative artist and sculptor from Colombia. His work focuses on people and figures in large, exaggerated volume, which can represent political criticism or humor, depending on the piece. This painting belongs to the Colombia's central bank art collection.



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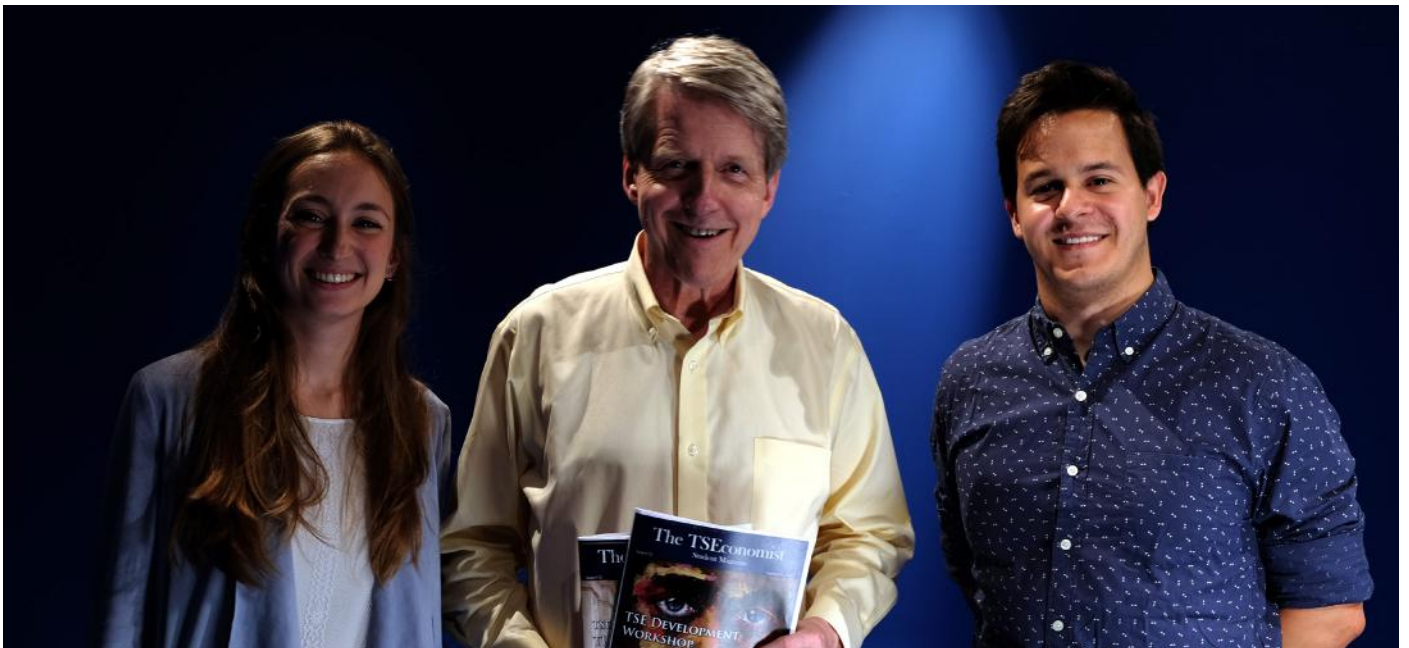
El presidente. Fernando Botero, 1997. Colección de Arte Banco de la República. Recuperado de <http://banrepcultural.org/coleccion-de-arte-banco-de-la-republica/artista/fernando-botero>

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In his own narrative:

An interview with Nobel Laureate Robert Shiller

by José M. Álvarez and Marina Sánchez del Villar



Robert Shiller with Marina Sánchez del Villar and José M. Álvarez. . Credit to Gosia Majewska.

It is not every day that two master students interview a Nobel Prize Laureate in Economics. Understandably, we were nervous, overprepared, and excited. We had done our homework, but we did not expect to be interviewing the Laureate in what can only be described as a TV newsroom. The cameras, the lights, the equipment, and only five people in the room. We had no idea TSE even had such a room. We hope the reader will enjoy the interview as much as the two of us did when preparing and conducting it.

Robert Shiller does not need an introduction. A simple Google search would suffice to show how vast and influential his work has been. Professor Shiller won the Nobel in 2013, is the current Sterling Professor in Economics at Yale University, and is one of the most cited and influential economists on IDEAS ranking. He graduated from the University of Michigan in 1967 and obtained his Ph.D. from the Massachusetts Institute of Technology (MIT) in 1972 under the guidance of Franco Modigliani. He famously opposed the common belief that markets aggregate information efficiently, going against the predominant view in financial economics at the time and challenging none other than University of Chicago's Eugene Fama—a heavyweight of the field with whom he and Lars Peter Hansen later shared the Nobel Prize.

His latest research has focused around how narrative shapes decision-making and consequently the economy. We met with Professor Shiller after his IAST Distinguished Lecture to talk about the influence of narrative on decision-making, the rise of Donald Trump in the United States, and Eugene Fama. The following is an edited version of that talk.

**This interview was conducted alongside James Nash, who works as a freelance journalist for TSE Mag and IAST Connect. We hope that this will be the first of many more collaborations between TSE's magazines.*

1. You have written bestselling books that show how our economies are driven by irrational behaviour and what Keynes called “animal spirits”. Why is this such an important theme to you?

It’s very important to try to figure out what is driving the economy, what’s changing, and what’s stable. The ability to forecast economic fluctuations, for example, depends on your understanding of what’s behind it. Economists have found it difficult to isolate what is behind all these movements we see. And, I think, the reason why is that it is substantially psychological and our department is not really well attuned towards understanding psychological phenomena. I wrote a book called *Irrational Exuberance*, which really focused on exactly these psychological drivers that hit the economy. And I think that economists’ failures to, in many cases, forecast major events is because many of them ignore psychology.

2. You encourage academics to work across disciplines, such as this marriage of economics and psychology. Should there be a Nobel Prize for interdisciplinary work?

The Nobel Prizes are awarded to specific fields: chemistry, physics, medicine, literature, economics, and there is a peace prize. That was a decision made long ago. Unfortunately, it compartmentalises research a bit. I think that really creative research often—I mean generally—has some interdisciplinary dimension. So, I try to be more interdisciplinary and encourage people to do that.

“We can’t assume that behaviour is really well described by optimization, as has been the norm in economic departments.”

3. Your talk focused on the role of narrative in financial decision-making. How does our fondness for stories both contribute to and distort the understanding of global events such as financial crises?

Traditional economics—I should say traditional for the last half century—describes people as responding to facts, exclusively, and acting in a rational behaviour with regard to the fact. The problem is that there are limits to the truth of that view of the world. People respond often with emotions and with what seems to be a makeshift solution to vaguely stated or ambiguous economic problems. I mean, for example, we talk about a recession, but what is a recession? It is when people stop spending: when they cancel their vacation, or they don’t buy a new home or something like that. But why do they do that? Is it careful calculation? Probably not. It’s probably their sense of worries, or fears that might be hiding at some point, or some sense of what the thing to do is, what other people are doing. So we can’t assume that behaviour is really well described by optimization, as has been the norm in economic departments.

4. In that context, what makes one narrative more powerful than another? Why are stories important? For example, you’ve written about their impact on confidence.

Humans are very story-oriented. This is a human universal. It is true in every human culture. Stories, especially human-interest stories, motivate them. If I recite some statistics to you, you won’t be so motivated as if I read a story about someone who’s made a lot of money, or a tragedy of some sort. These things get you thinking and acting. In describing the economy, we want to describe the actions that people take, actually do and that requires some appreciation, I think, of narratives, because you don’t take an action until you’re actually motivated. [You] actually do it when it’s personal: “I want to do this,” or “I’m not going to do something.” And these tend to be—these decisions—tend to be connected to stories about what other people are doing, or human interests.

“The problem is that you cannot argue against a narrative with statistics.”

5. In your words last night, “stories are like epidemics” and you have used epidemiological models to explain how they spread in a population. And like in any epidemic there are certain individuals that are more contagious than others. Is there such thing as a superspreader of a narrative, and if so, how can one identify it?

The term superspreader in medicine dates back to over a hundred years ago and the famous case was “Typhoid Mary”, a woman who caught typhoid. And then, for some reason, she just spread it and spread it and spread it. She was a sick woman—literally sick. And they wondered why she continued to be contagious when she should have stopped. That’s an interesting question for medicine. But I think we have something like superspreaders in the realm of ideas. [We have] People who are good storytellers and have a sense of motion and stories. And so these people end up having extraordinary influence over the public opinion. It could be use for good, or you know... we have to hope that it is used for good. It is something, a fact of our life, to understand that there are superspreaders that can really change the direction of history.



Mary Mallon in a hospital bed.

6. A narrative of panic inspired by the possibility of leaving the EU - promoted, for example, by the Bank of England - preceded the months before the EU Referendum. Should the Bank of England, as well as other institutions and experts, have taken their roles as narrators more cautiously prior to the vote?

I think that people really didn't believe Britain would exit. It was a surprise. And so maybe people didn't do enough to combat that. Personally, I think it's a tragedy. The European Union has many advantages for everyone and it's a community and the sense of community was damaged by this. Unfortunately, it was also a campaign for Brexit that exaggerated fears about immigrants or [fears about] domination by Europe. So it was a bit of a misinformation campaign. I'm hopeful, though, that Europe and the UK will stay united in some spiritual sense despite this.

7. From Brexit to the current U.S. presidential race, disruptive political narratives are playing an important role. We have seen Donald Trump, for example, running on a political platform mostly based on his own narrative rather than on facts. What does the rise of Trump say about the importance of narrative on elections or on markets overall?

The Donald Trump phenomenon is a beautiful example of the importance of narrative. In the primaries leading up to his nomination as the Republican Party candidate, there were many other candidates who looked perfectly plausible—in fact, more plausible in my opinion. And they just faded away. It was his showmanship and the stories that he generated. The narratives that would be spread then by word of mouth about Trump that powerfully swayed voters in the primaries and continues to do so today. The problem is that you cannot argue against a narrative with statistics. So if Donald Trump tells a story about Mexican immigrants committing crimes in America, you might try countering it by saying that actually their crime rate is actually no higher. That's the statistic. But Trump just ignores that and continues to tell stories as if they were a danger. In order to counter that you have to form a narrative, another story, that outperforms his narrative. That's a challenge for Hillary Clinton and she's trying to do that. I think he's a tough man to beat on narrative. He has a sense of story quality and a sense on how to do it.

8. Now let's talk about the future of the financial markets. In particular, how do you think that the emergence of FinTech firms (financial firms relying in technological innovation), with their optimistic and easygoing narrative, will have an impact on consumer's investment decisions?

I feel positive about financial innovation. It has a very important role in our society because it brings a real technology to solving real problems. The fundamental problems that help

“When research is narrowly defined, then it can become repetitive. The interdisciplinary cross-fertilization is, I believe, extremely important.”



Robert Shiller. Credit to Gosia Majewska.

make a country prosperous and have shared prosperity are problems of risk and incentivisation. We can diminish the impact of economic risks if we have plans to share the risks and we can help incentivize people if people are given a share in the benefits or profits that an enterprise makes. So I'm sounding traditional as a finance professor, but I think that finance needs to also take into account human behaviour, incorporate that into a broader vision for finance, and it will make for a better world.

9. What is your reading of the IAST story? What is the narrative of your visit to Toulouse?

Well, my visit to Toulouse involved speaking to people with many different perspectives. And I found it very instructive for me. You have some very smart people here working in different traditions and coming together. At least I saw them coming together. And I think that is extremely important for research. When research is narrowly defined, then it can become repetitive. The interdisciplinary cross-fertilization is, I believe, extremely important. And I saw it happening here.

10. Professor Shiller, for the final and million-dollar question: who's right, Eugene Fama or yourself?

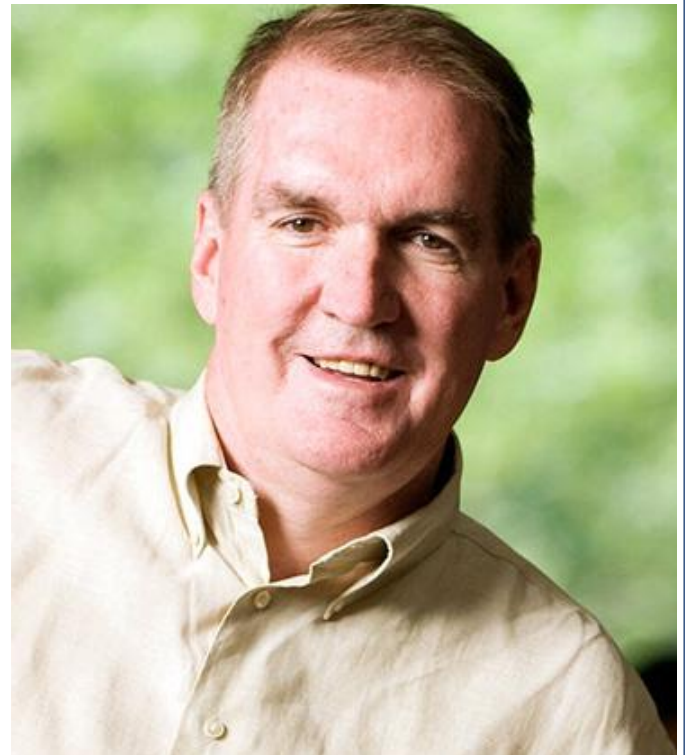
[Laughs] Eugene Fama and I won the Nobel Prize on the same year but we have often been described as opposites. I actually am a big admirer of Eugene Fama. And I do not think he's opposite. He's not opposite me. I think we agree on basic facts. And I think, though, that there's a different rhetoric. I think we belong to different parties. I don't actually belong to a party, and maybe he doesn't either. But he has a different way of summarizing and he has a different policy prescription. I'm sure he's less sympathetic to government intervention. But these are judgment matters. I think it's ok. I think people in disciplines have opposite views, but as long as they are respectful of the facts, their research is useful. And so I have used Eugene Fama's research and I've read it carefully and I think it's basically right if you can get away from the politics. ■

Talking about depressions:

An interview with Timothy Kehoe

by Kristina Hagen

*Timothy Kehoe is an American economist currently working as a professor of economics in the University of Minnesota. He is also an advisor for the Federal Reserve Bank of Minneapolis and the President of the Society for Economic Dynamics. He has worked a great deal with macroeconomics and great depressions. In 2007, he published with Ed Prescott the book *Great Depressions of the Twentieth Century* where they analyse the depressions that Europe and North America faced in the 1930s, and the ones that Latin America experienced in the 1980s. The TSEconomist met with him during the annual Society for Economic Dynamics (SED) Congress organized in Toulouse this past July.*



Timothy Kehoe. Source: University of Minnesota, College of liberal arts.

1. How do you define a great depression?

Ed Prescott and I said that a great depression is when you have a 20% deviation downwards from what a potential balanced growth path would be. We use output per working age person and in the United States this has grown at a 2% rate



Surplus Commodities Program, 1936. Source: wikipedia.org.

in per-capita terms since 1875. So, we look for big deviations downwards from that. Big deviations upwards, the US has not had. But they have had big deviations downwards like in the 1930s and that was a great depression.

Basically, the episodes we identified were in Europe and North America in the 1930s, in Latin America in the 1980s, and some other isolated cases. In Latin America, the period of depression is called "The Lost Decade" because the countries lost ten years in terms of economic progress. A country that is in a great depression right now is Greece. Some other countries

"The big question is: What kind of mistakes can a government make that leads to 10 years of falling output?"

like Spain, Italy, and Portugal are close to that. It looked like they were starting to grow the past two years, but now I have doubts whether that's going to keep up.

2. How can we explain an economic crisis with macroeconomic theory?

There is something called business cycles, and business cycles are small deviations around the growth path. They occur mainly because of shocks—such as shocks in the terms of trade for a small open economy or interest rate shock.

Great depressions are something much worse. They last for a longer period and are much deeper. Prescott and I found from the cases we looked at that the depressions were a result of bad government policy. We tried to identify what that policy was. Sometimes we could just say what policy was not. The big question is: What kind of mistakes can a government make that leads to 10 years of falling output?

I specifically worked on comparing Mexico and Chile. Both Chile and Mexico started the 1980s with very large economic downturns, but then Chile righted itself and started growing very vigorously. After 4 years of severe contraction they just started growing. This continued for 15 years and was one of the best periods of economic growth in the world. Chile used the opportunity to make reforms, to clean up the banking sector, and to get growing—whereas Mexico did not. Instead they nationalised the banks, which then operated inefficiently. They had bad bankruptcy procedures. Mexico also had companies that were hiring a lot of workers, but that were not growing or innovating. They were doing nothing better than surviving. The companies were zombie institutions. This went on in Mexico for about 10 years and it killed the economic progress in the country during the 1980s.

3. What are often the causes of great depressions?

External shocks can cause temporary downturns, but it is mistakes in government policy that turn these downturns into great depressions. Government behaviour is the main cause.

For example, Finland was in a severe economic downturn because people make mistakes. This led to the Scandinavian banking crisis in the early 1990s. But if there is a reform you can get out of this situation. Finland nationalised half of the banks and within two years they had either gotten rid of the



Flags of Scandinavia. Source: wikimedia.org.

banks or reprivatized them. This is similar to what happened in Chile.

The 2008-2009 financial crisis in the US was not that severe and so it didn't lead to a great depression, but it was government policy that deregulated financial markets without thinking of the consequences. Actually when the financial market was failing due to activities that should have been judged as criminal for the people in the financial sector, the US decided it was more important to get growing again, and they didn't prosecute many of these cases.

“The 2008-2009 financial crisis in the US was not that severe and so it didn't lead to a great depression, but it was government policy that deregulated financial markets without thinking of the consequences.”

4. Which structural reforms have most commonly been used to escape a recession?

It depends on what goes wrong. Great depressions can be caused by a lot of things, so what you should do is fix what goes wrong. In most cases the financial system failed. In other cases, there may be big problems in the labour market, and so there is need for reforms in the labour market. Often it is a financial problem, but whether the financial system is the cause of the crisis or that it just collapses under the weight of crisis, we cannot always tell. It might not be the shock that causes the crisis, but if you let it collapse and do nothing to fix it then you are going to have a problem and a great depression. This is what happened also in Japan. When Japan found out that



Pamphlet for the Chilean constitutional referendum, 1980.

banks were collapsing, the government would prop things up without doing anything to change their incentives. This wastes a lot of money without making anything better. Another example is Spain. Here they were doing a lot of government spending as well. What they were doing was tearing up all the pavements in the city and then putting down pavement again. I mean what you could do is destroy 10% of the housing stock and hire construction companies to rebuild the houses. But that might be a crazy policy. There is nothing wrong with having policies that help a certain industry or city, but you should try to make the spending have some social sense.

“There is nothing wrong with having policies that help a certain industry or city, but you should try to make the spending have some social sense.”

5. What are your thoughts on today's situation?

To have depressions you need mistake after mistake along with a period of economic contraction. Countries in the European Monetary Union (EMU) got into trouble because the fiscal coordination imposed by the Maastricht Treaty did not work. Actually, some of the first countries to openly violate this treaty were Germany and France. In 2013, Mario Draghi was willing to do whatever he could to keep EMU going and people interpreted that like he was willing to bail out and give loans at arbitrary low interest rates. Now worldwide interest rates are so low that he does not have to worry about it.

Italy and Spain are paying interest rates with 150 basis points—i.e. 1.5% above interest rates on German bonds—but they haven't done anything to clean up their fiscal situations. If interest rates go back up, they would be in trouble again because they have massive debts and deficits they need to borrow. Investors would see that they would have difficulties paying back and thus would not buy the debt of Italy and Spain, and they would be back in the same situation as in 2011-2012.

6. Would you think it is necessary to impose similar reforms in Europe as those imposed in South and Central America?

They're going to have to do something. Both the European Stability Mechanism and the European Central Bank are aware that this situation is a dangerous one. At some point, they need to clean up the banking system. Also Brexit is a real challenge. There is some fear that Brexit could break up the European Union and that's why there are people in the EU that want Britain to have an unpleasant exit so that they don't encourage this for anyone else.

7. What is a balance of payment crisis?

A classic balance of payment crisis occurs when countries, especially less developed countries, would try to control

inflation by fixing the exchange rate. It was common up until the 1980s or early 1990s.

Suppose you are in a developing country and for all kinds of different political reasons you would like to spend. You want to make transfers and it is tough to collect taxes because of corruption or other reasons. Pressure to spend implies running a deficit. What you would like to do then is borrow. Then if foreigners become unwilling to lend to you, you print money. At that stage you could get a lot of inflation. In order to keep the inflation under control, the government makes promises of controlling the nominal interest rate. Say the government wants to keep the exchange rate of pesos to 10 pesos per dollar. They could sell as much as they're willing of their reserves of dollars to keep the exchange rate low. And at some point, they run out of the reserves. That is the classic balance of payment crisis.

The more unclassical one is when we mix exchange rate policies with government bonds or financial systems such as banks. A run on currency could lead to the banking system collapsing. This is because the banking system had indexed or denominated things in dollars. This is referred to as the twin crises by Reinhart and Kaminsky. This was the case in Mexico in the 1980s and in Argentina in 2000-2001.

8. Why do we see less occurrences of the classical balance of payment crisis?

I think countries have realized that they need to use monetary policies to control inflation and not exchange rate policy. Using exchange rate policy to cause inflation seems to work if the short run, but in the long run you are going to get in trouble.

“If the government wants to run deficits in a situation of crisis to smooth consumption, they will need to run surpluses later to reduce the debt.”

9. How can you explain a balance of payment crisis with macroeconomic theory?

The government has an intertemporal budget constraint. They can violate this constraint anytime by borrowing or printing money, but they cannot do that forever. So ultimately they run into a crisis because they try to push the constraint too hard. The government cannot spend or make transfers without paying attention to how much revenue it can bring in. If the government wants to run deficits in a situation of crisis to smooth consumption, they will need to run surpluses later to reduce the debt. They cannot have the debt growing faster than the economy. ■

On the econometrics of matching

by Shruti Sinha

Al Roth, in his 2012 Nobel speech, noted that matching markets are some of the most important types of markets that we are involved in—in fact, matching markets can determine what schools we go to, what jobs we get, and maybe who we marry. Both, Al Roth and Lloyd Shapley, who jointly won the 2012 Nobel Prize in Economics, have worked extensively on the fundamental problem of market design in such markets. Most notably, their research has led to many improvements in the National Resident Matching Program in the US hospitals, and to the creation of a matching program that matches kidney donors to patients. Early works in this area were mainly concerned with developing the theoretical tools to understand the allocation mechanism in such markets. In fact, the economic theory of matching models has been around for more than five decades. However, it is only recently that there has been a surging interest in taking these theoretical matching models to the data. One reason for this has been the easier availability of datasets that are observed at the level of the matches, be it men/women matching with spouses; students matching with schools and colleges; residents matching with hospital residency programs; and many more. This has posed a set of new questions and challenges for the econometricians and empirical economists alike. The econometric challenges lie in finding the right set of conditions given the features and limitations of the dataset, under which we can formulate credible strategies to estimate the agent preferences for matching.

Simply put, a matching market is a two-sided market with disjoint sets of agents on the two sides. Agents on both sides have a say in forming a match or remaining unmatched according to some innate preferences. These matching preferences are usually what we want to estimate from the data. As empiricists, we assume that the match allocations observed in the data are generated in equilibrium, or according to some stability criterion.

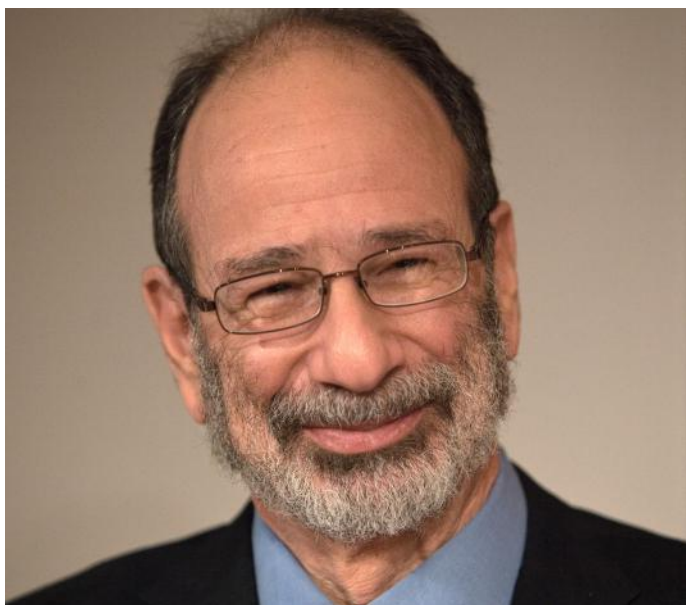
Broadly, this literature on matching can be classified into two strands—one where transfers or prices play a role as a mechanism to clear markets (transferable utility models, or TU), and the other where transfers do not play a role (non-transferable utility models, or NTU). Each of these can be further classified

“Matching markets can determine what schools we go to, what jobs we get, and maybe who we marry.”

based on how many matches agents on each side are allowed to make. For example, in a school choice problem, one school can match with multiple students but one student can match with at most one school. This is called one-to-many matching. In a traditional marriage market, one man can match with at most one woman and vice-versa. This is called one-to-one matching. We can also have the case where, say, an upstream firm can choose to match with many downstream firms and vice-versa. This is called many-to-many matching. Depending on the setting of our application—whether it is TU or NTU, and how many matches an agent can form—the matching model can have different implications on the number of stable allocations, whether the stable allocations are efficient, etc. For concreteness, let us look at the questions and challenges posed to empirical research in a couple of these models.

Marriage Markets

A widely studied case of matching in the empirical literature is that of the marriage market. A major question often posed in this literature is how a policy or technology shock affects the matching patterns or the agents’ preferences to match? For example, what is the impact of improved birth control technologies and/or abortion laws on the matching patterns?



Alvin E. Roth. Source: [wikimedia.org](https://commons.wikimedia.org/wiki/File:Alvin_Roth.jpg).



Edwin Longsdon Long - *The Babylonian Marriage Market*.

To study such questions, an empirical strategy could be to estimate and compare the preferences of men and women before and after the policy/technology shock. This is not always straightforward. Marriage markets have usually been modelled as a TU one-to-one matching model. This model has some advantages as Shapley and Shubik (1972) show that the stable allocation in this model is unique and efficient. We can use these implications to estimate the preferences of agents. But, transfers here can be non-monetary and determined as a result of intra-household bargaining. Thus, transfers can be thought of as endogenous and unobserved market clearing prices. Dealing with these transfers can make the estimation problem challenging.

In the data we observe who marries whom, including observed characteristics of the spouses. Becker (1973) suggested that if men and women just matched on a single dimension, say years of schooling, then provided the level of education of our spouse is a complement to our own level of education, we should observe positive assortative matching. That is, men with high (low) level of schooling match with women with high (low) level of schooling. The reality, however, is more complicated. In the data, we observe many more types of matching. This is because individuals tend to match on more than just one observed characteristic of the spouse. Moreover, there can also be many unobservable characteristics that go into the match consideration. How we parameterize the preferences of the agents in terms of the observed and unobserved covariates will determine how credibly we can identify the preference parameters. Fox (2010), Choo and Siow (2006), Galichon and Salanié (2015), and Sinha (2015) all give different sets of conditions to identify and estimate the preference parameters.

School Choice

Another widely studied matching problem is the allocation of students across schools. Usually monetary transfers are precluded in these problems. School choice has been modelled using NTU one-to-many matching. In such a market, there need not be a unique stable match allocation. Plus, it is possible that these stable match allocations are not efficient. Thus, for the estimation of preference parameters, we can only rely on the moment inequalities that are implied by the condition of “stable matching.” In fact, most empirical studies have considered the matching process when the match allocation is centralized, i.e. a social planner allocates students to schools based on students’ revealed rankings subject to the capacity constraints of the schools, making it in effect a one-sided problem.

“Individuals tend to match on more than just one observed characteristic of the spouse. Moreover, there can also be many unobservable characteristics that go into the match consideration.”

Here, an important theoretical and empirical question of interest has been to find a stable match allocation that maximizes the net welfare of the market. At the centre of this debate has been two allocation mechanisms—the Boston Mechanism (BM), a system in which students (or their parents) have an

incentive to misreport their preferences, and the Deferred Acceptance (DA) algorithm where truth-telling is a weakly dominant strategy. Theoretically, it has been argued that the BM can give unfair advantage to students with sophisticated parents whereas DA is strategy-proof. The Boston School Committee voted in 2005 to replace the BM with a DA mechanism, based on such theoretical discourse.

“Thus, for the estimation of preference parameters, we can only rely on the moment inequalities that are implied by the condition of “stable matching.”

To test this empirically, we need to understand what drives these match allocations. In other words, we need to find a way of estimating agent preferences. We can use these to perform counterfactual analyses that involve computing the welfare gains/losses under different equilibriums in a given market. In fact, He (2014) shows that even under DA algorithm, students with naïve parents enjoy a utility gain only if the true population has a sufficiently small percentage of naïve parents. And, sophisticated parents always lose. This suggests a more mixed verdict that does not always favour the DA mechanism.

What is Next?

The empirical literature on matching has made many leaps in recent years, but much remains to be done. The focus has primarily been on one-to-one matching models. These models have so far considered matching on observed and perhaps unobserved characteristics, which are exogenously given. But in reality, it might be the case that the covariates that agents

match on are in fact endogenous. For instance, it might be the case that our marital prospects affect our decision to invest in our human capital. What implications can this have for estimating the preference parameters in such models?

Apart from a few exceptions, we still need to make methodological advances in estimating decentralized one-to-many and many-to-many matching models. That is, there is scope to study these models with the supply side preferences endogenised. In the school choice example, there are markets where the match allocation is not centralized. Here modelling the supply side becomes important, so we can study it as a true two-sided matching problem.

“The focus has primarily been on one-to-one matching models. These models have so far considered matching on observed and perhaps unobserved characteristics, which are exogenously given. But in reality, it might be the case that the covariates that agents match on are in fact endogenous.”

Finally, it should be noted that most of the empirical literature has been performed assuming frictionless matching. One way of interpreting this is to say searching for a match is costless. However, there is a large theory of search models. A fruitful area of research for the future can be to do empirical work in matching models incorporating search frictions. ■



Shruti Sinha



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What caused the Spanish housing bubble?

by Alea Muñoz Guisande

In 2008 the financial crisis hit modern economies. However, not all countries were affected the same way. If we focus on Spain, the unemployment rate in 2013 was nearly 23%. This extremely delicate situation triggered huge social dramas. The most well-known of these social problems in Spain is eviction. We talk about eviction when financial institutions force a family to leave its house because it is not paying the mortgage. So far, other European countries proceed the same way.

The particularity of Spain is that evictions do not cancel debts, and as a consequence families must pay their mortgages even if they have turned over the house to the bank. The worst year was in 2010 with 93,636 families getting evicted from their homes. In other words, more than 10 families per day got evicted. This social drama affected mainly middle and low social classes. At this stage and after observing this data, one may ask oneself, why did this happen? Why did banks give mortgages to insolvent agents? Why did institutions not notice anything?

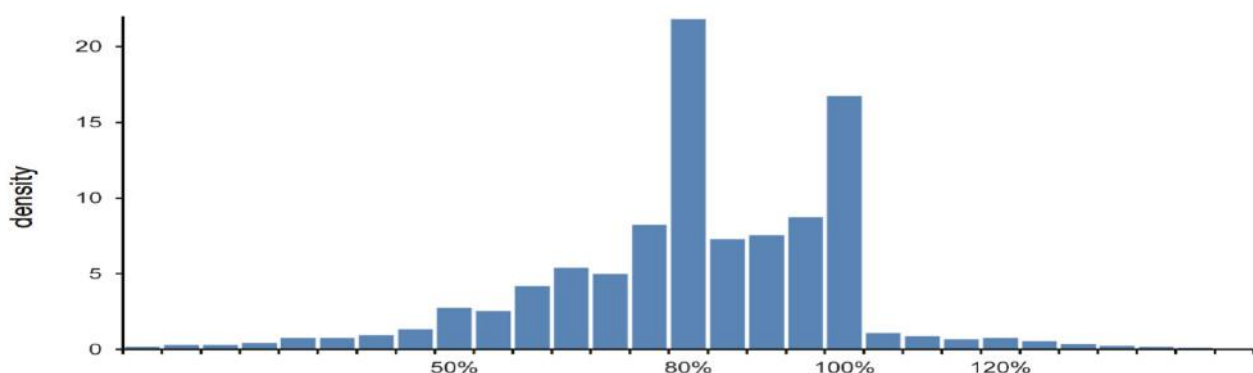
Before answering these questions, one must look at how the Spanish housing bubble was created. Most economists agree that the Spanish bubble started in 1998 and crashed in 2007 and that it was partially caused by the incentives agents had to buy houses. Among these incentives are the following: low interest rates; tax reductions made by the Spanish Government, until 2013, for all households that had a mortgage; and the “belief” that prices would rise because of the increase in immigration and in wages. All bubbles are speculative and are based in “beliefs” as stated before. However, were these “beliefs” right? Were the prices increasing for economic reasons? The fact is that they were not. For example, it is true that Spain experienced a wave of immigration around 1998, but in 2006

the situation was out of control: there were more than 800,000 houses built for 200,000 new households. It might also be true that prices increased in 1998 because of the “euro effect.” After Spain joined the euro zone in 2001, some economic agents bought houses with undeclared money. In any case, in 1998 there were good reasons to believe that prices would increase but these reasons only lasted for a couple of years. The economic situation in 2006 was completely different.

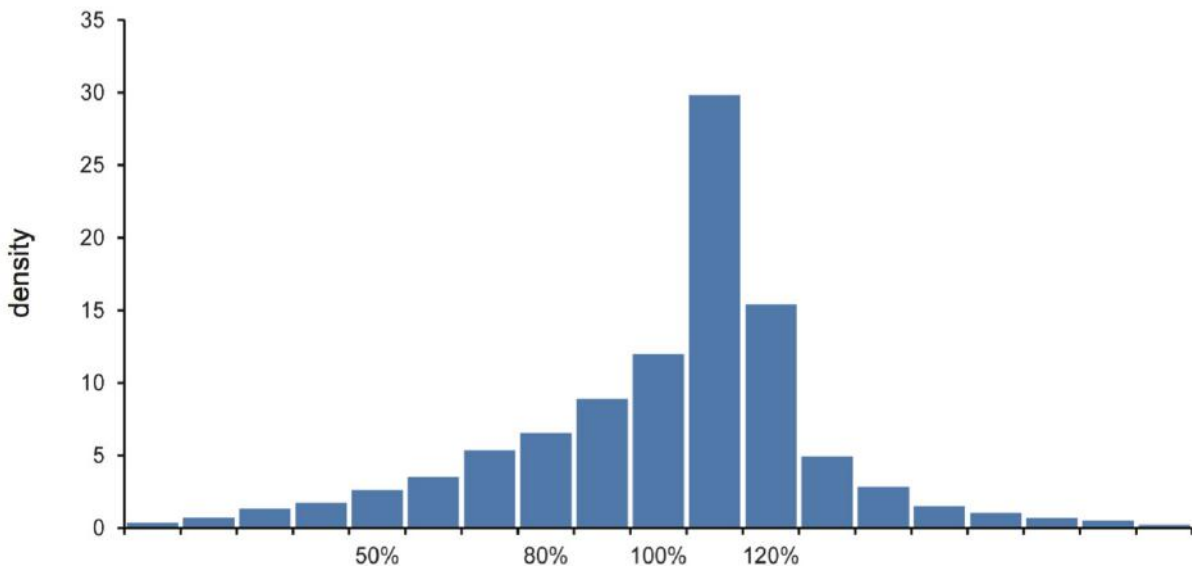
“The particularity of Spain is that evictions do not cancel debts, and as a consequence families must pay their mortgages even if they have turned over the house to the bank.”

Focusing on financial institutions, an interesting question to answer is what made the banks give loans to all kinds of households. Answering this question requires an understanding of how mortgages are structured in Spain. The risk of a mortgage is computed through the loan to value (LTV) ratio between the value of the mortgage, which is given, and the value of the house. It is important to note that the value of the house is the one that appraisal companies computed. Recall that appraisal companies give prices to houses according to certain characteristics. The Bank of Spain has estimated that an LTV equal or inferior to 80% is a good mortgage, because of the fact that

Loan to appraisal value



Source: García Montalvo J. and Raya Vilchez J. “What is the right price of Spanish residential real estate?”



Source: García Montalvo J. and Raya Vilchez J. "What is the right price of Spanish residential real estate?"

20% of the value of the house has already been paid. However, the closer an LTV is to 100% the riskier the mortgage is, and the higher the probability of not paying back the debt. If the bank was facing a mortgage with an LTV higher than 80% it was unlikely that the Bank of Spain would accept it.

In a recent working paper titled "What is the right price of Spanish residential real estate?" published by two professors from Pompeu Fabra University, Jose María Raya and Jose García Moltavo, the conclusion is that banks actually managed to give mortgages that were not following the policies of the Bank of Spain. Here is what happened: if a worker in a financial institution was in front of a family whose LTV was equal to 100%, they called to the appraisal company and asked it to change the price of the house in order to get a lower LTV. Consequently, the appraisal company raised the price of the house, the bank could then give the mortgage, the buyer could happily enjoy his new home and the Bank of Spain was none the wiser. The two professors got to this conclusion by calculating the LTV with the market prices instead of the appraisal value. They observed that all real LTV were greater than 100%. This shows that banks gave mortgages to insolvent clients and prices were extremely high because of the distortions between appraisal firms and financial institutions. However, as the institutions did not notice, financial firms continued to give mortgages to insolvent clients. This lending practice led to the so-called Spanish bubble, which burst as thousands of families were unable to pay back their debts.

Another important estimator that contributed to the increase of the bubble was the poor data for housing prices. The Department of Work used the appraisal prices, which, as mentioned above, were not a good reflection of the real housing prices. First of all, they were not connected with market fluctuations. Another important fact to remember is how financial entities had high incentives to tell the appraisal companies to distort prices. What is even worse was how this housing price index was computed by the administration. The housing price index was calculated by taking the average. There is a popular Spanish saying that "you cannot compare apples with pears." It is quite obvious that housing prices should be compared according to certain characteristics. Fortunately, in

2008 the Spanish National Institute of Statistics of Spain (INE) elaborated another index that takes into account the critiques exposed above.

The Spanish housing bubble is a clear example of the consequences that bad incentives, interferences on price formation, and poor statistics can have in the economy of a country. We can understand what happened like a series of distorted behaviours. That is, agents were buying houses according to some "beliefs" that were not rational, financial institutions and appraisal companies were manipulating prices in order to get more profits, and the administration was computing a price index that was far from reflecting real house prices. But behind this economic reasoning, there were thousands of Spanish households.

"The Spanish housing bubble is a clear example of the consequences that bad incentives, interferences on price formation, and poor statistics can have in the economy of a country."

The Spanish housing bubble has devastated families: people committed suicide because of evictions, elderly ladies were forced to leave their homes, and children have suffered from poverty. This is why it is important to know if something has been done in order to give the appropriate incentives to all agents. The Bank of Spain, for instance, no longer computes the LTV with the appraisal value but with the price that is registered in the notary. In this context, appraisal companies would not raise the price of the house in order to help buyers get a lower LTV. If they did, buyers would have to pay more taxes to the Government. However, the construction industry has been growing since 2013 and recent news has shown this sector will keep growing in 2017. Could Spain make the same mistake again? Have all the bad incentives been removed? ■

God insures those who pay?

Running a lab-in-the-field experiment in Accra, Ghana

by Eva Raiber and Julie Lassebie (with Amma Panin, Emmanuelle Auriol and Paul Seabright)

When you look back and ask yourself why you started working on a specific research topic, your answer will probably be that it was a mixture between interest and opportunity.

The research area of the economics of religion is not part of mainstream economics; however, it is an established field gaining prominence in the last 25 years. In an economist's view, religious groups have an important role in solving collective action problems and promoting intra-group trust among their members (Iannaccone(1992), Bermann (2000)). To do so, religious groups charge high monetary and/or behavioural costs to members in order to screen them for quality. Adherence to a religious group and rigorous religious behaviour are thus seen as a form of costly signalling. Described as a type of private club in the economic literature, goods and services provided within religious groups depend on the quality of other members, such as informal insurance networks that depend on the reliability of other members.

That religion still plays a very important role in the life of an average individual might come as a surprise to those that believed that with economic development and the spread

of education, religiosity would decrease. However, there are many parts in the world where religion has continued to play an important role and even new players entered the field.

“Adherence to a religious group and rigorous religious behaviour are thus seen as a form of costly signalling.”

The intriguing phenomenon of new churches that establish themselves in many developing countries was what incited our interest in this area. Charismatic and Pentecostal churches developed during the 20th century and are now prominent in many countries such as the US and Latin America but particularly in Christian Sub-Saharan countries. They emphasise the involvement of the spirit in everyday life, allowing pastors to heal church members and church members to receive gifts of a spiritual but also monetary dimension.



Market in Ghana. Source: wikimedia.org.



When our future co-author Amma Panin, a PhD student in Berlin, proposed to investigate the role of Pentecostal churches in Ghana, we took the opportunity to work in this promising research field. Ghana is particularly interesting research ground since it has an extremely high level of religiosity, according to the World Value Survey 2010-2014, where 98.5% of the respondents state that religion is important in their life.

In Ghana, as in many developing countries worldwide, formal insurance rates are low, even though poor people face many risks and they are the most vulnerable to economic shocks. Micro-insurance is a concept developed to adapt insurance contracts to those with limited resources, but the sector's growth has been lagging behind expectations. This apparent puzzle has occupied development economists for some time now and studies have highlighted that lack of knowledge, limited financial literacy, misconception of the insurance principle and lack of trust are commonly cited barriers to the spread of micro-insurance (Karlan et al. (2014)), Zwane et al. (2011)). Besides, there is evidence that poor people do engage in risk-spreading activities and are part of informal risk-sharing networks (Mobarak and Rosenzweig (2013)).

We were thus wondering if churches also take over the role as risk-sharing networks and provide some form of informal insurance to their members, a hypothesis for which there is some evidence (Chen (2010), Ager and Ciccone (2014)). We decided that this question would be best answered by a lab-in-the-field experiment in which we randomly allocate formal micro-insurance contracts and then measure how this affects the willingness of church members to donate money to the church and other charitable recipients.

Over the course of approximately 8 weeks, we collected data on more than 800 individuals. The main sample of our study consists of 576 regular church-goers. Our study comprises a questionnaire containing questions about participants' socio-demographic status and religious behavior, as well as an economic game designed to capture participants' preferences regarding religious giving. During this game, participants had the possibility of donating money to their own church as well as making a spiritual offering and giving to a charity. We introduced the two non-church recipients in order to see whether giving to the church community was a crucial component for the substitutability between formal insurance and religious donations, or whether the spiritual dimension of giving was more important.

As our treatment, we offered to two thirds of participants a formal insurance policy and we were interested in how this would affect donations to the three different recipients. The insurance scheme was a funeral policy that would pay 1000GHS (250€) in case of the participant's or one designated family member's death in order to cover burial expenses. The treatment therefore necessitated a discussion about planning for death and we expected that the increased salience of the risk of death could modify religious donations and confound the treatment effect we wanted to isolate. As the experiment was designed to isolate the effect of being enrolled in insurance only, we offered the same information about the insurance policy to our control group, so that the same issues of death would be salient in both settings. In order to see how participants react to the priming, we also added a second control group in which participants were not informed about the insurance policy.

“Charitable giving thus seems to be a strategy that church members use to cope with risk, presumably because they expect to be protected if they behave in a certain way.”

In general, church members decided to give approximately half of their endowment to the church. Additionally, we found that enrolment in the formal insurance policy reduces giving to the church by 16%. This suggests that there is a degree of substitutability between formal insurance and religious donations, and therefore that there is an insurance motive behind church giving. However, enrolment in the insurance policy also decreased donations to the two non-church recipients by approximately the same amount. This indicates that our experiment captures a type of spiritual insurance derived from belief in a protective divine being. We also found that priming subjects with the risk of death increases donations to the three recipients, which is in line with the idea that focused discussion of risk put participants in a fearful state. Charitable giving thus seems to be a strategy that church members use to cope with risk, presumably because they expect to be protected if they behave in a certain way.





Prayers in Africa. Source: wikimedia.org.

Our study was run in cooperation with the Central University College in Accra, who provided support in many dimensions. As one important take away from this experience, we realized how important it is to have a reliable and competent local partner institution. In our case, we were lucky to have several enumerator and cooperation partners that helped us at every step of the project. No matter how prepared one is, there will always be challenges that you did not expect and you will rely on local partners to help you. In the end, together with our enumerators that also took over the role of coordinators and recruitment managers, we could overcome several difficulties.

In our case, one of the biggest difficulties was to recreate a proper laboratory where we could run the experiment. Since we had decided to collect data electronically to avoid data recording mistakes, we travelled from Europe to Ghana with twelve computers in our luggage. There, because of power cuts, one recurring concern was to get power for the study's computers. In order to insure anonymity, we also had to build dividers to place between participants' desks for which we had to use our limited skills as handymen.

Part of our job in the field was to recruit participants, the constraint being that they had to belong to a particular church. Thus, we spent many Sundays running from church to church to present our study to Pastors and church members. Gaining the trust from pastors to allow us to address their congregation was not easy and only possible in many cases due to connections established by our partner university.

Because of traffic congestion in the capital city, participants were sometimes reluctant to meet us far away from their home. Therefore, we occasionally moved our lab from the room that

the partner university provided to literally go into the field. The craziest place where we had to settle our transportable lab was on a terrace in one of Accra's neighbourhoods, on a day when heavy rain was expected and where little animals were crawling around us.

In addition to allowing us to collect data for our thesis, this time-consuming but amazing experience gave us the possibility to spend time and work in a sub-Saharan country, and understand better problems faced by households in developing countries. We also had the opportunity to develop project and team management skills, a plus for any researcher and a necessity for non-academic jobs. We are thus grateful to all of those, including our thesis advisors, who made this experience possible. ■

The TSEconomist
Student Magazine

About the Absence of Pluralism in Economics

by Manon Schuegraf

In economics, there is no inherent truth, no unyielding theoretical construct that can explain the world. Economics is a perpetual process of evolution coined by a multitude of influences from other fields – history, psychology and political science to name a few. The aspired result is not to create the ultimate theory, but to attain a critical perspective on the plurality of theories out there. While pluralism is taken for granted in other disciplines, alternative economic theories are fighting to survive. Have you ever encountered Institutional, Ecological, Marxist, Post-Keynesian or Austrian schools of thought during your studies? A graduate in economics who is familiar only with Neoclassicism should be just as much ridiculed as a philosopher who has dealt only with Descartes.

“Granted, models can never be an exact representation of reality. However, by considering a wider range of theories and interdisciplinary discoveries, one is sure to come closer.”

Economists work with models and communicate through the language of mathematics. Yet the objective behind these models is to describe human behaviour. Therefore, marginalizing psychological discoveries in stem lectures and modelling human beings as rational, utility optimizing machines cannot lead to an accurate portrayal of human interaction. Instead, it would be appropriate to start questioning our rationality and abandon the simplified model of the homo oeconomicus. Granted, models can never be an exact representation of reality. However, by considering a wider range of theories and interdisciplinary discoveries, one is sure to come closer.

German universities in particular are currently in a critical position. The quality of higher education seems to have degenerated into a neoclassical orthodox theocracy, where educators advocate for normative dogmatism, conveying ideals rather than facts. Students are taught of the crime of state intervention and the immorality of deficit spending. Letting Germany's reputation as an “austeritarian” liberalist state interfere with education could lead the next generation of economists to make the same mistakes as current leaders have made.



Source: flickr.com/joemud.

One way to tackle this problem is through student activism. In recent years, German students have formed groups and networks, have become activists to integrate pluralist concepts into lectures to widen students' horizons. Netzwerk Plurale Ökonomik e.V. (Network for Pluralist Economics) for instance, connects different student initiatives in 33 German cities. To achieve a more heterodox economic landscape, they organize unconventional lectures, conferences, and seminars, providing opportunities for students to discuss and engage. It is a vicious cycle: an undiversified education leads to undiversified educators. This can only change if unorthodox economists are given the opportunity to occupy chairs at university and the publication of articles diverging from the mainstream is facilitated.

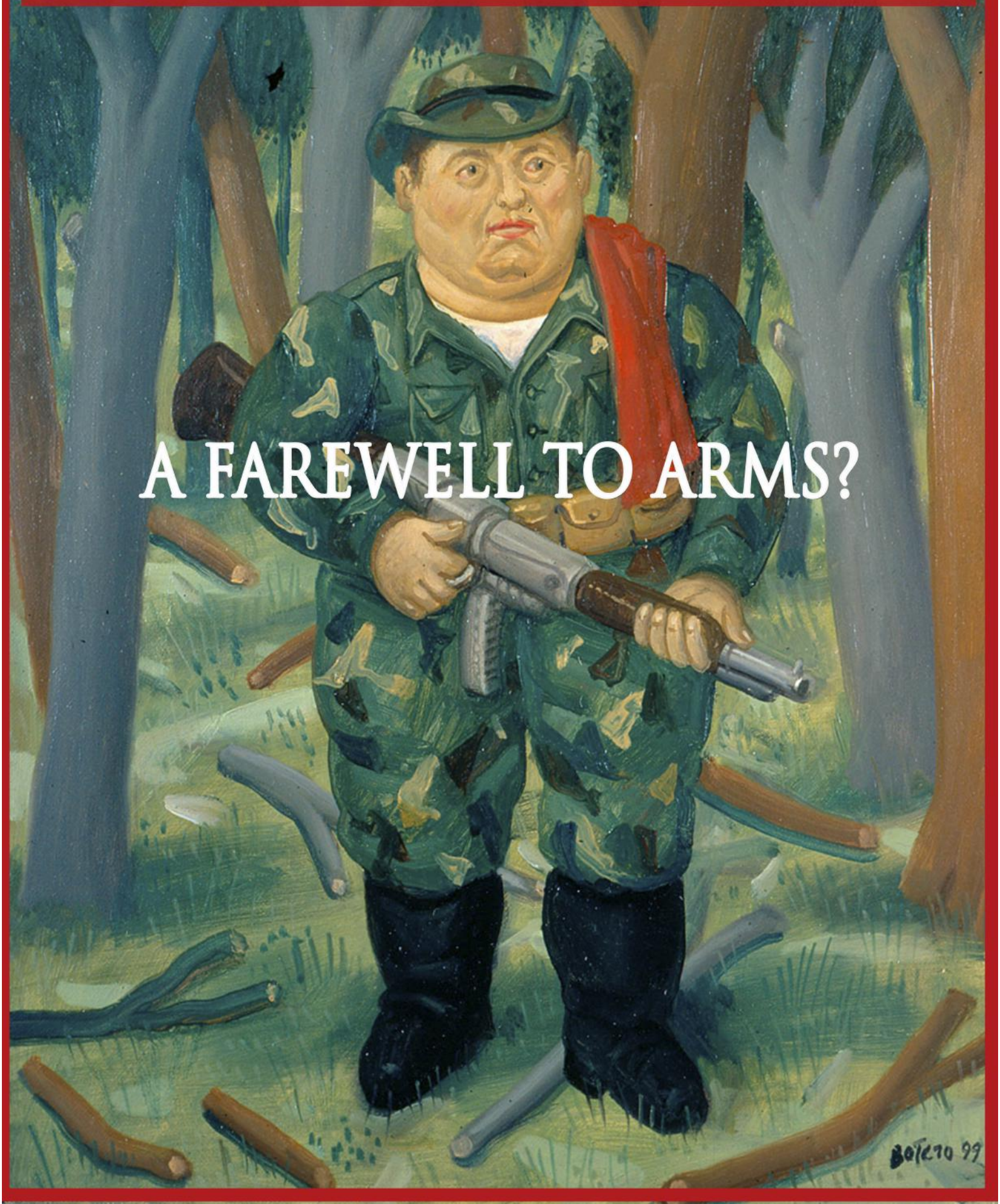
“It is a vicious cycle: an undiversified education leads to undiversified educators.”

The heterogeneous problems of our modern time require heterogeneous solutions, which orthodox Neoclassicism alone cannot provide. Unlimited trust in the infallibility of neoclassical models and serene acceptance of unrealistic assumptions cannot serve as a reliable foundation for constructive problem solving. Mainstream economics needs to open its doors and embrace pluralist thinking. ■

SPOTLIGHT

A FAREWELL TO ARMS?

BO/1210 99



An everlasting illness:

Violence throughout Colombia's history

by Nicolas Martinez



Batalla de Boyaca, Martin Tovar y Tovar.

Violence in Colombia since its creation as an independent state

In 1816 a Spanish expeditionary army easily retook control of the Viceroyalty of Nueva Granada after spending its first six years of independence in a fight between those who wanted a federal or a central government. After a four-year independence war, lead by Simon Bolivar, those lands regained independence in 1819 and formed a country called the Great Colombia (ranging from the Caribbean coast of Nicaragua to the north of Peru). However, after the death of the founding father, political leaders from the different regions started fighting for broader power and the country broke into three: Colombia, Venezuela and Ecuador.

Although the struggle for power was greater in one country. During the second part of the nineteenth century, Colombia had four different constitutions and names until the foundation of the current republic of Colombia in 1886. Nevertheless, the country had a sharp political divide between its political parties -the liberals and the conservatives, which ended with the War of the One Thousand days from 1899 to 1902. Besides making Panama an independent country, the end of this conflict brought nothing but a deeper and perhaps more structural political divide that fuelled rural violence for almost fifty years.

In 1948, the assassination of a liberal presidential candidate who was acclaimed by the masses, caused riots that lasted several days in the main cities and that almost destroyed the entire downtown of Colombia's capital. The rural violence between political parties, which was finally dropping, received a revitalizing boost from these riots and resulted in one of the bloodiest periods in the country's history, being popularly called as "The Violence", with around 200 000 casualties.

1953 began with social unrest after five years of severe violence, as the conservative government allowed non-government armed conservatives forces, sponsored by big landowners, to freely act against liberals and communist rebels. Violence was so intense that around 25% of Colombia's population fled the countryside looking for shelter in the cities. As a response to this situation, an army general, Gustavo Rojas Pinilla, came to power, initiating the only dictatorship in Colombia's history. The accumulation of power in one man boiled down to years of political violence, as both political parties started to unite against the new player in the struggle for power.

"The end of this conflict brought nothing but a deeper and perhaps more structural political divide."

The dictatorship brought development and infrastructure investments to a country in need, but had to face a countryside disregarded by the previous governments for decades. Even after offering an amnesty for all rebel leaders (liberals and communist included), the lack of institutional recognition and law enforcement could not fully stop criminal gangs and dissident political groups from spreading again terror and violence on the poorest regions. In 1958 democracy was restored thanks to the National Front, an agreement where the two traditional parties took turns to rule the government, excluding other parties from participating. However, the country could not just forget years of an undeclared civil war as targeted assassinations of former liberals and communist rebel leaders started occurring. It is in this context, where one of the few communist leaders that survived decided to go back to a guerrilla fight, founding the Colombian Revolutionary Armed Forces (FARC) in 1964.

The Cold War and drug trafficking: the rise and decline of the FARC

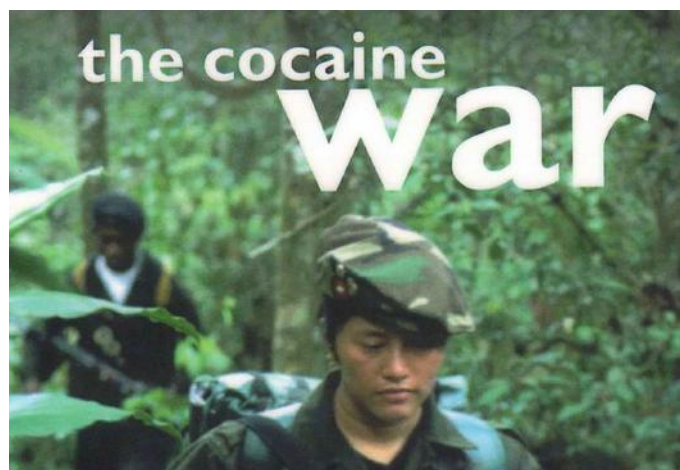
An important inheritance from the colonial system was an agriculture based on big landowners who paid low wages to their day labourers. This caused a growing and structural inequality that was reinforced by the political troubles that the country faced during its existence. Being in the middle of the Cold War and having the Cuban revolution as an example to follow, the FARC argued that the communist ideology was the best way to fix the huge inequalities and land distribution problem.

During its first two decades, the FARC had a slow but steady growth, finding support for its cause against big landowners and the government. In addition, as the National Front kept excluding non-traditional political parties, many other rebel groups appeared, competing with the FARC for influence and power in rural areas (as all of them followed either the Cuban or the Chinese example, both having rural population as their main recruiting target). By 1978 the FARC had around 1000 fighters.

In 1979, the triumph of the Nicaraguan revolution inspired communist groups in Colombia to initiate a more offensive approach regarding their expansion. In the beginning, kidnappings and extortion of merchants, peasants and landowners were their main source of income. However, even after an escalation in those activities, these resources were not enough to allow those groups to fully pursue their strategic goal. Around 1982 the FARC and the other communist guerrillas started looking at the drug trafficking business as a financial option to fuel their revolution.

Afraid of being ideologically corrupted by the financial bounty that the drug business was starting to give to criminal organizations such as the Medellin or Cali cartels, the guerrillas ap-

“The ideological foundations of the group were lost, as they embraced all sorts of criminal activities to survive, resorting to forced recruitment of children to keep up with the fight.”



Phil Rees, Source: vimeo.com.

proached the issue by taxing the drug production and transport (mostly cocaine and cannabis). From 1981 to 1986 the FARC passed from 10 fronts to 31, therefore being present in most rural areas of the country.

Under the growing pressure of the guerrillas in the countryside and the out-of-control urban violence caused by the drug cartels, the government carried out several peace talks with the guerrillas but they all failed after short periods of ceasefire. In addition to these two problems, the drug cartels and the landowners started financing right-wing paramilitaries to attack the communist guerrillas. Those groups received support from some members of the army, who saw them as a “fix to the communist problem”.

But those groups were financed mostly by drug money, which allowed them to expand extremely fast and to kick-off a new period of political rural violence that looked like ‘The Violence period’, skyrocketing the number of yearly deaths related to the conflict from 10 000 in 1985 to almost 30 000 in 1991. The new constitution of 1991 was an opportunity for communist guerrillas to demobilise and to enter the political stage, as some of them did, making the FARC and the National Liberation Army (ELN) the sole groups left.

The nineties came with the end of the big drug cartels and the fall of the Soviet Union. The communist guerrillas, now ideologically orphan, faced the threat of the ravaging right-wing paramilitaries, starting to rally as a single organization called United Self-Defense Forces of Colombia (AUC). The paramilitaries killed almost all the members of the FARC’s political party, the Patriotic Union. This party was born as a part of previous peace talks to bring the group’s fight to a political level and to avoid the current violence. But the assassination of at least 3500 members hampered the possibility of a peaceful exit for almost a decade.

In face of this new reality the FARC got involved in more stages of the drug trafficking business and used kidnapping as a political tool to put pressure on the government. The number of kidnaps passed from around 500 per year in 1995 to 3500 per year in 2000. The FARC kept escalating their terrorist actions against the army and the civilians, the country was on the verge of becoming a failed state. This new and bloodier phase of the conflict caused the FARC’s low popularity to be even lower, as their ideology got lost in the fight for more control over the drug traffic business.

In 2002, after a three-year failed peace talk, the FARC were at their strongest. They had around 18 000 fighters and their drug related income ranged between 200 million dollars to 3.5 billion dollars per year according to different estimations. Today, the wealth of this group (cumulated profits after the cost of sustaining their forces) is estimated to amount to several billion dollars. But the group's history was going to change as their drug trafficking business and relations with other international terrorist groups generated international attention and better military and financial support for the new government.

In 2002 a right-wing coalition government leaded by Alvaro Uribe won the presidential election promising to end the violence brought by those rebel groups. The army benefited from a revamp with the help of the Plan Colombia, a United States foreign aid program whose objective was to prepare Colombian forces to fight against drug trafficking. This, and the willingness of Colombia's elite to pay higher taxes after being targeted by kidnappings and bombings, allowed the Colombian army to push back those groups and slowly regain control of the countryside.

In 2006 the AUC demobilised after a much-criticized peace process where only the main leaders went to jail. This process helped, at the beginning, to reduce rural violence and allowed the government to focus its forces against the FARC. However, the incentives for middle and low rank demobilised members of the AUC to go back to live in society were not strong enough. Being rejected because of their previous criminal activities, they had a hard time getting back to regular life. Many former AUC members went back to illegality founding several criminal bands with no political affiliation and who only wanted to make profits from drugs, extortions and illegal mining.

Facing the pressure of the government's forces and the loss of many of its top commanders in combat, the FARC started to forge alliances with the criminal bands to survive. The ideological foundations of the group were lost, as they embraced all sorts of criminal activities to survive, resorting to forced recruitment of children to keep up with the fight; some estimations suggest that around half of today's FARC members were recruited as children. It is also worth saying that Uribe's government has been accused of human right abuses, enforced disappearances and links with the AUC, in this conflict both sides used any mean to try to win.

Having succeeded against the terrorist groups, Uribe was re-elected for a second term and was succeeded by Juan Manuel Santos in 2010, who arrived to office keeping the promise of fighting the rebels. After some significant military operations, killing the two main leaders of the FARC, Santos initiated a peace talk with the FARC. This new process created a huge political divide because Santos was elected as the heir of Uribe's military approach. The country started to divide again, between those who were in favour of the peace talks and those who opposed to negotiate with a fifty-year-old ter-

“Peace has always been a vague and forgotten concept that has never been fully experienced.”



Ejercito Libertador cruce de Cordillera de los Andes, Julio Vila Paredes.

rorist group. The division kept expanding and the referendum result was just a proof of how Colombia's politics and history keep repeating itself.

Violence as an intrinsic part of Colombia's narrative

Colombia's history keeps repeating with some variation in names and scales, ranging from the centralist against federalist conflicts of the nineteenth century, passing by The Violence with the liberal guerrillas and the conservative paramilitaries, to the fight between the FARC, the AUC and the government. Each time a conflict is solved a new source of division appears, making Colombians to always choose a side. Uribe was the first president of the country who did not belong to a traditional party and rallied the population against the FARC as the sole enemy. When Santos's peace talks threatened the existence of this non-spoken bipolar system, a new political division between Colombians appeared.

However, it is worth considering the differences between the previous political conflicts and the current one. First, the fight against the FARC is not dividing the country in two, as this group lost support from almost the entire population after years of terrorist acts. Secondly, this is also a conflict where drug trafficking and other illegal activities play a key role. It is no coincidence if this conflict is the only communist guerilla conflict remaining in Latin America twenty years after the end of the Cold War. These illegal activities provide a substantial revenue that helped the FARC to survive the last twenty years and perhaps, to survive for many years to come. Therefore, this peace process could face the same problematic as the one with the AUC, as drug money will keep attracting former FARC members and take them back to criminal activities. Thirdly, if the ELN does not demobilise, the conflict will stay alive, just with a different adversary. Peace takes on many challenges before arriving to the country.

It is not hard to understand why Colombians are sceptical regarding the concept of peace. After almost two hundred years of non-stop violence, this is a country where the presence of violence is ingrained deep inside their minds. Peace has always been a vague and forgotten concept that has never been fully experienced. This may be a good moment for a change. ■

“No”: Colombia’s risky bet

by Oscar Diaz



No + FARC, Camilo Rueda Lopez, Source: Flickr.com-

After six hard years of negotiations intended to end the West Hemisphere’s longest and last war, the Colombian government and its main belligerent, the Revolutionary Armed Forces of Colombia (FARC), achieved an agreement that promised a stable and durable peace. The Final Agreement, as it was named, went beyond the end of the conflict, seeking to transform a nation that once induced its own people to rise in arms and fight for justice and equality. It was an agreement presented to the Colombian people as a real opportunity to end 52 years of terrible violence.

The agreement was the result of public negotiations started in 2012 in La Havana, Cuba, with an agenda divided into five main points to discuss: rural and integral development, political participation, end of the conflict, solutions to the problem of illicit drugs; and victims. Recognizing more than 8 million victims and their interests of reparation as the center of the negotiations, the Government and the FARC agreed that these five points were the principal problems to solve. Apart from ending this conflict, this agreement would have permitted a sustainable and durable peace.

In 297 pages, The Final Agreement settled the route of actions to end the conflict by fighting its causes and starting to pay the historical debt the Colombian government has with neglected regions that have been living in deprived conditions for decades. As government negotiator, Sergio Jaramillo, once said, the agreement was a bet to start closing the gap between regions that are still living in conditions of the XVII century and

cities that want to believe they are in the XXI century. Then, it was a proposal not only to attain peace but also to make it durable by combating the country’s abysmal inequality; establishing the state’s presence where it has never been; and giving guaranties and political voice to all, including the FARC.

President Juan Manuel Santos, who won the 2016 Nobel Peace Prize for his efforts to bring the country’s more than 50-year-long civil war to an end, could have made the agreement official without the need of people’s approval, but he yielded to the temptation of obtaining the country’s support. Convinced of an easy win, the head of state announced the 2nd of October as the date when Colombians would back up in a plebiscite the government’s proposal to finish this war and to start building peace.

“Today no Colombian alive has lived a day without being in war.”

Therefore, the 2nd of October was supposed to be the starting point for a new Colombia. Probably a historical day, remembered as the moment when Colombians, by democracy, decided to move on from a conflict that marked their society, their culture and an entire generation. Today no Colombian alive has lived a day without being in war and, in particular, more than 50% of its population has lived this same conflict their entire life.



Sources: Pixabay.com and Wikipedia.com.

That is why this day was expected to be pivotal. This was a huge opportunity to finally leave behind a ghost of governance under violence that haunted the nation for decades; an opportunity to close this horrible chapter of years of civil war and start a new one where weapons are exchanged for words and arguments.

Unfortunately, this was not the end of the armed conflict in Colombia and an entire set of policies, aiming to ensure a sustainable and durable peace, will not be executed. This time it was neither the government nor the guerrilla's choice; it took both sides five decades and four failed peace talks to finally be ready to end this civil war. To everyone's surprise, it was the Colombian people who blocked the path to peace.

“Both Yes and No voters want the conflict to end, but the costs to do it seems either too high or not credible for more than half of them.”

The plebiscite

It happened that early October, in a poor demonstration of what democracy means, Colombian voters narrowly rejected in a plebiscite the peace agreement signed in Cartagena by president Juan Manuel Santos and FARC's leader, Timoleon Jimenez, one week earlier. In what is probably the most important decision that citizens have ever made in national history, only 37.43% of expected voters participated. Among those voters, only 49.78% approved the agreement. Whereas the other 50.21%, persuaded by a misleading No campaign, decided to gamble with the peace talks fragility, rejecting 6 years of peace negotiations and arguing a better deal is still possible.

These results should be interpreted as everyone wanting peace, but half of voters disapproving the way it is offered. Suggestions to continue the conflict as a way to achieve peace, even if they may be credible, are senseless. Even the former president and the No campaign leader, Mr. Uribe, who critically wounded the insurgents with help from the United

States during his presidential mandate was unable to end the conflict. Confrontation has not been the answer in the previous 50 years, what makes one think it would be the answer now? And if it is, besides of the victims it would entail, stable peace because the causes of the conflict would remain intact and violence would emerge again. Thus, war to achieve peace is not, and will not be, neither a valid option nor a solid argument that No voters would pursue. Therefore, from the plebiscite, it could be concluded that both Yes and No voters want the conflict to end, but the costs to do it seems either too high or not credible for more than half of them.

Certainly, FARC's compromise to stop all criminal activities is hard to believe after all these years of violence and damages they have caused to the country. Especially because of all the economic benefits they get from illegal activities, such as drug dealing, kidnapping, mining or extortions. Many hold that after 50 years of conflict, their political objectives have disappeared and now they are just a criminal group with economic purposes. This is reasonable because, during all this long period of war, it is difficult to find any good they have done for society. They denominate themselves as the people's army, but the truth is that they have never protected the population. Just the opposite.

However, if their political ambitions were lost, probably the FARC would not have considered negotiations in the first place as, for example, they continue being an important cocaine producer in Colombia. Maybe the insurgents are not trustworthy, but at least they have been trying to gain people's trust with a dramatic reduction of violence since the beginning of the peace talks. One example is their commitment to stop all kidnapping practices as a government's requirement to start the peace process. Moreover, according to one study of The Center of Resources for Conflict analysis (CERAC), since July 20th 2015, when FARC announced unilateral ceasefire, the armed conflict decreased to its minimum level in 52 years. According to the study, "FARC's offensive actions decreased by 98%, from 1.51 to 0.03 daily average; combats between the Colombian Army and the FARC decreased by 91%, from 0.68 to 0.006 daily average; civil deaths decreased by 98%, from 0.19 to 0.003 daily average; and fighter's killed decreased by 94%, from 1.08 to 0.07 daily average. The guerrilla's attitude after the plebiscite and their actions of early reparation before show how much they want to stop fighting and how willing they are to respect the peace agreement.

“Years of terrorist attacks and terrible crimes have created feelings of hate and disapproval to all their actions.”

But the truth is that No voters' reasons to reject the peace agreement go beyond the credibility of the FARC fulfilling The Final Agreement. Promises of similar actions stated in the agreement, seem not enough to reconcile this injured society. Years of terrorist attacks and terrible crimes created feelings of hate and disapproval toward FARC's actions.

Those feelings today are getting in the way of peace. Apart from making negotiations extremely difficult, these sen-



Peace Agreement signature between Colombian government and FARC, Ximena Navarro.

timents have played a key role during the voting. On one hand, the political party leading the No was aware of these feelings and it used them to mislead voters' decision. Juan Carlos Velez, manager of this campaign, publicly declared after the results how his strategy was based on indignation and lies about the content of The Final Agreement. "We wanted the people to vote with anger" he said during an interview. "In middle and high class radios we talked about impunity, political participation and taxes, while in low class radios we referred to subsidies. We also used different speeches for different regions, for example in the north coast we insisted in the idea of Colombia becoming like Venezuela."

"Within three years, the peace talks have prevented the death of at least 1,500 people."

On the other hand, two errors from the government led to this result. First, a poorly-run Yes campaign that wrongly assumed that winning the plebiscite was going to be a piece of cake (the president did not even have a backup plan while the opposition was doing its best to convince people to reject the agreement). Second and more harmful, the president's image and its relation with the peace agreement. Many believe that the peace process was just Santo's selfish attempt to be remembered as the leader who brought peace to the nation. The huge decline in the president's popularity caused by policies unrelated with the peace talks, blinded the true content of the agreement, provoking a vote, not against the agreement itself, but against his administration.

According to the CERAC, if one compares the historical record of deaths, within three years, the peace talks have prevented the death of at least 1,500 people. These talks saved lives, and other lives will continue to be saved as long as peace continues, is not this worth putting aside any feeling of hate any-

one may have? Of course it is. Nevertheless, a misleading "No" campaign alongside with the president's mistakes made a lot of voters, blinded by emotions, to take this historical decision without a true knowledge of the costs and the benefits of the agreement.

Hard to swallow: political participation and justice

Besides of the political and emotional reasons to reject the peace agreement, such as president's unpopularity, misleading campaigns or politicians' personal interests, the accord had two very polemic points that were the main arguments No voters claimed more: FARC's political participation and the agreement's justice system. These government's concessions were hard to accept for most Colombians (if not all). Probably, they were the main costs to pay to achieve peace.

One of the main reasons the FARC decided to negotiate was to continue with their political purposes but to change the way to achieve them. Their intentions of coming back to the political active life have been of no doubt for anyone since the beginning. They never gave with the idea of taking the power and impart its communist ideology, yet they finally understood it wasn't possible to do it by force. Therefore, they decided to give democracy a second chance.

Indeed, this would not be the FARC's first time in politics. In 1985, the government recognized the opposition as a political actor and, as result of a previous peace process, they permitted the conformation of the Patriotic Union, a leftist political par-

"Thanks to a strongest political system, this was the opportunity to silence FARC's ideas with votes and not with violence."



FARC secretariat puppets, Julián Ortega Martínez / equinoXio. Source: Flickr.com.

ty founded by the FARC. However, with the Colombian army complicity, the party was subject to political violence from paramilitaries and drug lords during the mid-1980s, which led to the party's eventual decline and extermination. That is to say, leading to retake arms and continue fighting.

Again, the agreement looked to combat the causes of the conflict. Certainly, the government's history of killing the opposition was one of its main origins. Therefore, actions aiming to ameliorate democracy by improving the electoral system and encouraging participation, even for those that are against the economic or political model, were a result of the talks. This included a reincorporation process seeking to facilitate the FARC's transformation into a political party inside the democratic system and, in general, to help its members to get back society.

"FARC members: today, when you begin your way back to society; when you begin your transformation as a political party without guns; following the rules of justice, truth and reparation established in the Agreement, as Head of State, I welcome you to democracy (...) We do not agree about the political or economic model our country should follow, but -- as I said in La Havana-- I will defend with all my forces your right to express your ideas in the democratic system, because that is the essence of freedom in the rule of law."

Juan Manuel Santos, September 26, 2016

Many Colombians abhor the idea of FARC's communist members doing politics, because they fear its participation in politics, with the same rules than other parties, will lead the country to "Castro-Chavismo." But a good democracy is based on giving voice to all, even them. Thanks to a strongest political system, this was the opportunity to silence FARC's ideas with votes and not with violence.

Besides its political participation, the way proposed to judge

the guerrilla's members was another controversial point that made Colombians reject the peace agreement. No one wants a return to war, but it seems some suggest that rather than sacrifice justice for peace, it is possible to have both.

However, this seems far from happening, at least in the regular definition of justice that people have. The talks endured more than one year trying to figure out a way to reconcile peace and Colombian law, because the FARC refused to be the first guerrilla movement in history that hand over its weapons in order to go straight to jail and the government refused to just forget years of terrible crimes like kidnapping, extortions, forced recruitment and worst. Then, quoting the president, "the justice accomplished in the agreement was as large as peace would permit."

Indeed, it was the first time in the world history of peace talks that both sides accept to be judged (it is worth noting that the government has been as terrible as the guerrilla, when we refer to crimes committed). The Final Agreement contemplated The Integral System of Truth, Justice, Reparation and no Repetition, an integral system where lease humanity crimes' perpetrators would have been judged and punished with between five and eight years of "restrictive freedom". These verdicts were going to be sentenced by an Especial Jurisdiction for Peace (JEP) that was designed only for crimes related to the armed conflict and that demanded the indicted to tell all the truth, to give guaranties of no repetition and to accomplish the sentence doing actions of victims' reparation.

Maybe this goes far from a regular justice definition of jail and punishment one may have, that the No campaign argues is missing in the agreement. Nonetheless, on September 30th, FARC leaders went to Bojayá, Chocó, to tell the truth and ask for forgiveness, in particular, for the worst massacre they did — in 2002, more than 100 people died inside a church that was bombed by the guerrillas—. Four days later, 95.78% of voters in this region voted Yes in the plebiscite.

This was just one example of what would have happened later with other regions and other victims. Even if it can not be concluded that this experience was the reason why Bojayá, quasi unanimously, supported the agreement, it gives an idea of how much one can underestimate the power of reconciliation and reparation while, apparently, this is the type of justice victims are expecting to get.

A claim for peace

Undeniably, what we can conclude from this and more similar results, is how badly the most affected regions like Bojayá are claiming for living in peace. According to the Central Register of Victims, 4.137.661, out of 7.900.112 victims, are from the states where people supported the agreement. More out-

"Maybe the fact that violence is far from one's reality makes hard to realise how huge the privilege of living in peace is."

standingly, PhD students in economics Juan David Herreño and Juan Sebastián Muñoz, revealed in a study that municipalities who voted Yes have suffered much more from the conflict, are poorer, have less institutional presence, are farther to principal markets and are facing bigger inequalities than municipalities who voted No. In table 1, Herreño and Muñoz illustrate the total of violent episodes occurred in 2013, divided by municipalities that voted Yes and municipalities that voted No. Certainly, it can be seen how municipalities voting Yes are much more affected by the conflict than those voting No. For example, during that year, displacements were 3 times more frequent, terrorist attacks happened 10 times more and areas of cultivate coca were 7 times larger.

From all these facts, one may infer that those deciding to continue in war are not suffering the painful consequences of it and can afford the luxury of wanting to remain on it. Maybe the fact that violence is far from one's reality makes easy to forget how huge the privilege of living in peace is.

Yes winning in these regions makes sense, because the Final Agreement focused in those who have suffered, and are still suffering, the consequences of the war. Benefits like infrastructure, productivity, illicit crops substitution, justice, truth, forgiveness, political participation, institutional presence, among much others, were policies aimed to give people living in regions traditionally forgotten better access to basic needs, better foundations to achieve and sustain quality of life and better opportunities. The agreement's intention was to make peace durable by fighting poverty and inequality, not only because it is the right thing to do, but because, probably, it is the best way to prevent conflict to emerge again. Maybe this is the justice that voters should be alleging, the one that rather than claiming punishment and vengeance is claiming for equality of conditions for all, then no one will have incentives to fight with violence for what should be given ever again.

“When voters said ‘No’ to The Final Agreement, they also said no to an illusion of moving on from a society that is still politically and physically trapped in the chaos of a violent and unfair 20th century, to a modern society where weapons and politics hopefully will never meet again.”

For all its imperfections and complexities, the agreement between the government and the FARC was aimed to transform a country that has been at war for more than a decade. Then it was not just about ending a war, but about constructing sustainable peace. It was not only about ending a conflict that has killed more than 250.000 people and has left more than seven millions victims (which should be reason enough), it was also about focusing attention in those regions that have been left behind. When voters said “No” to The Final Agreement, they also said no to an illusion of moving on from a society that is still politically and physically trapped in the chaos of a violent and unfair 20th century, to a modern society where weapons and politics hopefully will never meet again.

The plebiscite was a clear reflection of how hard it is for Colombians to forgive the insurgents and how badly the country needs a reconciliation process to forget a difficult past and start building a better future. The 2nd of October 2016 led the country into a new period of incertitude and anxiety. Today, we all hope that No voters' risky bet comes right and a better agreement is achieved, specially, for those that deserve it more. ■



Peace manifestation in Bogota, TIC Ministry source: Flickr.com.

Price shocks and armed conflict in Colombia

An example on how the economic and political problems can go hand in hand

by Isabella Medina



Source: <http://media.pennlive.com>.

It is difficult to deny that in the last three decades, Colombia's government has fought intensely to put an end to the civil war. Since the 1980s, the fight against the Revolutionary Armed Forces of Colombia –FARC by its Spanish acronym– has mainly taken the form of a battle against illegal drug production, one of the key financial resources of the Colombian guerrillas. The costs that the south-American country has paid in this combat are very high: Since 2000, the Colombian government, with partial funding from the United States, has invested more than US\$1.2 billion per year, about 1% of the country's gross domestic product (GDP), into the military component of Plan Colombia . In comparison, in terms of public expenditures, Familias en Acción –the largest conditional cash transfer program in Colombia to reduce extreme poverty– accounts for about 0.37% of Colombia's GDP. In addition, the costs have not solely been public economic resources: more than 57,000 Colombians are estimated to have been killed

between 1994 and 2008 as a consequence of growing illegal drug markets and the resulting confrontations between drug trafficking organized groups and the Colombian government during the war on drugs.

For the past 25 years, Colombian governments have alternated between strategies of war and peace, in efforts to deal with these illegal armed groups who have committed a significant number of crimes. Despite all the hard work to put an end to the internal military conflict and the subsequent reduction of violence in Colombia since the 2000s , the FARC still has approximately 6,500 active members and until recently has continued to commit criminal activities. Indeed, in June of 2015, the armed group bombed an oil pipeline in the Southwest region, causing the contamination of waterways by 10,000 barrels of oil. Even if nobody was killed or injured, the water contamination resulted in 150,000 people losing access to

water .The Colombian government estimates that the environmental damage caused by this attack is one of the worst environmental disasters in Colombia's history.

There has been a significant change in the way of comprehending the alternative solutions to the conflict in the country, both because of the relatively reformist mentality of the current centre-right winged –and latest Peace Nobel prize winner– President Juan Manuel Santos; and of the FARC's will of negotiating with the government after their partial decline since 2011.

In fact, the current peace negotiations in Havana, Cuba, between the Colombian government and the insurgent group translate the bilateral will of ending the armed conflict by an alternative way of peaceful dialogue.

The three hundred pages Peace Agreement also reflects the common resolution of guaranteeing a solid economic development that would ensure the long-cherished climate of national concord.

“In a country in which exportations of coffee and crude oil represent on average 50% of the total exports, trying to understand the socioeconomic implications of commodities price shocks can be particularly relevant when considering the optimal economic foundations of the ceasefire.”

In fact, besides focusing on the questions of the guerrilla members' impunity, their democratic political participation, the drug trafficking issue and the victims' "reparations", the agreement seeks to settle down the foundations of a solid poverty's reduction policy across the country as well as to modernize the rural areas by enhancing their economic growth. As Keynes pointed out in 1919 in *The Economic consequences of the Peace*, the economic aspects are notably important when defining the foundations of a long-lasting peace. Thus, it can be of particular interest for the analysis of the agreement's clauses to take into account some exogenous factors that affect considerably Colombia's economy and, consequently, the underlying forces of the conflict. For instance, in a country in which exportations of coffee and crude oil represent on average 50% of the total exports, trying to understand the socioeconomic implications of commodities price shocks can be particularly relevant when considering the optimal economic foundations of the ceasefire.

Consequently, we will outline some of the exogenous economic factors that contributed, along with other dynamics, to make Colombia's armed conflict the Western Hemisphere's longest civil war.



Source: Flickr.com.

Factors that “fuel” the armed conflict

Structural deficiencies historically contributing to deep-rooted inequalities, institutional weaknesses of the State, and the proliferation of the drug trade, are all crucial underlying factors to the conflict and the humanitarian crisis that exists in the country today. The drug trafficking is for example, what motivates the guerrilla to keep defying the authority of the state

The FARC, a Marxist-Leninist guerrilla, fights today with the stated goal of overthrowing the government and claims to represent the rural poor by setting particular aims such as land redistribution. Despite this ideological motivation, the guerrillas are widely regarded as economically motivated and take financial advantage from their involvement in the conflict. For instance, the FARC is the richest guerrilla in the world; and the two main Colombian revolutionary armed groups were estimated to have a joint income of \$800 million in 1996 –the time when the FARC was at the height of its power and a particularly harsh wave of violence inundated the country. These massive drug profits enabled the FARC to buy weapons, uniforms, supplies and to recruit fresh troops.

It is a well-known fact that the drug economy is fuelling a significant portion of the violence, forcing displacement and land grabs that ravage the country today. In this sense, when the two sides first met in Havana to discuss the drug issue in November 2013, the statement of Colombia's chief peace negotiator, Humberto de la Calle, is particularly revealing: he called the illegal drug trade “the fuel that feeds the conflict”.

However, drug trafficking is not the only chief element prolonging the armed conflict. Legal economic activities and ex-

“Legal economic activities and exogenous price shocks in international markets play an essential role in defining the incentives of the war's main actors to participate directly or indirectly in the conflict.”



Café de Colombia, Hector Mesa Source: Flickr.com.

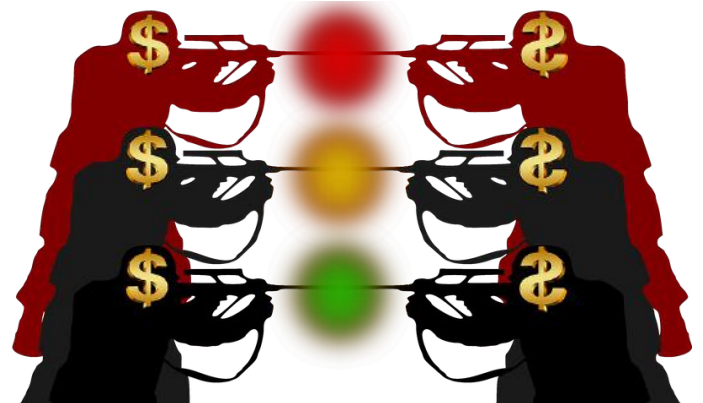
of Colombia's crude oil production within the past 10 years, reaching one million barrels per day in 2013. Moreover, the oil rents are responsible for a significant part of the country's GDP: according to the World Bank, in 2011, oil rents represented 8.4% of its GDP.

Because of the central role of these goods in the Colombian economy and the correlation between economic growth and socio-political instability, external changes in the prices of commodities may have an important effect on the national income and eventually on the inputs and outputs of the armed conflict.

Two opposite effects of exogenous price shocks on violence

While the relationship between shocks in the prices of commodities and national income changes is relatively explicit, the link between the latter and the armed conflict remains more ambiguous. In the first case, an increase in commodity prices *ceteris paribus* implies an increase in the Colombian national income. In the second case, theory suggests two opposite effects. On the one hand, a rise in income may reduce crime by increasing legal wages and reducing labour supply to criminal or conflict activity. In this sense, wages can be seen as the opportunity cost of fighting and participating in illegal activities. On the other hand, there is a rapacity effect: a rise in income may increase crime by raising gains from illegal appropriation. Thus, depending on the relative significance of these contrasting effects, income shocks may either mitigate or aggravate violence.

There exist two main channels through which conflict responds to economic shocks: predation and recruitment. A central feature of the Colombian conflict is that the armed groups appropriate resources through several avenues. Both the paramilitaries and the guerrillas are financed by the drug trade; as well as through kidnapping, extortion, and predation on public funds. Qualitative evidence indicates that predation is particularly high in regions with natural resources. Armed groups tend to target production directly, drain off royalties, and kidnap government officials employed in extracting companies to facilitate extortion. Paramilitary predation is also particularly strong in the oil region: These groups appropriate government revenue, as audits show that oil and gas royalties are often missing from municipal coffers where the paramilitaries exert influence (Human Rights Watch, 2005). This form of budgetary predation became especially important after a



Source: Flickr.com.

ogenous price shocks in international markets play an essential role in defining the incentives of the war's main actors to participate directly or indirectly in the conflict. For instance, changes in the price of agricultural goods -which are labour intensive- as well as natural resources, have to a certain extent an impact on the opportunity cost of violent resource appropriation in Colombia. But, what are the channels through which exogenous price shocks affect the dynamics of violence in Colombia? What is the relative weight of exogenous price shocks in changes in the conflict's dynamic forces? Why are these external shocks particularly relevant in the South-American country?

The dynamic duo in Colombia's economy: coffee and oil

On the one hand, Colombia's economy has steadily decreased since 2013, partly due to low commodity prices and to the slowdown in the Chinese economy -the second top export and import destination of the country after the United States. Colombia is highly dependent on commodity exports, including oil, coal, coffee and gold. For a century, the latter has been at the heart of Colombia's economy and of its democracy. The consolidation abroad of the iconic Colombian coffee brand, Juan Valdez, reflects in some measure the predominance of the coffee industry in the country's economic growth. Indeed, the coffee industry makes up more than half of the country's total exports and still accounts for a third of rural employment. Thanks to its smallholder-based economy, coffee production created a rural middle class and financed a local welfare state that was perhaps the finest achievement of Colombia's paternalist democracy.

On the other hand, Colombia is South America's largest coal producer and comes in third place in the region in terms of oil production, after Venezuela and Brazil. The country is also an important oil exporter, ranking as the fifth-largest crude oil exporter to the United States in 2015. In fact, according to the Oil & Gas Journal, Colombia had 2.3 billion barrels of proved crude oil reserves at the end of 2015, down 5.6% from the prior year. Favorable investment terms led to the doubling

major decentralization in 1991 transferred more fiscal resources to local governments (Sanchez and Palau, 2006).

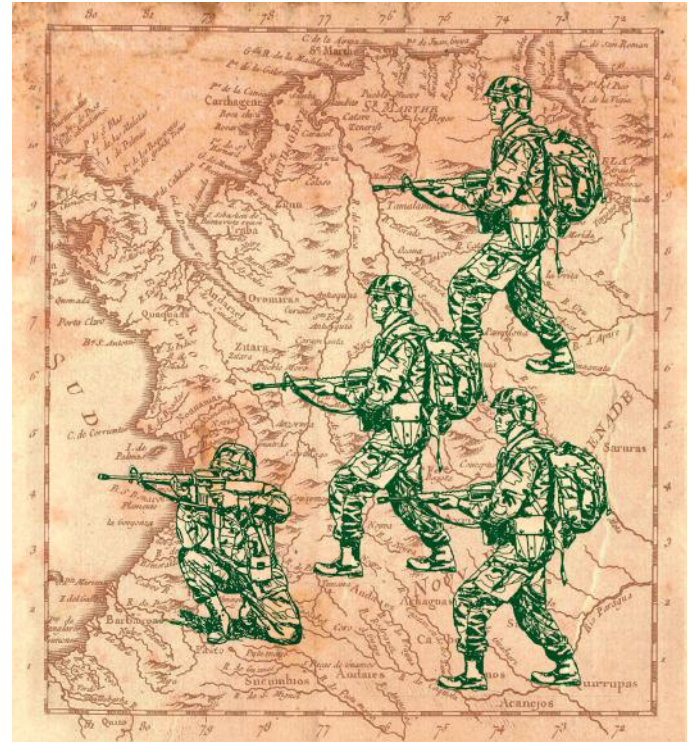
There is also evidence of direct theft of natural resources. For example, paramilitary groups drill holes in oil pipelines, and sell the stolen oil on the black market. In 2003, one of the Colombian leading news magazines, *Semana*, indicated that one of Colombia's main oil pipelines has so many holes in it that it is known as the "flute". However, concretely, how do shocks in commodity prices trigger these violent manifestations in the South-American country?

“External changes in the prices of commodities may have an important effect on the national income and eventually on the inputs and outputs of the armed conflict.”

Quantitative evidence suggests that the price of agricultural commodities is negatively related to the conflict in Colombia: when the price rises, conflict falls differentially in municipalities that produce more of these goods. In contrast, the prices of natural resources –a sector that uses labour less intensively– are positively related to conflict: when the prices increase, conflict rises differentially in municipalities that produce more of these resources. The negative relationship between agricultural price shocks and conflict is especially valid for the case of coffee: during the 1990s, a drop in the price of coffee increased violence disproportionately in municipalities cultivating more of this agricultural product. This evidence corroborates an account in which the coffee price shock increased violence by reducing the opportunity cost of exerting illegal armed activity. In contrast, a rise in oil prices led to a differential increase in conflict in the oil municipalities. The 137% increase in oil prices from 1998 to 2005 is strongly correlated with the increase in the paramilitary attacks. The oil shock also increased municipal revenue generated from taxing natural resources. These results are coherent with the idea that the oil price shocks increase violence by promoting rapacity over disputed resources.

How to manage peace?

Despite the increase in oil prices from 2011 to 2013 and the positive correlation between oil prices and violence in Colombia, the peace agreement that has been negotiated since 2012 between the two sides was signed this year. However, most



Arnau Jujól, *El Malpensante*.

observers of the peace process in and outside of the country agree that the signing of the agreement is just a first step in building peace. To succeed in the future implementation of the accords, financial resources will be critical. Raising taxes on individual or corporate income, or pursuing broader tax reform, constitutes a relatively expensive and politically-delicate solution compared to expanding oil exploration, favouring development and, thereby, increasing government income.

“To succeed in the future implementation of the accords, financial resources will be critical.”

Therefore, Colombia's government has to overcome some major challenges in order to put an end to the armed conflict: First of all, it has to diversify the economy in order to reduce the exogenous dependency towards commodity prices and thus to alleviate the stochastic dimension of the factors that “fuel” the violence. Second of all, it has to take advantage of the oil national resources, and tries to manage effectively the predation and recruitment risks in the field instead of mere resource exploitation. After the results of the referendum on the peace treaty, the Colombian government has even more interest in pursuing these strategies. ■

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Egypt: Back to square one?

The aftermath of the revolution

by Omar Dogheim, Mahi ElAttar, Farah Hathout and Moheb Said



Tahrir Square on February 11. Source: wikimedia.org.

You might be wondering whether Egypt is better off after the Arab Spring? Hold that thought; let us first take you back to when it all started: on January 25th 2011, millions of Egyptian demonstrators filled the streets across the country protesting against the existing regime. Crowds from different backgrounds marched in unity for a better Egypt. Numerous critical issues pushed the crowd to break out of their silence after decades of police brutality, state-of-emergency laws, political corruption, rising extreme poverty, and unjust distribution of resources. This created a heavy burden that triggered an unprecedented outrage. As events escalated, demands followed: going from “bread, freedom and social justice” to “the people demand the removal of the regime”.

After a series of violent clashes between police forces and protesters the president, Hosni Mubarak, stepped down on the evening of the 11th of February, and handed over the control over the country to the Supreme Council of the Armed Forces (SCAF). “Power to the people!” What initially

started as an event on Facebook officially became one of the most important revolutions in modern history.

After a year of political instability, Mohamed Morsi, the leader of the Freedom and Justice Party, the political wing of the Muslim Brotherhood (MB) movement, won the presidential race and became the first president of Egypt in the post-revolution era. Similarly, the MB dominated the next parliamentary elections.

“What initially started as an event on Facebook officially became one of the most important revolutions in modern history.”

Following their predecessors' steps members of the MB controlled, almost exclusively, the political scene by depriving any opposition from taking place, and they monopolized, almost entirely, the executive power. Finally, the straw that broke the camel's back, following a constitutional declaration in which Morsi gave too much authority to the executive power, an uproar broke out across the country and the government encountered fierce opposition from both civilians and military officers.

Consequently, on the 30th of June 2013, as opposition movements escalated, mass protests broke out against the MB's rule and four days later, on the 3rd of July, Morsi was deposed by the minister of defence, General Abdel Fattah El-Sisi. During a short transition period, El-Sisi became Egypt's *de facto* strongman and was eventually elected president in 2014.

“On the one hand, the political transition and the ‘spirit of the revolution’ are almost over. Egypt is now institutionally settled with an active constitution, a democratically elected President, a stable government and a legitimate parliament in place since early 2014. On the other hand, Egypt is in a truly difficult economic situation right now.”

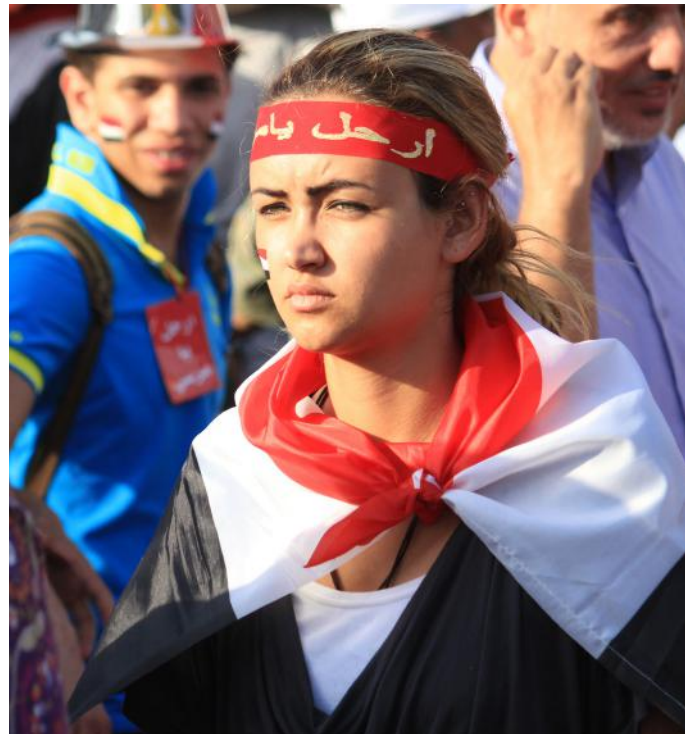
So back to the opening question: from the impartial spectator's point of view, it is hard to give a clear-cut assessment on Egypt's current situation. On the one hand, the political transition and the “spirit of the revolution” are almost over. Egypt is now institutionally settled with an active constitution, a democratically elected President, a stable government and a legitimate parliament in place since early 2014.

On the other hand, Egypt is in a truly difficult economic situation right now, since its main sources of revenue – namely tourism, income from the Suez Canal and remittances - are down to an unprecedented low. This is mainly due to the political instability in Egypt and the global economic slowdown.

Undeniably, citizens are the ones to carry this heavy burden, with roughly 40% of the population living under the poverty line, an inflation rate of around 14% per year and stagnant wages. This is creating a climate of frustration and despair among Egyptians, especially given the rising shortage in basic commodities, the muzzling of political opposition and the inefficiency of the representative system.

In response to these challenges, the Egyptian government is undertaking some tough austerity measures in order to cut down its public debt and reduce the budget deficit. Moreover, the International Monetary Fund (IMF) has recently agreed to lend Egypt \$12 billion over three years, conditional on the implementation of some serious structural and economic reforms. Those reforms include: restructuring of the taxation system, especially with the recently approved Value Added Tax (VAT); an important cut in spending on fuel subsidies,

which led to an increase in oil prices of 50%; and the adoption of a new policy framework to stabilize the exchange rate of the Egyptian pound (EGP), as the Central Bank of Egypt decided to free float its currency earlier this November.



Credit to Emad Karim.

Most of the previously mentioned challenges find their roots in the structure of the Egyptian economy itself. Since 2013, the Gulf States injected the Egyptian economy with more than \$25 billion in the form of grants, loans and foreign direct investments. However, these injections were mainly used to cover Egypt's large government debt, which represents around 95% of the GDP. Therefore, these funds did not have any significant impact on the country's growth. Moreover, El-Sisi's administration invested heavily in a series of huge public projects, such as the New Suez Canal, which was financed by a \$10 billion loan. Nonetheless, these projects are struggling to generate enough revenues to cover their original costs. This inefficiency in the management of public funds led to the current critical shortage in Egypt's foreign reserves.

“Since 2013, the Gulf States injected the Egyptian economy with more than \$25 billion in the form of grants, loans and foreign direct investments.”

Does that mean that there are no potential opportunities for Egypt's economy? Statistics from the World Bank show that Egypt is the second largest economy in the Arab world (behind Saudi Arabia) and the third largest in Africa (behind Nigeria and South Africa). The Egyptian economy is endowed by a very large and dynamic tertiary sector that accounts for almost 53% of the country's GDP. Industry is the second-largest economic sector in Egypt accounting for 32% of its GDP.

The sectorial structure of the Egyptian economy gives us insights about how revenues could be generated in such a resilient and diversified economy, and the potential channels that could absorb unemployment.

“Despite the untidy political and economic environment in the post-revolution period, Egypt’s banking sector managed to maintain its efficiency and to keep its status as solid and highly liquid.”

It is also worth mentioning that one of the Egyptian economy’s most important strengths lies in its young, large and growing consumption base. With roughly 91 million citizens, problems of under-consumption are highly improbable, especially for basic commodities. This also means that Egypt has a large labour force capable of fuelling economic growth.

Compared to other developing countries, Egypt has a relatively developed infrastructure with extensive networks of roads, telecommunications, ports, railways and airports. Moreover, Egypt is massively investing in state-driven mega-projects, especially to develop special economic zones,

power generation projects, and large-scale housing projects. The investment in Egypt’s infrastructure is meant to attract local and foreign investments and capital.

Despite the untidy political and economic environment in the post-revolution period, Egypt’s banking sector managed to maintain its efficiency and to keep its status as solid and highly liquid. Thanks to a recent initiative by the Central Bank of Egypt, commercial banks became more active in financing micro, small and medium enterprises, mainly through loans with lightened conditions. This initiative targets the strengthening of the banking sector’s role in the economy.

Among all rather complicated challenges faced by Egypt in the after-shock of the revolution, domestic and foreign security threats prevail as the most dangerous menace to the future of the Land of Pharos. Surrounded by a deteriorating political and economic crisis in Libya, fast growing tensions between the north and the south in Sudan, a historical conflict between Palestine and Israel, civil wars in Syria, Iraq and Yemen, and above all the imminent threat of the Islamic State of Iraq and the Levant (ISIL), Egypt remains relatively intact and in control of its security, except for a handful of terrorist attacks and minor incidents.

“Egypt could be regarded as one of the last lines of defence against the rising wave of terrorism in the region.”



Egypt protests Tahrir square. Source: wikimedia.org.



Credit to Emad Karim.

To understand why Egypt is not sharing the same fate as its peers in the Middle East, in spite of its socioeconomic and political struggle, one cannot overlook the role of the Egyptian military. Although its involvement in politics and economy raises a lot of concerns, some argue that the main reason behind the country's endurance is the persistence and sustainability of its military institution. Therefore, Egypt could be regarded as one of the last lines of defence against the rising wave of terrorism in the region.

According to Global Firepower's power index, the Egyptian army is the strongest African army. Beside its strike force, the actual power of the Egyptian military lies in its financial independency, its widespread infrastructure, the availability of cheap and abundant labour - given the current mandatory conscription system - , its involvement in the process of political and economic decision making and most importantly its straightforward hierarchical structure. The aforementioned characteristics make the Egyptian armed forces the most well-established and organized institution in Egypt, which makes any military dissent much less probable. In addition, in contrast with other countries in the region, the non-sectarian nature of the Egyptian society makes a civil war scenario highly unlikely.

Alongside its military perseverance, a big part of Egypt's success in fighting terrorism is attributed to the international support that it has received since the wake of the 2011's revolution. As a matter of fact, Egypt is currently pursuing a clear alliance-enforcement foreign strategy, especially with

the G8 and Gulf countries. As a result, Egypt profited from a substantial amount of foreign aid, military deals and commercial agreements that played an important role in easing the economic crisis and reinstating Egypt as a strategic power in the region.

“To understand why Egypt is not sharing the same fate as its peers in the Middle East, in spite of its socioeconomic and political struggle, one cannot overlook the role of the Egyptian military.”

In short, the aftermath of the Egyptian revolution divided the society into two camps: those who consider their spring of hope has turned into a winter of disappointment and frustration and those who believe that, like the new saying goes, “at least we are better than Syria and Iraq”. In our point of view, with the recent reforms, Egypt seems to be on the right track for a long-term recovery. Nevertheless, we fear that Egyptians will not have enough stamina to endure the unavoidable short-run turbulences. Eventually, only time will tell. ■

Five huge lessons from the American election

by Mahi ElAttar and Friedrich Lucke



Credit to Colleen P. Source: flickr.com.

Many people around the world were shocked by the outcome of the US election. Few saw it coming and it is hard to predict either short or long term consequences. But there are five lessons we can already learn, so that next year is not yet another good year for populism.

Hillary ran a terrible campaign.

In essence, Clinton failed for the same reason as in 2008 against Obama. In both races, she entered as the clear front-runner and both times she thought she had the win locked down. But both times, she underestimated massively how well her opponent could connect with the voters. Trump used very simple, understandable phrases to fire up his base and drive voters to the polling booths. Being a star in the reality show he turned the election into, he was allowed to misbehave and polarize because this is what protagonists of reality shows do. In that position, he let the media do his campaigning for him and gained voters' attention. As a consequence, Trump managed to win states like Michigan and Wisconsin, which had voted Democrat for more than 20 years before. Clinton had

been so confident that she would win these states, that she did not make a single visit to Wisconsin since she became the Democratic nominee, and only made a late effort in Michigan when polls indicated that the race got closer.

“Trump plays golf, bullies people and hits on beautiful women; Obama plays Basketball and goes surfing; but have you ever asked yourself, what does Hillary do for fun?”

All along, the Clinton campaign was built on a lot of good faith that all the ridiculous and inappropriate statements of Trump, along with #NeverTrump movements, would be sufficient for voters to show up and carry her to the White House. Her choice of Tim Kaine as running mate solidifies this

impression: An experienced, conservative, but uninspiring middle aged white male was a risk-less but boring choice that did not add any authenticity to her message of America as a coalition of minorities, or bring her the likability that she lacks. Her attempts to fix this seemed unauthentic and failed.

“The Clinton campaign ran 50 offices in Florida as opposed to one single office of the Trump campaign, yet he won the state.”

When she tried to be one of the masses and used the metro in New York, she made herself look like a fool by not being able to use the ticketing machine right and thereby demonstrating the opposite. Her attempt to be cool, just before the election, by jumping on the viral Internet video wave by staging a “mannequin challenge” seemed awkward and out of place. And what is it that makes a politician look cool and down-to-earth? Clearly, things they do aside politics: Trump plays golf, bullies people and hits on beautiful women; Obama plays Basketball and goes surfing; but have you ever asked yourself, what does Hillary do for fun?

Maybe most importantly, both Trump and Hillary belong to the same social circle, the New York financial elite. But while Trump took pride in his status as a billionaire, Hillary pretended to be like any regular suburban family mother with the same everyday life problems—something she was clearly not.

On top of that, her campaign was also run on the old-fashioned premise that lots of volunteers and lots of money will “buy” her votes. She outspent Trump “big league”; still, it did not help her to win. For example, the Clinton campaign ran 50 offices in Florida as opposed to one single office of the Trump campaign, yet he won the state.



Credit to Ted Eytan. Source: flickr.com.

Radicalism trumps corruption.

Regardless of whether a politician is corrupt or allegedly corrupt, if the label sticks to him it will deter voters. Voters are much more willing to swallow radical positions than allegedly corrupt candidates. In the American election, this played well into Trump’s hand when leaked emails revealed that the state department had given preferential treatment to those who donated generously to the Clinton foundation. This applied to both Wall Street magnates, as well as to foreign non-democratic powers like Saudi-Arabia. Consequently, Trump campaigned heavily on the promise of “draining the swamp” in Washington, labelling “Crooked Hillary” as the head of an allegedly corrupt system.

Trump’s own promise to self-fund his campaign and not depend on lobbyists raised him above all doubts of corruption. This difference between Clinton and Trump stood above all during this election cycle and Trump’s lies about anything else were secondary.

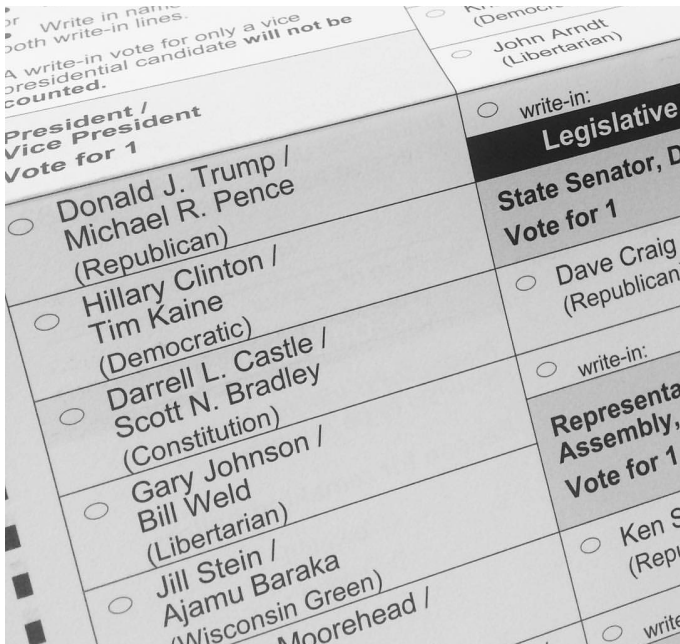
“Regardless of whether a politician is corrupt or allegedly corrupt, if the label sticks to him it will deter voters.”

In this context, radical ideas such as “building a wall”, “banning Muslims from America” or calling for “more guns” sharpened his profile as a strong “law and order” candidate and thereby made his anti-corruption message more credible and resonate well with the masses.

Political predictions are (almost) worthless, especially when estimating populist parties’ voter turnout.

Fivethirtyeight.com, which predicted every single state correctly in 2012, missed 6 states for the presidential election and various senate races. They overestimated the Democratic vote share and underestimated Republican turnout. This is a problem when politicians base their strategies on polls, and even more so when polls can affect a candidate’s momentum. Trump gave up on Virginia a week before Election Day when the polls predicted a 5.6% lead for Clinton. In Wisconsin, polls predicted a 5.3% lead for Clinton but Trump ended up winning this state by 1 percentage point. If Trump had given up Wisconsin a week before Election Day, would he still have won the state? If wrong polls can discourage candidates from campaigning, they become self-fulfilling and have real effects on the results - which is a problem for democracy.

“If wrong polls can discourage candidates from campaigning, they become self-fulfilling and have real effects on the results - which is a problem for democracy.”



Credit to Corey Taratuta, source: flickr.com.

Right before the first exit polls, a senior Trump advisor said they would need a miracle to win – but it was not a miracle, polls were just wrong.

A similar thing happened in the UK for the Brexit where a comfortable majority was predicted for “Remain”, but the cause ultimately lost.

The pattern that seems to persist here is that a populist candidate outperformed all expectations on Election Day. This seems to be evidence that there are undercover supporters who are too shy to openly support their candidate. Perhaps because they know that society despises their views. Alternatively, they despise the media so much that they refuse to talk to polling companies and hence the selected polling sample could be biased.

So beware of Marine Le Pen...

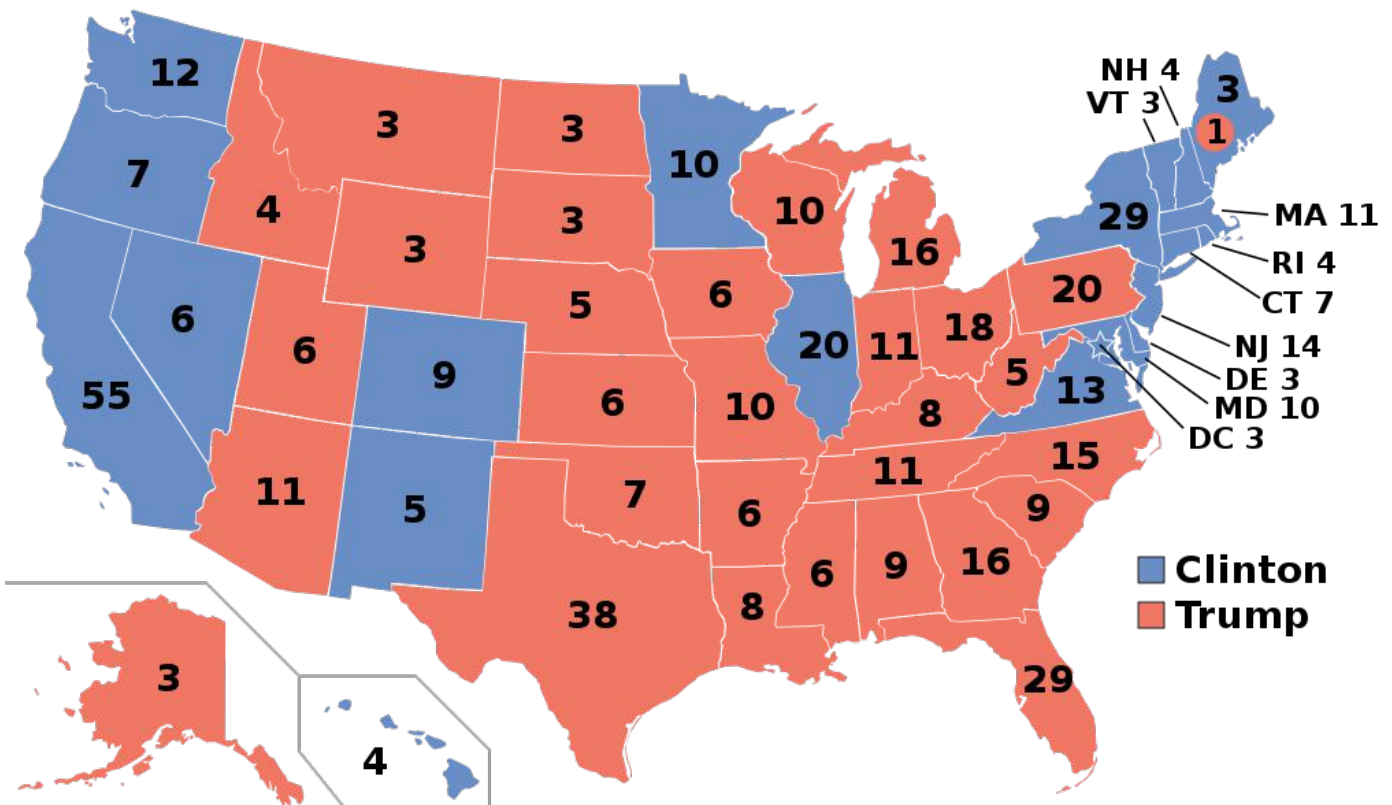
Majority voting may pose serious democratic problems.

For the second time in this century, the winner of the Electoral College lost the popular vote. In this case, Trump won the states of Pennsylvania, Michigan and Wisconsin by small margins, but losing big league in California to turn the table around. In theory, the way the Electoral College works, it is possible to win the presidency by only winning 20% of the votes cast (or perhaps 10% of the population, if 50% shows up to vote), if you win the right states even by a slim margin and do not win any votes in any other state. The Electoral College was originally intended to stop populist candidates by once-removing the vote; yet when delegates are bound to vote for the winner of their state, this plan falls through.

Majority voting is also a driving force of a two-party system, which polarizes the society more than a multi-party system. In a majority voting system, there are incentives for parties to collude to gain the majority. This affects the aggregation of voter preferences in a way that fewer opinions make it into

“In theory, the way the Electoral College works, it is possible to win the presidency by only winning 20% of the votes cast (or perhaps 10% of the population, if 50% shows up to vote), if you win the right states even by a slim margin and do not win any votes in any other state.”

Congress, which ultimately leads to a polarization of the political spectrum caused by a lack of alternative. It often forces people to vote for the lesser of two evils, and politicians to



Electoral college map for the 2016 United States presidential election. Source: wikipedia.com.

adopt positions they do not really believe in. The only way that Trump was able to win the Republican nomination was to add socially conservative beliefs to his portfolio of anti-trade and anti-establishment rhetoric.

Third parties barely have any chance in America, which is why Trump and Sanders decided to join the main parties. Yet both candidates faced strong opposition from their respective party leaderships. While Trump overcame it, Sanders failed and was forced to endorse Hillary even though his cause sparked much more enthusiasm than hers.

Economists need to develop better policies to accommodate the losers of free trade.

Trump won the Rust Belt: Pennsylvania, Ohio, Indiana, Michigan, and Wisconsin. All these states were the backbone of America's industry in the 1980s, holding the capital of the auto industry in Detroit and big steel and coal factories in Pennsylvania, Ohio, and Indiana. Those states suffered from an economic downturn following globalization, which brought cheap Japanese cars and moved steel production abroad. Not all of them have recovered well. The city of Detroit declared bankruptcy in 2013. Unemployment is high and perspectives for former steel workers or automotive industry workers to find new jobs are bad. This situation makes a great hunting ground for populists like Trump, who promise to bring back the old times by opposing free trade that supposedly steals jobs.

“Reagan’s trickle-down economics based on the doctrines of Milton Friedman led America to the position it is in today.”

A few decades ago, economists unilaterally endorsed free trade as it adds to total output and welfare. Reagan's trickle-down economics based on the doctrines of Milton Friedman led America to the position it is in today. But in recent years, voices have gotten louder criticizing the distributional effects of free trade. It causes a lot of creative destruction and there are losers in the process, who fail to adapt to the sectorial shift of the economy.

“It is economists who need to find answers to help the losers of free trade if populist movements on the rise are to be halted.”

As a final lesson to our own readership here, we would like to point out that it is economists who need to find answers to help the losers of free trade if populist movements on the rise are to be halted. What is needed in order to accommodate those people are inclusive measures, perhaps retraining or redistributive schemes. Such policies should not oppose free trade and globalization as a principle, but rather adjust for their adverse effects.

While it is still too early to predict what a Trump presidency would look like, it does fuel concerns regarding the rise of the far-right-wing parties all over the world. It is safe to argue that the year 2016 has challenged the preconceived ideas about public opinions and the outcomes of democracy; which leaves us wondering whether these lessons will be included in the politics of 2017? ■



Credit to Darron Birgenheier. Source: flickr.com.

So long, and thanks for all the fish

by Tristan Salmon

Post-truth Politics

Maya Angelou said “People will forget what you said or did, but people will never forget how you made them feel”. A new form of politics is emerging, of post truth politics, and now it seems that targeting people’s emotions pays the biggest dividends.

The trend of so called post truth politics has been emerging for some time. The first use of the exact term (The Post-Truth Era: Dishonesty and Deception in Contemporary Life was published by Ralph Keynes in 2004) is attributed to blogger David Roberts in a blog post for *Grist* on the 1st of April 2010, which claims that in post truth politics, voters “1. choose a tribe or party based on value affiliations, 2. adopt the issue positions of the tribe, 3. develop arguments that support those issue positions, and 4. choose facts to bolster those arguments”. The changing landscape of the media, and particular the advent of social media, played a significant role in this. With more atomized news sources, people will be exposed to opinions that will tend to concur with their own, via targeted news or social networks.

We only need to look at the US election campaign to see post truth politics in action. As *the Economist* wrote in the “Art of the Lie” (Sep 10, 2016) on Donald Trump “He inhabits a fantastical realm where Barack Obama’s birth certificate was faked, the president founded Islamic State (IS), the Clintons are killers and the father of a rival was with Lee Harvey Oswald before he shot John F. Kennedy”. And yet Trump has been elected as the leader of the free world.

“With more atomized news sources, people will be exposed to opinions that will tend to concur with their own.”

The “Make America Great Again” slogan sums up how the campaign is aimed at people’s emotions, which is not unique to the US elections. However, the Brexit campaign was also riddled with this kind of tactic.



Credit to Descirer, descirer.co.uk.

The Leave campaign for the Brexit referendum often used a similar strategy, repeating “Take back control” (i.e. of legislation, trade agreements and border control) during every debate. Prof. Brian Cox remarked on Twitter “I’ve been playing the take back control drinking game during the ITV debate and it’s going to take me some time to take back control”.

Indeed, Arron Banks, founder on the unofficial Leave.EU campaign, said “The remain campaign featured fact, fact, fact, fact, fact. It just doesn’t work. You have got to connect with people emotionally. It’s the Trump success.”. This is targeting feelings over using facts, which in some cases means that the relationship with the truth becomes very tenuous.

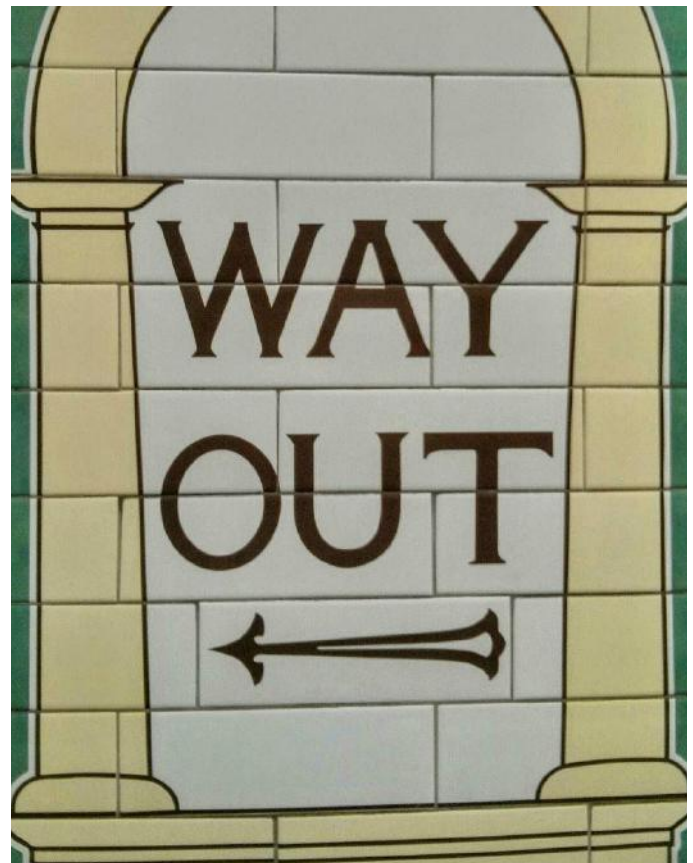
“The campaign was run in a fairly toxic atmosphere, where any study or evidence finding faults with leaving Europe was quickly dismissed as from the Elite or the privileged few.”

Project(s) fear

This campaign was often run with an us-versus-them mentality, with each side dismissing the other side’s arguments. Leave were notorious for this, with Michael Gove (former Justice Secretary and Leave campaigner) saying that “people in this country have had enough of experts”, the campaign was run in a fairly toxic atmosphere, where any study or evidence finding faults with leaving Europe was quickly dismissed as from the Elite or the privileged few, or from people in Brussels’s back pocket. This allowed very serious economic warnings from the International Monetary Fund (IMF), the Bank of England and the Organisation for Economic Co-operation and Development (OECD) to be ignored, to put down as part of “Project Fear” on behalf of the Remain camp.

However, when Remain seemed to be gaining ground in the economic side of the debate, and despite promises earlier on in the campaign, Leave’s focus shifted to the issue of immigration, and onto its very own Project Fear. For instance, Priti Patel (International Development Secretary) “Our membership of the EU is putting the National Health Service under threat (...) 288,000 of new immigrants to the UK every year”, claiming that this was an unacceptable strain on the NHS, and conveniently keeping quiet on the fact that more than 130 000 EU residents are essential in the running of the health sector, and that the strain on the NHS is in a much larger part due to underinvestment by the government.

“This is targeting feelings over using facts, which in some cases means that the relationship with the truth becomes very tenuous.”



Credit to Jose Manuel Mota. Source: flickr. com.

Michael Gove also claimed that over 5 million people could arrive in the UK from Europe in the next 14 years, with Turkey’s potential membership of the EU featuring heavily in this figure, despite it being very unlikely it would gain membership soon enough for anywhere near that amount of migrants to come to the UK via the EU free movement agreements. Leave did seem to gain some traction with the issue of immigration however.

“When Remain seemed to be gaining ground in the economic side of the debate, and despite promises earlier on in the campaign, Leave’s focus shifted to the issue of immigration, and onto its very own Project Fear.”

What has the EU ever done for us?

On the 23rd of September 2016 the Independent Newspaper reported “ Research by the Fabian Society (...) revealed that the financial “winners” – those who live in areas where public spending per head is higher, even when adjusted for economic output – were more likely to vote Remain, and those whose local economies were starved of public funds felt predisposed to leave the EU”. It also seems that the communities that voted to leave the most were often the areas that

benefited most from EU funding, as the UK government put little investment into these communities. The sense of déjà vu from Monty Python's "What have the Romans ever done for us" scene was rather striking.

For instance, Cornwall was due £400 million from 2014 to 2020 from EU structural funds (the most in the UK), which are allocated based on an equality assessment. These funds are designed to improve the local infrastructure, as well as supporting small and medium businesses and investing in the skills of the workforce. This works out at over 1000€ per capita during that period. Cornwall also benefited from the Common Agricultural and Common Fisheries Policies and yet 56.52 per cent opted for leave (4 percentage points above the national average), despite the fact that there is no guarantee that the gap in funding would be taken care of by the UK government. This is an a deprived area that has suffered from insufficient funding from the national government and benefited hugely from EU funding, and despite this it voted to leave. Perhaps these apparent logical contradictions show the failure of the remain camp, particularly of the Labour party, to engage with its traditional voters.

“The disconnect between the Labour party and some of the electorate has been brewing for the last couple of decades.”

“It does not currently look like Labour can form a viable opposition to the Conservative party during one of the most testing times in British political history.”

Lacklustre Remainers

The enthusiasm of Jeremy Corbyn (Leader of the Labour Party) for staying in Europe was far from overwhelming, having voted against joining in 1975 and describing himself as about “seven, or seven and a half” (out of 10) in favour of staying in the EU on national television in 2016.

The disconnect between the Labour party and some of the electorate has been brewing for the last couple of decades, many rural areas and towns in the north/north east felt left out, the government did not invest significantly in those areas, and so getting people to vote the way of Labour failed in those areas, for instance Sunderland voted 61% leave. And it was all too easy to sell the line that it was Europe that was responsible for the lack of investment in these strong Leave areas as oppose to the government's choice of spending. Labour, more generally Remain, could not convince the voters in these areas to vote to stay in the EU, and ultimately lost the referendum.



Little England (was Great Britain), Diamond Geezer. Source: flickr. com.



Credit to DAVID HOLT. Source: flickr.com.

Labour has just come out of a leadership contest following a vote of no confidence of Members of Parliament in Jeremy Corbyn, but despite these Labour party members voted to keep him, increasing his share of the vote to 61%. However, it does not currently look like Labour can currently form a viable opposition to the Conservative party during one of the most testing times in British political history, with a lot of talk about Scotland leaving the UK because of the vote as well. The exit from the EU will be extremely complex to organise, and there needs to be real accountability for the direction the government takes.

“Now the debate around Europe is about the form that Brexit will take, a lot of posturing is currently taking place, and the terms of ‘hard’ and ‘soft’ Brexit.”

So what now?

Article 50 of the Lisbon Treaty states that “Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements”. With regards to the constitutional requirements, Theresa May (the new Prime Minister) consulted government lawyers who claimed that she has sufficient executive power to invoke article 50 without having to go through a parliamentary vote, with the referendum result providing a sufficient mandate for Brexit. However, on the 3rd of November, the High Court in *R. Miller v Secretary of State* ruled that the government can’t use its prerogative powers to trigger Article 50, it will need to go through Parliament before triggering article 50. This means that Parliament

will have a very strong say in what form Brexit will take, and even possibly block it. It could also mean an early election, and even more uncertainty about the UK’s exit from the EU. The (unelected) House of Lords could also try to stall or even try to stop Brexit according to Baroness Wheatcroft, trying to buy time for a climate to form that would allow for a second referendum, but as the PM has reiterated on several occasions “Brexit means Brexit, and we’re going to make a success of it”. However, after the High Court’s ruling, the PM’s position is significantly weaker than it was before.

The same article goes on to state that after notifying the EU of the decision to exit “the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union”. Now the debate around



Credit to Ed Everett. Source: flickr.com.

Europe is about the form that Brexit will take, a lot of posturing is currently taking place, and the terms of “hard” and “soft” Brexit. These two positions are being portrayed by the media as two separate options, the “hard” option involving cutting ties off with the EU and relying on the World Trade Organisation (WTO) rules, no free movement of people and no access to the single market, whereas ‘soft’ Brexit would mean a model like Norway, which pays the EU to get access to the single market and has free movement.

Theresa May recently said that she would trigger article 50 in March 2017, but does not seem to have secured any assurances from the EU regarding negotiations, which seems to indicate a very weak bargaining position for the UK. As the Financial Times put it “the EU can simply run the clock down — knowing that the UK will be in an increasingly difficult situation, the longer the negotiations drag on without agreement” this date now seems very unlikely with article 50 needing a vote in Parliament before being triggered. Theresa May’s official spokeswoman has since claimed that the government would appeal against the decision, and that this ruling would not delay the process of leaving the EU. How they plan to stay on schedule is another matter.

The UK may come to rely heavily on the terms of the WTO to help develop trade after Brexit, however there is nothing simple about the UK’s post EU membership to the WTO. To trade under WTO rules independently of the EU, Britain will need to detach itself from the EU and regularize its place within the WTO, as many of the agreements that the UK benefits from in the WTO, were negotiated by the EU on behalf of the UK. This means that a team of international and European law experts

will need to trawl through the treaties that the UK has with the WTO and find which ones need to be regularised in order for the UK to benefit from them. This will be immensely complicated, after all there is no precedent for this.

From the perspective of the City, many financial institutions use “single-market passports” (allow firms to operate in the EU without having to obtain a passport for each individual country), and uncertainty is a major cause for concern, as the UK could lose the passporting rights after Brexit. According to the Financial Times 5,500 UK-registered companies rely on “passports” to do business with the EU.

“According to the Financial Times 5,500 UK-registered companies rely on ‘passports’ to do business with the EU.”

In the long run, and if it is handled right, maybe Brexit will bring prosperity to the UK by trading more freely with other countries, or maybe not. But for the now the outlook is one of uncertainty, the next few years of negotiations will be crucial to the future of the UK, and indeed for the EU. ■



Brexit tea, frankieleon. Source: flickr.com.

The Power of the Right:

The Rise of Trump in American Politics

by Carlos Francisco Restituyo Vassallo

By the time you read this, the US presidential elections will be over. It is necessary for us to recognize that this campaign has been a watershed moment in American politics. Trump's meteoric rise was something that nobody saw coming. He has been able to sway the disenfranchised with a mix of demagoguery and braggadocio that had been thought dead in American politics. I offer a perspective on why Trump's controversy had simply served him as a boon in his quest for the presidency. His rise can be explained with some theories of power put forth by French political philosopher Michel Foucault. Using his genealogy of power, I try to argue that what has resurged in American politics has been more than just a disgruntled working class, but a more primitive form of power relations.

“Trump’s meteoric rise was something that nobody saw coming. He has been able to sway the disenfranchised with a mix of demagoguery and braggadocio.”



Credit to Gage Skidmor. Source: flickr.com.



Credit to Gage Skidmor. Source: flickr.com.

“It seems that for Trump and his supporters, believing something to be true is the same as it being true.”

Trump and his supporters have had, throughout the campaign, a dismissive attitude towards facts. While statistics and professionals show America growing healthily, Trump has been able to woo the disenfranchised by claiming that things have never been worse: crime is on the rise, America is laughed at by its foes around the world, and the economy is tanking. Consequently, Trump’s supporters have rallied around his message, and even mimic his disregard for facts. For example, during the Republican National Convention (RNC), the basic message from the speakers at the convention was that America was indeed unsafe, and that Hillary Clinton must go to jail. If you go on YouTube, you can find interviews from the convention that back up my claims. For example, Newt Gingrich, who is an old school Republican and a Trump supporter, basically dismissed crime statistics that said crime was in decline, replying instead that the average American does not think they are safer. It seems that for Trump and his supporters, believing something to be true is the same as it being true.

However, the production of truth is not a new concept in politics. This can be attributed to a form of power relations first identified by French political philosopher Michel Foucault in his work. For those who do not know, Michel Foucault is mainly known for his work on the politics of power. In Foucault’s thought, Power is a way for people and institutions to interact with each other, which changes the behaviour of individuals. For example, Foucault’s main examples of these power relations are the birth of psychiatry and the prison in the nineteenth century. Through these, we have been able to

make things like sexuality and imprisonment objects of power, by which we can classify and identify individuals in society, something inherently political.

Foucault provides us with a genealogy of power relations that is useful in analysing Trump’s appeal. In particular, he relates anecdotes from classical texts to show the existence of power relations since the times of the Ancient Greeks. Back then truth came from sort of tests whereby one passing this test asserts the creation of truth. This means that truth was not based on facts, but on how could one make another accept their take on the facts. From here, Foucault’s idea about the productive nature of power can be seen: asserting oneself over another produces one’s own brand of truth. In this ancient case, then, it is arguable that truth comes from a sort of contest of who can overpower the other individual.

“Asserting oneself over another produces one’s own brand of truth. In this ancient case, then, it is arguable that truth comes from a sort of contest of who can overpower the other individual.”

This primitive form of power relations is clearly linked to Trump’s behaviour during this presidential race. Trump is strongest when he is dismissive of the media, making himself look stronger than they are. I think the example of his second debate versus the democratic candidate for the presidency, Hillary Clinton, shows how Trump’s rhetoric changed to fit our narrative here. One can arguably say he won that particular debate, because of the way he was able to dodge questions



Donald J. Trump @realDonaldTrump · Nov 1

Look at the way Crooked Hillary is handling the e-mail case and the total mess she is in. She is unfit to be president. Bad judgement!

🔙 22K ❤️ 57K ⋮

Source: twitter.com.

of substance, get his zingers out to his people, poke at Clinton with her emails situation, and overall look like he could actually stand his ground. Additionally, we must recognize the media's role in this undertaking, by not pushing Trump to actually elaborate on any policy stance. This has allowed Trump to prepare a routing of sound bites to cycle through in public appearances. One can also argue that this is the reason why his performance was virtually unchanged in the final debate versus Clinton. The media, indeed, allowed Trump to produce his own brand of truth, for consumption by his followers.

Furthermore, by emulating Trump, his support base became perpetrators of the same power dynamics we have been talking about. As the elections drew to a close, the Clinton camp decided to take the battle to Trump. The social media has been filled with coverage of Trump's remarks on an Access Hollywood outtake, about how Trump makes advances on women when they do not expect it. In a way, now the Clinton camp tried to change the minds of his followers by painting Trump as an enemy to women and minorities. However, this would not work because of the way power relations work. Once exerted, power produces an individual who is himself or herself a producer of this power. Trump's followers are not so easily deterred by remarks made against other people, or even themselves. You can find on YouTube instances of women that support Trump after his comments, despite them being demeaning to them, dismissing them as locker room banter, an almost verbatim rendition Trump's statements. It is not just that these people have drunk the Kool-Aid; it is offering it to drink to others as well.

“The media, indeed, allowed Trump to produce his own brand of truth, for consumption by his followers.”

Independently of how the election went, what has happened in this election has been unprecedented in American politics. Trump's rise has revived a more primitive form of politics that was identified by Foucault in the sixties. Trump's power comes from producing his own truth and sticking to it, a primitive form of power relations. I hope that the outcome of the election reflects the will of the American people. Nevertheless, what we have seen this year has been a fundamental change in the way politics move individuals, and I think that is something worth thinking about. ■

“You can find on YouTube instances of women that support Trump after his comments, despite them being demeaning to them, dismissing them as locker room banter.”



Credit to Elvert Barnes. Source: flickr.com.

Socialismo o muerte?

How the Cuban economy changes in the 21st century

by Friedrich Lucke

For Europeans, Cuba nowadays does not only serve as a tourist island with lovely pristine beaches, but also as a gigantic museum of past times telling stories of new money, wealth and lifestyle in spacious homes, old American cars, rum, cigars, and maybe more importantly of an economic system that was defeated in the 1990s in the rest of the world.

However, since Fidel Castro handed down power to his brother Raúl in 2008, the Cuban society has witnessed slow but steady changes that are transforming Cuba into a modern state. The improved relations with the United States will likely accelerate this process of transformation and the “museum” might soon cease to exist. Will “socialismo o muerte” survive the 21st century?

Up to now the Cuban economic system still builds on communist principles. The State takes care of its people’s basic needs very well. Cubans receive food rations, so no one starves. Cubans receive free health care of a quality that allows for a life expectancy that matches European countries. Cubans receive free education and a guarantee to be employed. But here, the freedom hits one of its limits. Jobs are allocated for those who do not find a match to their skills, and working for the government does not pay a wage that allows for consuming whatever you desire.

“Since Fidel Castro handed down power to his brother Raúl in 2008, the Cuban society has witnessed slow but steady changes that are transforming Cuba into a modern state.”

Apart from very basic needs, Cubans are very poor. The average Cuban earns a monthly salary of just 375 national pesos, the equivalent to 15 euros. Even highly qualified people, such as doctors, only earn about 50 euros per month. For goods that are produced domestically, this poses no problem as they are produced on the same price level and are hence affordable to the Cuban population. It is the imported goods that are out of reach, as those are sold at similar prices as in Europe. All technical gadgets, from vacuum cleaners to drills and microwaves, the slightest household luxuries, can only be bought with foreign currency, as well as all food that is not normally grown or processed in Cuba. To make matters worse,



Credit to Balint Földesi. Source: flickr.com.

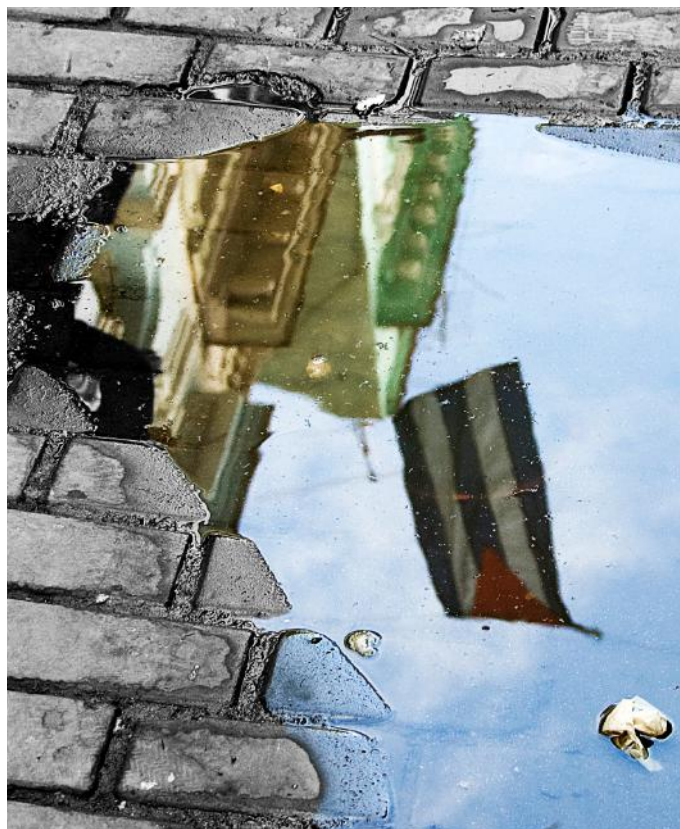
the allocation of reserves to import goods is centrally planned and appears fairly arbitrary. In every Cuban grocery store you can find Italian pasta, German barbecue sauces and chocolate icing, but not common products like potatoes, dairy products or those kinds of vegetables that do not grow in Cuba.

“Even highly qualified people, such as doctors, only earn about 50 euros per month.”

However, during almost 60 years they found their own ways to adapt to the general lack of goods. Firstly, many households own life stock or grow fruits and vegetables. In fact, more than 50% of Cuba’s production of vegetables happens inside the city limits of Havana, in backyards, on rooftops and balconies. Secondly, Cubans became very creative in reinterpreting the purposes of old machines for other uses. By taking things apart and reassembling them they were able to make up for the lack of imported machines. Thirdly, hitch-hiking is the principal mean of transportation. Drivers of state-owned cars are required to give you a ride if they have space, and private car drivers take passengers out of solidarity. As food for thought, I claim that all of the above are qualities that modern European countries would benefit from if they learned to appreciate them.

The fall of the Soviet Union and the associated halt in inflow of subsidies pushed Cuba to the verge of economic collapse. But it also initiated the changes that we see today, as it became clear to the government that Central Planning alone had failed.

Consequently, as Cuba does not have a strong export sector, the government decided to develop tourism to attract foreign reserves. For this purpose, they developed a clever



Credit to Jordi.martorell. Source: flickr.com.

two-currency system to extract money from tourists. Cubans use the peso nacional, whose value is dictated by the government. Hence it does not have any value outside Cuba. Tourists are asked to pay in pesos convertibles, a freely floating currency. This allows stores aiming to sell to tourists to price discriminate and charge excessive prices to tourists.

As clever as this system may seem, it has unintended effects. Because of the two currencies, doing business with tourists is disproportionately lucrative and once small entrepreneurship was legalized, this opened up vast possibilities of getting rich. By driving a tourist around Havana, a taxi driver can earn more in an hour than the average Cuban earns in a month. Other popular businesses are running restaurants and renting out private rooms to tourists. Ironically, this implements a highly capitalist system. The people who initially had enough money to remodel their home into a hostel or a tourist restaurant, the ones that own a car and a taxi license, anyone with enough capital start a tourist business and multiply their investment within a short time, but those who continue working for the state are excluded from those benefits. As the gains from tourism flow into very few pockets, inequality in Cuba has sharply increased in the past decade. With the prospects of those extraordinarily high earnings comes the greed. Ripping off tourists is a common practice, and Cubans do anything to sell you their products if you pay them in convertible pesos. The country is divided between those who earn convertibles and those who do not. As mentioned above, the fact that only convertibles can purchase luxury goods, divides the country into two groups of consumers as well.

“Cubans became very creative in reinterpreting the purposes of old machines for other uses. By taking things apart and reassembling them they were able to make up for the lack of imported machines.”

So far the government has only legalized some 300 occupations for small entrepreneurship, which are supposedly compatible with socialism. But the prospect of the money that tourists from America will now bring into the country will challenge the Cubans’ willingness to stick to their system and the long-preached “socialismo o muerte”. More and more people want to work in tourism, abandon their current occupations or demand to be liberalized.

The liberalization is chance and risk at the same time to the Cuban society. As Cubans grow richer, the peso will have to be appreciated quickly to decrease inequality and spread the benefits of tourism throughout the entire population. Money made from tourism could be used to make a huge step forward into the 21st century. The fact that Cuba’s modernization occurs only now allow it to avoid the mistakes that other countries made in past decades, by applying modern and clean technology. A lot of Cuban cars or busses are still from the 1950s and their pollution emissions are according. People use trucks’ cargo space for busses which offer the most



Credit to Angelo Domini. Source: flickr.com.

uncomfortable and even dangerous rides. Trains are barely existent, only go 40 km/h on average and run irregularly and unreliably, even though Cuba's geography would not even require a vast rail network. Building one high-speed railway through the island would greatly increase within country trade and business opportunities. High-speed Internet connection would allow the country to skip the industrialization and transform the country straight into a service-oriented economy. For this, entrepreneurship would have to be legalized and private property be guaranteed. Both of these can be made compatible with preserving the environment and reducing pollution. Cuba has placed a greater share of land under protection than most other countries, which is an asset for sustainable tourism. Meanwhile, free education and health care can remain free and accessible to the whole population. Cuban health care currently costs one twenty-fifth of the price of the equivalent treatment in the US which means it can remain affordable even when prices rise. Well-defined and well-provided public goods – large protected natural areas, health care and education – are examples of how some socialist principles can be made compatible with capitalism. Their ownership must remain with the Cuban people. In the best-case scenario, Cuba could offer a quality of life that is hard to compete with.

“So far the government has only legalized some 300 occupations for small entrepreneurship, which are supposedly compatible with socialism.”

But the transition could also go very wrong. Firstly, there is a threat that money makes people so greedy that more and more will be diverged into private pockets, aside from government taxes and concessions. Cuba could become a

corrupt country in which nothing works without bribery. Secondly, Cuban property should not be sold below value. Property prices in Havana are far below what they could be if the city were properly developed, old houses renovated and equipped with proper infrastructure. If the Cubans want to maintain the proceeds of the development in their country, they have to resist the offer of quick money from abroad until prices have been adjusted. Legislation for property purchases by foreigners have to be designed intelligently, in a way that the Cubans benefit from it and the money stays inside the country. Thirdly, one of Cuba's greatest assets is the high average level of education of its people and its export of medical services that come with it, currently the most valuable exported good. Venezuela for example, delivers oil far below the world market price to Cuba in exchange for Cuban doctors who work in Venezuelan hospitals for several years before returning to Cuba. The prospect of quick money could have perverse effects on the new generation's educational choices.

“It takes cleverness and economic insight to optimally design the path into the 21st century.”

It is not capitalism itself that Cubans have to be afraid of—when state-owned food production failed, freeing up agricultural lands to lease it out to private entrepreneurs saved the Cuban Government during hunger revolts in the 1990s and marked the begin of capitalism and wealth in Cuba. But it takes cleverness and economic insight to optimally design the path into the 21st century. In line with the same principles, to capture the full benefits of economic development, the country will have to liberalize and finally ask the question whether death is really the only alternative to socialism. ■

Why should we go to Mars?

An argument for space exploration

by Olivier Ferrage

The purpose of this article is not specifically to convince you that we must go to Mars, but more an argument as to why we must push space exploration to the boundary of our capabilities. We can wonder why so much money is being poured into space research, funded by public institutions, like ESA or NASA, as well as private companies, such as SpaceX or Virgin Galactic. The space industry is far from profitable. People dedicating their lives to help the conquest of space must therefore have some very strong reasons in doing so.

Some people may call it a dream, walking on another planet, but 100 years ago we were still learning how to fly. We have landed on the Moon, and we will very soon be able to visit Mars. The red planet being similar to Earth in many aspects makes it a prime target for our space ambitions. Not only is it an enormous challenge that will require the most advanced technology, but visiting Mars will also have some indirect and unexpected benefits. People such as Stephen Hawking, Elon Musk, Carl Sagan, Buzz Aldrin, Bill Nye, and thousands of scientists around the world do not need to be persuaded of the utility of a space program. They realize that the progress of humans in space will have a deep positive impact on the environment, the technologies on Earth, and the progress of humans as a species.

“Some people may call it a dream, walking on another planet, but 100 years ago we were still learning how to fly.”

I do not think you need to be convinced of how unbelievably exciting it would be to send humans to Mars. Every human has an innate need to discover, an ineffable desire for adventure. Contemporary internet philosophers say that we were born too late to explore our own planet, even though oceans are still a mystery to us, but too early to explore the Universe. Nevertheless, there are many steps between the exploration of the Universe, and where we are today. We first explored our planet, and then leap to the Moon 50 years ago. The second giant leap is sending humankind to Mars. For many, curiosity



Credit to NASA HQ PHOTO. Source: flickr.com.



Credit to NASA Johnson, source: flickr.com.

is a strong enough instigator to keep exploring space. Thus, visiting Mars shall inspire the generations to come to be astronauts, mathematicians, physicists and even future planet economists.

“Contemporary internet philosophers say that we were born too late to explore our own planet, even though oceans are still a mystery to us, but too early to explore the Universe.”

Earth has always been our home, and settling on another planet would mark time as the beginning of a new era for humanity. The year 1492 was a memorable year. Lorenzo de Medici, the richest man on the planet, died. France and England signed a peace treaty evading another Hundred Years War. But, nowadays, as Robert Zubrin, aerospace engineer and author of *The Case for Mars* described, the significance of these events is dwarfed compared to the discovery of the Americas by Christopher Columbus. 300 years from now, children will probably have to learn who Barack Obama was. But something they will learn spontaneously is how the first computers came into existence, or when we first set foot on another planet of our solar system. Because these game-changing events are the ones that shape the evolution of human civilization.

But as much as we aspire to go to Mars, wishing is not enough. To make progress in space exploration, we need strong incentives and motivation even for the most grounded people. Those people, who do not dream of exploring space, are more concerned about the issues that are still to be fixed on Earth.

As economists, we know very well that we are naturally impatient. We value more things we can have now, than better things we could have tomorrow. Additionally, the way our political system is designed forces our representatives to favor short term measures in the hope of being re-elected. This impatience and narrow vision make us question the utility of a space program. Maybe justifiably. Why would we spend tax money launching rockets to a floating space station? Why would we spend billions sending a couple of scientists to a planet that looks like Arizona? I tried to stimulate your curiosity and sense of wonder in this first part. However, as I will argue, there are also many tangible interests that lie in exploring, understanding and living on Mars (other than saving our species, if we are ever to be wiped out on Earth). I will try to prove, that space exploration may have an immediate beneficial effect for us here on Earth. And then, we will see that setting foot on Mars might answer some of the most far-reaching questions thinking people have been trying to answer for millennia.

Chlorofluorocarbons (CFCs) are gases mostly used in deodorants, air conditioning and fridges. In the 1970s, we discovered that the chlorine generated by the interaction of CFCs and sun rays, was weakening the ozone layer protecting us from ultraviolet light. Thanks to economics; by setting quotas, we were able to sharply and rapidly reduce our CFC emissions. But my interest here lies in how we discovered that CFCs destroy the ozone layer. Carl Sagan in his book, *Pale blue dot*, describes the process. Sherwood Rowland and Mario Molina from the University of California were doing some experiments for NASA on chemical reactions involving chlorine. NASA was at that time very interested in Venus' atmosphere, as it contains chlorine and fluorine. In the end, it wasn't the main producer, the DuPont Corporation, who discovered that chlorine causes the deterioration of the ozone layer, it was the two scientists who were working on the project for NASA (it earned them the 1995 Nobel Prize in Chemistry). This discovery was later



Credit to NASA HQ PHOTO. Source: flickr.com.

followed by the banning of any aerosol containing CFCs in the United States, and the signing of the Montreal Protocol by 27 nations, aiming to protect the ozone layer.

Another example in Carl Sagan's book is how Venus helped our understanding of greenhouse effects. Venus is the queen of greenhouse gases in the Solar System. While studying the planet, we could detect that Venus's surface was extremely hot. This heat was at the time a conundrum for planetary scientists. Is it because of sunlight intensity that Venus is so hot? The Pioneer 12 mission to Venus in 1978 then showed that the heat in Venus's atmosphere is due to greenhouse gases. The effect of greenhouse gases was discovered a long time before this revelation, but Venus is a vast source of information, and a great example of how greenhouse gases can go very wrong for a planet. Venus' ground temperature was measured at 465°C, hotter than Mercury which is on average twice as close to the Sun.

“The effect of greenhouse gases was discovered a long time before this revelation, but Venus is a vast source of information, and a great example of how greenhouse gases can go very wrong for a planet.”

The two examples show how studying other planets, can help solve potential dangers threatening us and our planet. Other planets are experiments, where conditions turned out to be very different than what we know, and take for granted on Earth. These planets make us realize that our environment might be more fragile than we think.

We now know that Mars contains water, a sign that Mars might have been like our planet millions of years ago. And studying it might help us understand why it is like it is now, as well as preventing us from causing some possible catastrophic event.

A lot of motivational quotes try to persuade you to get out of your comfort zone, promising that it will help you improve as a person. Whether this is true or not, space exploration

undoubtedly takes humans out of their comfort zone. Sending humans in an environment where there is no breathable air, the temperature is close to absolute zero, and the radiation from the Sun tears their DNA apart, can be a little challenging. Such extreme conditions require a substantial amount of creativity and ingenuity. They require us to surpass ourselves, to produce some extraordinary technological advances that would never take place if we were not confronted by them. Apart from actually solving the problems that the scientists encounter, the technologies helps us in different ways in our life that we cannot envision beforehand.

“Religion makes us feel special, makes us feel like we have a reason to be alive. We are naturally anthropocentric: the belief that considers human beings to be the most significant entity of the Universe.”

While representing a fraction of the United States federal funding, space research has already had an impact on sectors such as health and medicine, with LEDs and artificial limbs; transportation, with anti-icing systems and chemical detection; public safety, with fire-resistant reinforcement and land mine removal; environmental resources, with water purification and solar energy; and many others.

Now, the grand question: are we alone ? Religion makes us feel special, makes us feel like we have a reason to be alive. We are naturally anthropocentric: the belief that considers human beings to be the most significant entity of the Universe. But, throughout history, science has been very insistent on showing how utterly ordinary we are. And sending humans to Mars could be another blow to human exceptionalism. Indeed, Mars may have been like Earth a long time ago. Identifying present or past microbial life, will signify that the probability of life occurring on a given planet is much higher than we would expect. Even if we are only talking about microbial life, such a discovery would reinforce the Fermi paradox. This paradox lies on the basis that, given the unfathomable number of planets in our galaxy, we have not ever heard from any

other intelligent species. A high probability of microbial life occurring should then strongly raise the odds of appearance of intelligent species.

“Evolving into a multi-planet species will inevitably induce a change in the way we identify ourselves. It can change the way we view people from other countries, help us cooperate not as citizens of a country, but as citizens of the world.”

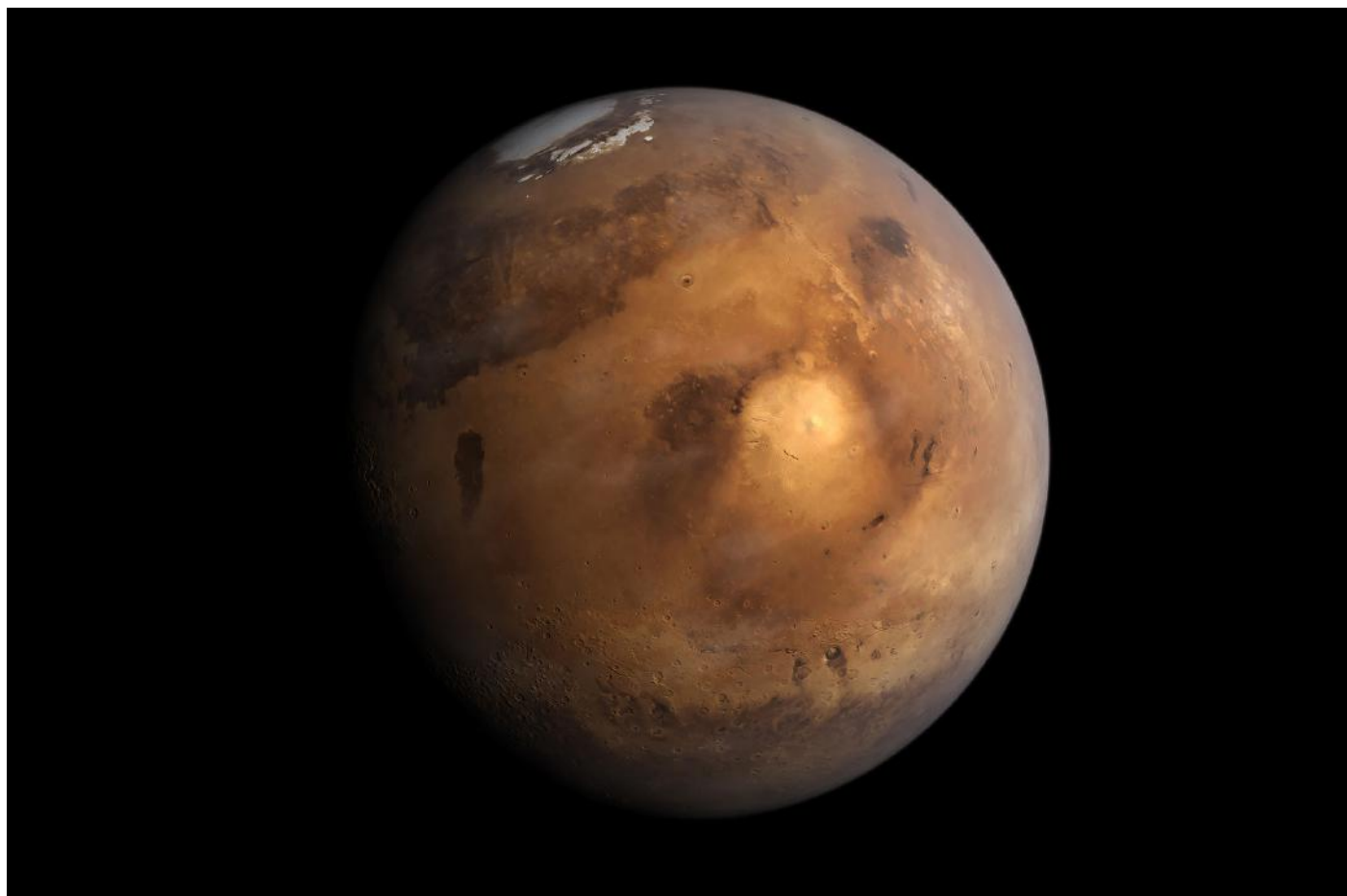
Also, if we do find life, is this life the same as we know it on Earth? Every living being on Earth is composed of amino-acids, RNA and DNA. But could life take different forms?

ESA's 2020 ExoMars Mission will be designed to look for life, but robots will never be able to look for life as effectively as humans. An answer to these questions, would completely reshape the way we view the Universe, and our place in it. It might make us more humble, and might change our perspective.

After having colonized Mars, I can then imagine humans colonizing other planets and moons of the Solar System. Evolving into a multi-planet species will inevitably induce a change in the way we identify ourselves. It can change the way we view people from other countries, help us cooperate not as citizens of a country, but as citizens of the world. Whether we do find out if life exists beyond Earth or not, the fact that other planets are inhabited, will make the borders on our world seem quite futile.

Space cannot be conquered by only one nation. It will require cooperation from many countries, space agencies and companies, for us to reach our full potential. Right now, in the International Space Station (ISS), there is an American and a Japanese astronaut, and three Russian cosmonauts. The rise of developing countries, such as China and India, in the space race is very encouraging, and we must seize the opportunity to cooperate. If space exploration can help countries work together, towards a peaceful enterprise, then the usefulness of it is already proven.

Setting foot on another planet is an incredible endeavour. In these times of global warming, economic recession and ideological extremism, we need an optimistic goal, something that will inspire us to work together. Sending humans to Mars is something we will soon be capable of. As of today, we are testing how space affects the human body in the ISS. We are also looking at how living with the same people, in a small space, for a very long time, affects us psychologically. While facing this incredible challenge, we do not think of who will be the first to reach Mars. The entire world will be hoping for a successful mission, be it American, European, Chinese, Indian or from any other country. Because, in any case, it will be humanity setting foot on Mars. ■



Credit to Kevin Gill. Source: flickr.com.

"Brazil: Impeachment and the day after"

by Alipio Ferreira Cantisani and Gabriela Miyazato Szini



Strike in sao Paulo. Source: wikimedia.org.

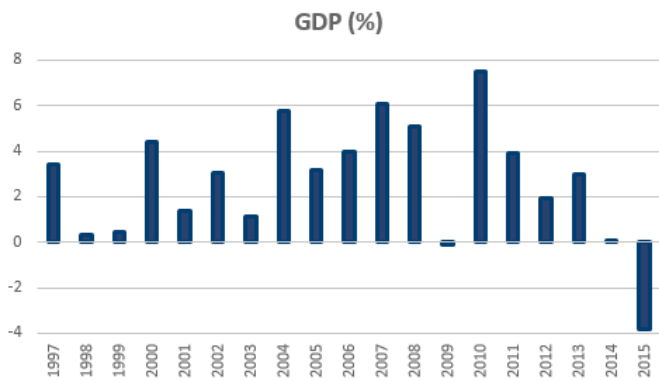
It was unforgettable. During the opening ceremony of the London Olympic Games in 2012, James Bond himself escorted Her Majesty the Queen from Buckingham Palace to the Olympic Stadium. Parachuting herself into the stadium from a helicopter, Queen Elizabeth II enters the stadium under the ovation of the crowd, approaches the microphone and officially declares open the Olympic Games of 2012. WOW! Thrilling! Nothing like the depressing counterpart that took place four years later in Rio de Janeiro... In the mythical stadium of Maracanã, when Brazil's then "acting president" Michel Temer officially opened the Rio Olympics, he was booed by the crowd. In the midst of such a beautiful ceremony, that might have appeared a bit weird to a foreign observer. After all, what the heck is an "acting president"? Why were people mad at him? And more generally, what is wrong with this country?

In fact, when the eyes of the world turned to Brazil in 2016, the mess was pretty much still on-going. President Dilma Rousseff, who had been re-elected for a second term in 2014, faced an impeachment procedure on charges of fiscal crimes. As required by the Brazilian Constitution, she was suspended from office during the last months of the trial, when vice-president Michel Temer held power as "acting president." Rousseff

was convicted at the end of the trial and lost her mandate, and Temer officially became president of the republic in September 2016.

How did we get here?

Brazil became a democracy in 1985 and issued in 1988 its current constitution. When the military handed over the power to civil leaders, the country's economy was in shambles. The young democracy defaulted on its debt and failed in several attempts to curb its galloping inflation – in fact, hyperinflation. The very first democratically elected president, Collor de Mello, was impeached on corruption charges, something that is today widely celebrated as a heroic event in Brazilian politics. Fortunately, things got back on track and several reforms succeeded in preparing the country to grow and compete. Inflation was tamed, a new currency (the real) was introduced, inflation targeting was put in place, and, in the year 2000 an important piece of legislation was passed: the Fiscal Responsibility Law. This imposed controls over public expenditures, forbade the government from borrowing money from state-owned banks and promoted the transparency



Brazil's GDP (%).

of public finances. For a moment, it seemed that the country was well vaccinated against the economic disarray of past decades. Alas, not quite.

During the 2000s, Brazil did well. Very well. The economy grew, employment boosted, interest rates fell, inequality decreased, poverty plummeted and the president at the time, Lula da Silva, enjoyed record popularity levels. The world was facing a significant increase in commodities prices, driven specially by the Chinese demand for supplies, and this largely contributed to bringing about a cycle of prosperity to the country and allowing for an expansion of social programmes.

Moreover, Brazil was a brave survivor of the global financial crisis of 2008, thanks to its solid financial sector and to counter-cyclical demand policies quickly adopted by the government to sustain growth. These policies included reduced taxes, expenditure packages, and subsidized credit for private investments, operated through the state-owned financial institutions (mainly the development bank BNDES¹). In 2010, da Silva's last year in power, Brazilian GDP growth reached 7.5%, the highest since 1986, and Brazil became a model for the world: a democratic, socially-minded, and economic prosperous developing country!

But darker clouds approached in the horizon. When Dilma Rousseff, da Silva's protégée, was elected president in 2011; she decided to double down on a more interventionist approach for promoting economic progress. Her government's strategy was to bring growth by expanding government expenditures, lowering interest rates, and supporting the country's exports with a devaluated exchange rate. To some extent, the government also used other trade-constraining

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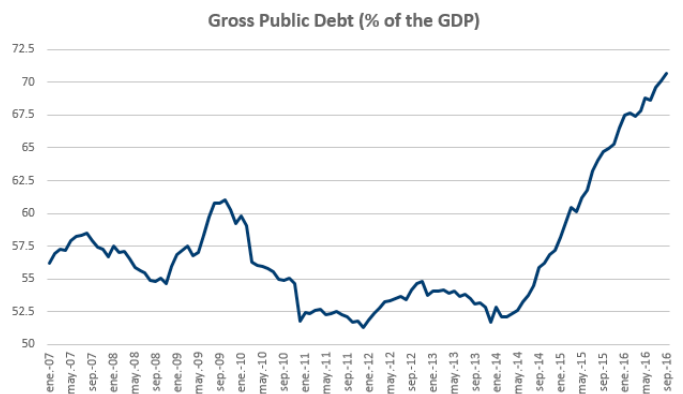
measures, such as anti-dumping tariffs and “national content” rules for certain industries. It is clear that these policies aimed at maintaining high levels of consumption by tolerating a higher level of debt and a rise in inflation.

Unfortunately for Rousseff, the economy did not respond as well as she had wished. Commodity price levels were not as high as in the golden early 2000s, and the world economy was not performing well. Brazil itself could not count on its internal market alone: households and government were increasingly indebted, and productivity is chronically weak. By spending more and more, granting tax benefits, and lending subsidized money, Rousseff perhaps kept the economy from running astray earlier, but she did not correct the path. By the end of her first mandate, public spending had become misaligned with public revenues, public debt and interest rates were quickly rising again, inflation spiked and economic growth ground to a halt in 2014. But 2014 was an election year, and cutting expenditures would not help get Rousseff re-elected...

Beginning in 2013, her government started discretely using state-owned banks in order to advance payments for government programs, from social payments to subsidized loans. The banks paid in advance, and the government reimbursed the banks at a later date, with interest. Something like this is normally known as a “loan”. The problem is that the aforementioned Fiscal Responsibility Law prohibits the government from engaging in lending operations with its own banks, precisely in order to avoid the abuses of the past. Therefore, under Rousseff's administration, these strange operations were kept off the record and treated as mere “delays” instead of “loans”- a technique nicknamed “pedalada fiscal.” On the one hand, this technique helped Rousseff mask the government's actual financial situation, allowed her to continue payments and partly helped her get re-elected. On the other, it cost her her job 20 months after the re-election.

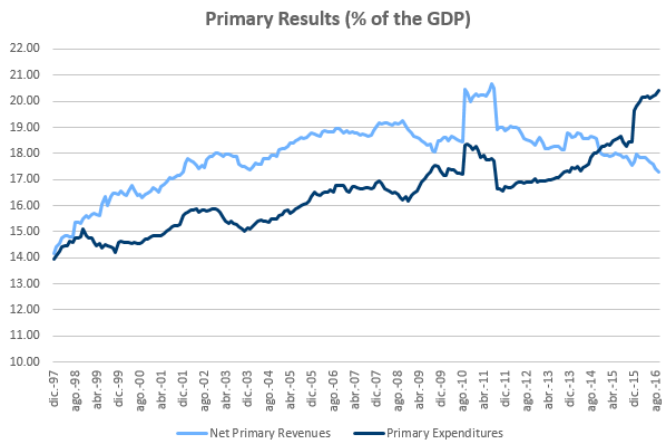
The impeachment begins

2015 was an *annus terribilis* in many respects for newly re-elected president Rousseff, and the state of the economy is just part of the story. A huge corruption scandal in the state-owned oil company hit several members of her government



Brazil's Gross Public Debt (% of the GDP).

¹ Banco Nacional de Desenvolvimento Econômico e Social.



Primary Results.

as well as important politicians from her coalition (and some from her opposition!). Moreover, the scandal also tarnished Rousseff's own reputation as an honest and diligent administrator, given her personal attachment to the company (she had been president of the company's board under da Silva's presidency).

In face of so many adversities, Rousseff became more and more isolated. Ministers left the government, allies abandoned her coalition and even her vice-president Michel Temer (who had also served as vice-president in her previous mandate) was showing signs of disagreement with her political management. The speaker of the lower house, and Rousseff's former ally Eduardo Cunha (like Temer, he is a member of PMDB, a centrist party), officially declared he was leaving her coalition. And then, suddenly things got a lot worse. On December 2, 2015, Cunha accepted a request to start impeachment procedures against the president. (Cunha has since been arrested on corruption charges and awaits trial).

“Her government started discretely using state-owned banks in order to advance payments for government programs, from social payments to subsidized loans.”

The impeachment request, one of dozens that had been proposed throughout the year, was proposed by three law professors. They argued that Rousseff had committed several crimes in the management of the federal budget during the years of 2014 and 2015, infringing the law of fiscal responsibility, the impeachment law, the criminal code, and the federal constitution. The punishment for these crimes would be loss of mandate, ineligibility for public office for eight years, and possibly criminal charges in justice.

According to the three professors, in the course of the campaign year 2014 and in 2015, president Rousseff had committed two main kinds of offences. First, she borrowed resources from state-owned banks in order to pay for government expenditures, a practise that is strictly forbidden by law; moreover, the government omitted these debits from its official statistics.

The second offence concerned the management itself of

expenditures by the government. The accusation claimed that Rousseff had spent public money without previous legal authorisation, a practice that is actually possible, but only if it does not interfere with the balance of revenues and expenditures in the budget. Since revenues were critically falling in 2015, Rousseff should have stuck with the original budget and was not allowed to make new expenditures without asking Congress for permission.

Rousseff immediately asked the Supreme Court to interrupt the impeachment process in the parliament on the grounds that the accusations did not formally qualify for an impeachment, among other problems. It was the beginning of a series of supreme court interventions in a highly “judicialized” procedure. However, the Supreme Court did not interrupt the procedure, and Rousseff's repeated appeals only contributed to making it longer and more detailed. (Noteworthy: eight out of the eleven judges in the Supreme Court were nominated by either Rousseff or da Silva).

The accused president also presented her own defence in Congress. Her lawyers (actually, the government's lawyers) argued that the so-called “loans” from public banks had never taken place; they were simply “delays” in payments from the government to its banks. They added that previous governments had also delayed payments to banks, and nobody complained.

This triggered a long debate. Indeed, the difference between a delay and a loan is not clear-cut. However, the “delay” theory did not convince the Brazilian Financial Federal Court (TCU), a technical body, which highlighted that the magnitudes of such delayed payments (tens of billions, as opposed to a historical average of one billion *Reais* by the end of each month) and the length of the delay (several months, as opposed to a few days in previous governments) clearly showed that something different was taking place. Moreover, several government and bank employees were staunchly opposed to these operations, and alerted government officials that they were not in accordance with the law. To what extent these warnings made their way to the presidential palace, we will probably never know. Yet, one thing is certain: Rousseff reaped electoral benefits from these concealed loans.

As for the accusation of unauthorised spending, Rousseff's defence argued that the additional expenditure was done in accordance with the budget law and did not affect the annual fiscal targets of the government. It is true that the government met its fiscal target by the end of 2015, but this is because it eventually convinced Congress to reduce it, as it became clear that it was never going to be reached. Tragically, Rousseff managed to reach the legal targets in this very same way in 2013 and 2014, with help of Congress. The three law professors argued, however, that the additional expenditure was not compatible with the target that was in place when

“Since revenues were critically falling in 2015, Rousseff should have stuck with the original budget and was not allowed to make new expenditures without asking Congress for permission.”

the expenditure was made, a rather technical discussion that divided Congress members for several months. By the end of the trial, Rousseff was found guilty of ignoring the limitations of presidential power in budget management.

Impeachment and the day after

The whole process that took the presidency away from Rousseff officially started on December 2, 2015 in the lower house. In April 2016, the accusation was forwarded to the senate after more than two-thirds of deputies gave their approval. The senate analysed the accusation from scratch, in a process that took a few more weeks, and officially started the trial in May. Rousseff was then suspended from office and vice-president Michel Temer replaced her temporarily. He quickly reformulated the government, firing all of Rousseff's ministers (including the head of the central bank) and nominating new ones, which indicated that the odds of Rousseff's return were extremely low. On August 31, more than two-thirds of Brazilian senators convicted Rousseff for the fiscal crimes she was being accused of. Like Collor de Mello in 1992, the president and her acolytes accused a *coup d'Etat* orchestrated by the media and the elites, but it didn't help. On the same day of the final vote, Temer was inaugurated as Brazil's president, a role he can hold until 2018. At least in theory...

For Temer also risks losing the presidency... During the course of the corruption investigations related to the oil company Petrobras, evidence was found that the 2014 campaign that elected Rousseff and Temer (the president and vice-president run their campaign together) was fed with money obtained through illegal means. If this is found to be true, president Temer may be forced by the Brazilian Supreme Electoral Court to step down, in which case a president would be indirectly chosen by the parliament. It is not clear, however, that this is going to happen. Meanwhile, Temer has to deal with a lot of thorny political, social and economic issues that have been neglected in previous years.

The Brazilian recession of 2015-2016 will be the worst in the

historical series that starts in 1901. Unemployment, poverty and inequality are rising again. At the heart of all these serious problems is a fact that is hard to ignore: government spending has been steadily growing above government revenues (which is strongly correlated with the economic activity), suggesting a structural problem in Brazilian public finances. This pattern resulted in a fast paced increase in the public debt. The government's debt is high, but households' debt is enormous, limiting the power of policy instruments to stimulate the economy.

Michel Temer has plans to solve these problems, all of which are politically hard to implement, such as pension reform and a constitutional amendment that will limit total expenditure growth for twenty years. So far he has been successful to build a more stable coalition and pass legislation, but the clock is ticking.

“By abiding to fiscal responsibility principles, letting its democratic institutions function independently, and punishing trespasses against the Constitution, Brazil turns away from its gloomy past.”

The situation is alarming, and millions of people are being hit by the policy mistakes and political deadlocks that have thrown the country into an unprecedented crisis. But maybe we should not be so negative after all. A few decades ago, crises like that were solved with populist measures, high inflation and military *coups*. By abiding to fiscal responsibility principles, letting its democratic institutions function independently, and punishing trespasses against the Constitution, Brazil turns away from its gloomy past. Having survived this stress test, the young Brazilian democracy showed it is stronger than those who wanted to subvert it. May it last for many more decades to come! ■



Source: wearechange.org.

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The logo for LCL (LCL Banque et Assurance) features the letters 'LCL' in a bold, yellow, sans-serif font. The letters are set against a dark blue background. A large, stylized, light blue arc with a white inner edge curves around the left and bottom of the letters, creating a sense of motion or a globe. The entire logo is contained within a dark blue rectangular area.

LCL

BANQUE ET ASSURANCE

« Loi travail »

un réel changement ?

par Mariam Aounallah

En évoquant la loi travail, surnommée loi El Khomri d'après la ministre du travail, nous retiendrons essentiellement les manifestations pléthoriques qui ont immobilisé le pays pendant plusieurs semaines, ainsi que le passage en force de ce projet de loi, orchestré par le premier ministre Manuel Valls en ayant recours à l'article 49.3 de la Constitution. Ce sont là autant de faits qui ont contribué à la cristallisation des tensions politiques dans un pays englué dans un malaise profond depuis la crise économique de 2008.

Pourtant, on peut légitimement se demander si la loi travail peut réellement constituer une avancée en France ; et si la France fait figure d'exception en comparaison avec les autres pays européens sur ce sujet.

Une vue d'ensemble des principaux changements qui seront opérés par la loi El Khomri explique cette controverse : l'article 2, véritable noyau de la discorde, entend faire prévaloir les accords d'entreprise sur ceux des branches d'activité concernées. Autrement dit, désormais, les décisions concernant l'organisation du travail se feront à l'intérieur même de l'entreprise. Plus de flexibilité lors des négociations donc, si bien qu'une entreprise pourra décider de mesures moins favorables aux salariés que celles conclues par la branche qui regroupe les autres entreprises du même secteur ; chose qui n'était pas possible auparavant. Cela veut dire que dorénavant, une entreprise possédera plus de flexibilité et d'indépendance lors des négociations. Elle peut ainsi se dissocier des décisions prises par les autres firmes du secteur en mettant en place ses propres mesures moins favorables aux salariés.



Manuell Valls. Source: flickr.com.

Ces accords d'entreprise pourront, par exemple, s'appliquer aux heures supplémentaires et à la durée maximale de travail hebdomadaire : aujourd'hui de 48 heures, elle pourra être portée jusqu'à 60 heures avec ces nouveaux types d'accords.

“Désormais, pour une entreprise de plus de 300 employés, quatre trimestres de recul du chiffre d'affaires seront suffisants pour justifier le licenciement d'employés.”

De plus, la mesure la plus contestée concerne le paiement de ces heures supplémentaires : même si la majoration est officiellement maintenue à 25 % pour les huit premières heures et 50 % pour les suivantes, une entreprise pourra toutefois, par le biais d'accords avec les syndicats, limiter ce bonus à 10 %.

Les procédures de licenciement économique seront aussi débarrassées de leurs carcan : désormais, pour une entreprise de plus de 300 employés par exemple, quatre trimestres de recul du chiffre d'affaires seront suffisants pour justifier le licenciement d'employés. Effectivement, si aujourd'hui une entreprise souhaitait licencier des employés, elle devrait prouver sa faillite imminente ou bien la nécessité du licenciement pour la survie de l'entreprise : un processus long et complexe.

Un autre point de discorde aux conséquences plus sociales qu'économiques est lié au fait que la loi travail prévoit la suppression des visites médicales d'embauche, à l'exception des salariés à risque (notamment dans les secteurs du bâtiments et travaux publics et du transport). Par conséquent, la réforme sonne le glas de la visite médicale pour les autres travailleurs, les rendant ainsi plus démunis qu'auparavant face aux risques d'épuisement du travail.

En ce qui concerne les travailleurs jugés « à risque », les médecins n'auront plus besoin d'évaluer les dangers encourus par les salariés mais seulement de s'assurer de la compatibilité de l'état de santé des travailleurs avec le poste auquel ils sont affectés. Les médecins du travail déplorent, à juste titre, ce passage d'une médecine préventive au service des employés



Source: flickr.com.

à une médecine d'inspection, davantage au service du bon fonctionnement de l'entreprise.

Un marché du travail trop rigide ?

Le marché du travail, tel qu'il est aujourd'hui, se caractérise par la rigidité des contrats à durée indéterminée (CDI). C'est précisément ce dysfonctionnement que la loi El Khomri entend réparer : en facilitant les licenciements, l'objectif est de lutter contre l'explosion des contrats à durée brève et d'aboutir à une remontée des CDI. Effectivement, cette protection excessive du travail semble freiner les entreprises à signer ce type de contrat. De plus, les chiffres viennent appuyer ce postulat : alors qu'en 1995 45 % des travailleurs avaient la chance de passer d'un contrat à durée déterminée à un CDI, seuls 12,8 % en ont eu la possibilité en 2010.

“En facilitant les licenciements, l'objectif est de lutter contre l'explosion des contrats à durée brève et d'aboutir à une remontée des CDI.”

Avons-nous raison de croire en cette réforme ?

En effet, de nombreux revers peuvent survenir : supposons que les CDI augmentent en nombre dans les mois à venir ; ils seront néanmoins plus précaires. Les pourfendeurs de la loi El Khomri s'appuient essentiellement sur cette précarisation pour la critiquer à tout va : le licenciement facilité et la privation des travailleurs de la protection d'un juge sont des exemples qui en témoignent.

Les plus ardents opposants à cette loi sont la jeunesse, pour qui la mobilisation semble avoir marqué une prise de conscience des conséquences sociales. Pouvons-nous réellement croire, nous, étudiants, que l'assouplissement des licenciements et la modulation du temps de travail, ainsi que la suppression des visites médicales, pourraient faciliter notre entrée sur le marché du travail ?

Une petite mise en perspective

La France fait office de mauvais élève au sein de l'Union Européenne puisque l'Allemagne et le Royaume-Uni, entre autres, sont parvenus à faire reculer les chiffres du chômage de manière significative. L'Espagne par exemple, même si elle fut empêtrée dans une situation alarmante après la crise de 2008, vient de connaître une augmentation de 300 000 embauches en CDI. Or, ces mêmes pays ont déjà réformé leur marché du travail de façon plus ou moins similaire au projet de loi français. Pouvons-nous pour autant en conclure que ces améliorations sont les conséquences directes des dites réformes ?

À en croire certains économistes, la réponse est non. Les situations en France et dans le reste de l'Europe sont intrinsèquement différentes. À titre d'exemple, le Royaume-Uni a engagé des réformes beaucoup plus radicales que la France. La baisse du chômage en Allemagne, quant à elle, tient plus aux bonnes performances de ses industries qu'à la structure du marché du travail en lui-même.

Le truisme sur lequel s'appuient de nombreux politiques, selon lequel les bons résultats économiques à l'étranger sont imputables à la flexibilité de leur marché du travail, convient donc d'être battu en brèche. Il s'agit d'être beaucoup plus nuancé compte tenu des différences inhérentes qui existent entre les pays européens.

« Finalement, beaucoup de bruit pour rien. »

La loi travail fut définitivement adoptée le 20 juillet par l'Assemblée Nationale. Cependant, pour les défenseurs de la loi, le texte n'est plus qu'« une coquille vide » – selon l'impression largement donnée par ce texte. La grogne sociale aura poussé le gouvernement à vider le texte de toutes ses mesures fortes.

Vu de l'extérieur, l'Hexagone apparaît une fois de plus comme ce pays au système suranné et difficile à moderniser. De l'intérieur, la confiance entre les acteurs politiques et la population semble s'être brisée un peu plus. Seuls les mois à venir nous diront si le gouvernement a eu raison de s'engager sur cette voie. ■

Le « Burkini »

Un maillot de bain ou plus que ça ?

par Mai Wang

Cet été, une tenue vestimentaire a fait la une des médias français : le « burkini ». Ce dernier a déclenché un débat politique tout au long du mois d'août qui n'est pas prêt de s'éteindre. Si pour les spectateurs étrangers ce débat de par son excès semblait illustrer une particularité bien française, il faut admettre qu'il y a derrière plus qu'une simple question de tenue de plage. La société française apparaît, en effet, déchirée entre ses valeurs libérales et les défis auxquels elle est confrontée.

Les controverses qui entourent le « burkini » commencent déjà par le néologisme lui-même : un mélange de « burqua » et « bikini ». Le burkini, créé en 2003 en Australie par une styliste d'origine libanaise, désigne un maillot de bain qui couvre entièrement le corps et les cheveux et permet aux femmes musulmanes de se baigner en respectant la pudeur exigée par leur religion. Pourtant, en utilisant ce mot, la plupart des utilisateurs ne se rendent pas compte du fait que cette tenue de bain qui laisse le visage découvert n'a rien à voir avec la burqua. Le premier est un vêtement qui laisse le visage découvert, quand le second est lui imposé par les talibans afghans, et couvre en plus le visage ne laissant qu'une grille au niveau des yeux.

Cette mise au point linguistique illustre déjà l'idée au cœur du débat : est-ce que cette tenue vestimentaire, différente de la tenue de bain traditionnelle, peut être considérée comme un vêtement religieux ostentatoire qui va contre le principe de laïcité ? Et si oui, cet argument permet-il à l'État français de priver des femmes du droit qui offre à toute personne la liberté de manifester sa religion ou ses convictions, y compris le choix des tenues vestimentaires ?

Ces questions sous-tendent la polémique, relancée le 11 août 2016 quand le maire de Cannes prend un arrêté interdisant le port de vêtements religieux sur les plages de la ville. Le débat atteint son paroxysme quand des dizaines de communes côtières du nord et du sud de la France suivent avec des arrêtés similaires. Une image présentée aussi bien dans la presse nationale qu'internationale montrant des policiers niçois verbalisant une femme voilée sur la plage de Nice renforce de plus belle la polémique.

Dans la presse internationale, ces arrêtés ainsi que les discours des responsables politiques suscitent l'incompréhension.



Source: Flickr.com.

“Le burkini n'est pas une mode, mais plutôt la traduction d'un projet politique de contre-société, fondé sur l'asservissement de la femme.”

Alors que la BBC ironise en mettant côte à côte les photos d'une femme en burkini et d'un homme en combinaison de plongée, le New York Times parle de bigoterie française en se référant aux arguments constatés pour justifier l'interdiction : risque de trouble à l'ordre public, hygiène, sécurité et morale.

En France, il s'avère que ce ne sont pas seulement les forces politiques de droite qui voient dans le burkini une menace contre l'ordre public. Dans un entretien avec La Provence, le premier ministre socialiste Manuel Valls apporte son soutien aux maires qui interdisent le burkini. Il déclare que « le burkini n'est pas une mode » mais plutôt « la traduction d'un projet

politique de contre-société, fondé sur l'asservissement de la femme ». Pour lui, les « anti-burkinis » se battent précisément pour la liberté des femmes, afin qu'elles ne vivent pas sous le joug d'un ordre machiste. Dans son article publié dans le Huffington Post intitulé « En France les Femmes sont libres », Valls clarifie ses propos et affirme que le principe de la laïcité – part intégrante de la constitution française – n'est pas la négation de la religion, mais vise à permettre à chacun de pratiquer son culte tout en s'abstenant d'imposer ses croyances à l'autre.

Cette prise de position du premier ministre, exprime-t-elle ce que pensent la plupart des Français ? Un sondage réalisé par l'institut français d'opinion publique entre le 22 et 24 août 2016, réalisé auprès d'un échantillon de 1 001 personnes représentatif de la population française âgée de 18 ans et plus, montre que 64 % des français sont opposés au port du burkini alors que seulement 6 % y sont favorables. Ces chiffres démontrent le malaise dans lequel la population se trouve vis-à-vis des manifestations religieuses dans le contexte de l'attentat de Nice, mais il ne faut pas oublier que dans ce débat, il n'est pas question de la légitimité du port du burkini, mais avant tout de sa prohibition.

Le conseil d'État annulera finalement les décisions interdisant le port du burkini sur les plages par ordonnance du 26 août 2016 car il n'est pas contraire à la loi de 2010 prohibant la dissimulation du visage. Il rappelle aussi que c'est à la République de faire respecter la liberté religieuse tant que l'ordre public n'est pas menacé. Bien que cette décision juridique mette un terme à cette polémique, la question de la place de l'Islam dans les sociétés occidentales ne devrait pas s'arrêter ici.

On assiste à une montée en puissance d'une politique intérieure sécuritaire dans toute l'Europe. Ce phénomène n'a été que renforcé par les récents attentats terroristes et risque de créer dans le futur de nombreux défis liés à l'immigration. La population a un rôle central à jouer dans cette réflexion à dimension tant sociale que politique. Le danger, en effet, est que dans nos sociétés multiculturelles, le repli sur soi prenne peu à peu le pas sur la tolérance.

La polémique autour du burkini n'est donc pas aussi simple qu'une histoire de maillot de bain. ■

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Internship Reports

Irina Cotovici, The Economics of Public Private Partnerships Chair

1. What was your role during your internship?

Having a big taste for econometrics and a particular interest for assessing the regulation policies, I decided that an internship within a research approach will fit best my expectations. I am grateful to Stephane Saussier the head of The Economics of Public-Private Partnerships (EPPP) Chair and Simon Porcher my internship adviser, for having accepted me to be a part of this research group for a three month period. The EPPP Chair is the result of cooperation between some public and private institutions, and the Sorbonne Business School- IAE of Paris. It analyses the various stakes linked to PPPs, in the widest sense of the word: concessions, lease contracts, PFIs and French "contrats de partenariat"; the fields of interest being: the provision of public services (such as water distribution and sewerage, urban transports, education, infrastructure and waste treatment).

During my internship I was supposed to work on a project which aimed to compare the water prices in Europe. More precisely, with this study we were expecting to figure out are which the determinants that have an impact on water price and how it varies across countries.

A necessary task was to get familiar with the water regulation and price policies in different countries, in order to avoid omitting important issues that could have an impact on the results. During the first half of my internship I mostly worked on the data constructing part.

Facing different scenarios concerning the form, format or type of the data, I appealed to different programming languages such as R, STATA and VBA. The second part of my internship was finding rather the intuition about the right variables, how to make them comparable across countries and find the appropriate econometric model.

2. How did your experience at TSE help you on the job?

I remember the first time I read the offer, I had the impression that this is the dream internship a TSE professor would like us to do. It sounded as a direct application of what we have done in Master 1. And it partially was. I think the two most important classes that helped me to handle the tasks during my internship were Econometrics and the computer classes: Programming in R, Database and Multivariate Data Analysis; I think the mix of these two domains transform the student in a real asset everyone wants to achieve. However, I think every single class I had, helped me during these 3 months, by giving me a consistent economic background; because doing an internship doesn't mean just working behind your PC, it means as well interaction with the range of economists, colleagues



Irina Cotovici.

and new people, whom you are showing that you are not just a "coding robot", but a personality that understands the main issues of economic problems and has his own opinion on the subject.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

This internship was an offer that I found on the TSE Alumni website. I applied, had an interview and fortunately I received my positive answer in less than a week. I consider that doing a research internship is very advantageous because you achieve a deep knowledge in the domain of the project you are working on; and at the end, you have a rich background that will complete your economic skills. In the research approach the work you have to do is positively correlated to the work you have already done; more you work, deeper you get to know the subject, discover the complexity of things and conclude that the amount of work is just increasing. At one point (hopefully) the trend changes its direction and you start seeing the light at the end of the tunnel, and it is here that the magic happens and the most interesting part of the study begins, that means you can finally run that famous "regression" and have a look to the results.

So, don't be afraid of the work, in most of cases, the time requiring projects are the most interesting ones. If I had an advice to say, it would be: no matter the type of internship you're doing, try to behave like a sponge absorbing the maximum of information and learning as much as you can during this limited period. ■

Yu Fu Wong, Columbia Business School

1. What was your role in your internship?

I have worked on Book Project on Corporate Finance under Patrick Bolton and Neng Wang in the Finance & Economics division. The project is publishing about a doctoral textbook in corporate finance for teaching and reference. It covers classical theories, corporate governance, and dynamic investment among others. My duties were to revise relevant teaching notes and author manuscripts from journal papers to produce approachable book chapters. Since students may not understand the equations or appreciate the applications without elaborations in class, it was my responsibility to provide the interpretations and contexts for the models. Sometimes, it was necessary to simplify the derivations to convey the economic intuitions effectively. For recent publications that are not covered by the teaching notes, I must write on the original papers directly. As they are for specialized researchers in the discipline, it is crucial to tune down the complicated models for teaching and reference purposes. In the ten-week internship, I have revised the teaching notes for ten journal papers, and authored manuscripts for three.

2. How did your experience at TSE help you on the job?

I believe my individual research project and the weekly seminars at TSE were the most helpful for this internship. Since the first semester in M1, I have been working on an independent project "Spatial search and Experience" under the supervision of Thomas Mariotti. Through developing a continuous-time decision model, I have learnt many mathematical techniques

in dynamic optimization and stochastic calculus with Thomas's advice. These tools were indispensable in understanding and explaining the models I wrote on last summer. As an expert in dynamic financial contracting, Thomas suggested a handful of inspiring articles for me to prepare for the internship.

In addition to the research project, the weekly seminars introduced me to the latest developments in economics and finance, so that I could connect the seminal results presented in the book to modern research. I would like to hereby thank Thomas for the supervision and advice, and many faculty who have been organizing the seminars.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

I found the internship program on TSE Alumni Network. It contains a vast database of job openings and internship offers. Those who look for a research internship can simply search for relevant postings on the website. After finding the Summer Research Internship at Columbia Business School, I have consulted Jian Sun (TSE M2 graduate 2016) who worked on the same project in the previous summer. He shared the day-to-day details of the program and recommended me to the internship coordinator; he also revealed that I was in fact the third intern from TSE for this project. Learning from this succession, I advise students to reach out to senior schoolmates for internship opportunities. I am sure that they are more than willing to answer your questions. ■

Agne Pupienyte, Innovations for Poverty Action

1. What was your role during your internship?

IPA is a quantitative economic research NGO that conducts program evaluation. Those programs are usually run by some other NGOs or governments, taking place in a developing country, targeting the poorest of the poor. IPA are the ones who go down to the field, armed with paper surveys or tablets and soap for presents, one by one visiting those poor households and asking questions about their lives. Then IPA works with the data it collects (cleans it and analyses), and this is where I stepped in during my internship in Manila. I was working on a very large scale project, and the database containing colossal amount of information, my mission was to make it comprehensible and usable for the analysis.

2. How did your experience at TSE help you on the job?

Knowing your RCTs and associated statistics is something that gets you into the organization. Randomized controlled trials is the main quantitative research tool upon which most of IPA's evaluations are based. So personally, two classes,

Econometrics of Program Evaluation and Empirical Methods in Development economics, helped me thoroughly understand how these things work, and impress the interviewers. Interviews aside, you ought to know what kind of research you are getting yourself too...

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

I got the offer by simply emailing the right people. Organizations like IPA are huge, they have many offices and the way they usually manage admissions is via their application platform. For me those platforms never worked, and the best way is to email specific people through their professional emails. People on the other side are usually going to be Research Associates or Research Managers, who although receive many emails every day, will be more likely to notice you than the HR office. Just be persistent, have a strong cover letter, and be ready to fly off in a week's time, because interns are usually hired during the most hectic parts of the project. ■

Igor Custodio João, Elseco

1. What was your role during your internship?

Elseco is an insurance company specialized in space, aviation and energy sectors. However, they do not actually keep the risk, but write policies on behalf of their members. Their role is to do the technical analysis and negotiation of the policies. The need to understand the terms of the contract, the insurance market, and technical aspects such as the fuel budget of a satellite demands a diversified team. We had people with backgrounds in law, engineering, business and, in the case of their CEO and me, economics. Their location in Dubai also provided me with a multicultural workplace, where French and Britons worked with Indians and Pakistanis, and where I was the first Latin American.

I spent over four and a half months in this exotic environment which was welcome to creative thinking. Whilst there, I was charged with analysing the technical data they accumulated over the years on satellites and launchers. I also developed portfolio analysis models and tools, and modelled policies involving multiple risky events (such as the launch of a fleet of satellites). I made sure that their database transition would incorporate all future data-capturing needs. I also made models of the market, both on a macro (the trajectory of the premium rates) and on a micro level (modelling the negotiation of a policy as a CAPM-like model to form a demand curve, and an auction for the interaction between brokers and underwriters).

As an example of the challenges involved in these tasks: I needed an estimation of the satellites and launchers actual risk of failing (i.e. blowing up mid-air). Applying statistical tools to the data we had was not enough, as few satellites are launched each year and they are constantly being updated, so their risk of failing is difficult to estimate from past information. The technical analysis' purpose is to measure it, so this

information was being produced at some point. This however, was always mixed with the situation of the market and the relationship with the brokers, which ended up forming the price. To retrieve the risk information produced by the underwriters, we came up with an underwriting process model that matches the way they work, basically by comparing the new satellites with past ones. We could then measure how a policy risk compared to others, and infer the actual probabilities from the historical data, to make use of this new information.

Overall, I learned a lot about insurance and satellites, and I think they were always open to learning about economics. You could typically find me angry with the computer when my R code did not work or going through engineering books to understand orbital decay.

2. How did your experience at TSE help you on the job?

As my boss there put it once: "a lot of people can run some simulations and produce some nice plots, but they don't know when it's all rubbish". The advantages of being an economist, even when not working strictly with economics, is our ability to do methodical compartmentalization of problems and our wide range of quantitative methods. Moreover, having taken classes on databases and multivariate data analysis the semester before paid off as I was able to directly apply what I learned.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

I got this internship through an offer posted on the alumni website, as the CEO of the company went to TSE. They should hire another TSE intern this year, so I would recommend anyone interested to send them an email directly. ■

Inhoi Heo, OECD

1. What was your role during your internship?

I worked in the OECD, Sahel and West Africa Club (SWAC) for six months. My main duty was statistician / spatial analyst. My directorate works on topics regarding West Africa, and my team works on Urbanization in West Africa. Many studies focus on the big cities in Africa such as Lagos, Cotonou, Freetown but there are almost no studies about small cities in Africa. My team wanted to study those small cities, and to identify their function and role as an important growth driver of the country. Fortunately, my team had already collected their own data about the population of small cities in West Africa, enabling us to do some interesting research. My role was to manage the data. During the six months, the main tools I used were coding (mainly R and QGIS), GIS, and machine learning.

2. How did your experience at TSE help you on the job?

The knowledge I acquired at TSE was very crucial for the obtaining of this internship, and it enabled me to complete successfully the tasks I was given. My M1 major was Economics and Statistics, and my M2 major was Econometrics and Statistics. First of all, I had never learned how to code before joining TSE. Attending TSE gives you a great opportunity to learn many different programming languages. In particular, the M2 program gives you some very practical tools. Clustering, prediction, GIS were very useful for my work. I never thought I would use GIS, but the Spatial Econometrics / Geomarketing classes from M2 Eco-Stat allowed me to be familiar with GIS. When statistics are combined with GIS, we obtain some fantastic results because of its effective visualization and compatibility.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

To obtain an OECD internship, you need to contact directly the director of the department of your field of interest. OECD hires a high number of interns every year, and if the person you contact thinks you will be helpful for the work, they may hire you immediately. There is a webpage where you can officially apply as an intern, but I wouldn't recommend it since many OECD employees do not even know that the website exists. The best way to find the internship position is to find a person

and send an email directly to the person, briefly describe your motivations, compliment their work, and attach your CV. This should be enough. Reading publications from the OECD website will help you find some contacts.

For the students who are interested in development, since it is a very general field, I recommend you to have own specialty to compete with others. It is a cliché to say this, but when you have something different from the others, it's a big plus. For me, two years of volunteering in Ethiopia and a statistics major was special compared to what the usual people in OECD do. ■

Christina Sintek, BNP Paribas

1. What was your role during your internship?

As a large private bank, BNP Paribas has several branches, including corporate banking, retail banking, and investment services. My position there was in retail banking, at BDDF, which provides services to individual customers. Specifically, I worked in the statistical studies team under the direction of the client relations and marketing services. The principal activities of the department included acquiring and improving customer knowledge via quantitative analyses, polls and surveys, and database management. This expertise helped other branches of BNP Paribas to make decisions about the direction of the BDDF. During my internship, my main project was to construct household scoring models using both classical statistical and newer "machine learning" techniques, in order to compare the results in terms of accuracy and computational feasibility.

2. How did your experience at TSE help you on the job?

Throughout this experience, I have been able to directly apply many of the economic, statistical, and analytical tools I learned at TSE, from conducting basic descriptive statistics to tuning gradient boosting models. More important perhaps than any particular statistical technique or class however, was the ability to conduct rigorous analysis in an autonomous way. This, fortunately, is also something I learned at TSE. From the applied econometrics project in M1 to the mini research projects in the Big Data class in the Stat-Eco M2, TSE teaches us how to think critically, work together with diverse peers, and find creative solutions to the problems at hand.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

My internship advisor is an alumna of the M2 Statistics and Economics program at TSE, and she sent this job opportunity to the current director of the program. Throughout the past couple of years, the TSE Alumni Network has been growing and has become much more comprehensive. Not only does it connect us with our intelligent, competent peers, but it can also provide us with new opportunities in a variety of locations and domains. This is a vital tool for all of us, current and

former students alike. I also think it's important to remember that internships are great opportunities to try something new, whether it's working in a new field (for me, marketing), a new city (Paris), or even a new language (French). Even in the worst-case scenario, you're still able to put a great experience on your CV; and at best, you might discover a new passion. Use this square at the end. ■



Christina Sintek.

Alumni Testimony

Quentin Jammes



Quentin Jammes.

1. What is your current position today?

I am currently working at Group BPCE, the second largest banking group in France, in the validation unit of its risk management department. The aim of this team is to verify the compliance of internally generated mathematical and statistical models to the regulation. My mission, however, is to implement neural network based models in order to challenge the existing modelling habits. This position allows me to interact with many fields in banking, but also to use many kinds of solutions because they have to be adapted to specific tasks and data.

2. What was your path from graduation to your current position and what are the key elements that helped you make your choice?

After my master 2 in statistics and econometrics, obtained with the magistère of statistician-economist, I had my first internship in risk management at Crédit Agricole Consumer Finance. This internship provided me with many insights into this field. Then, I joined the Ecole Nationale de la Statistique

et de l'Administration Economique (ENSAE, a French Grande École) to have a broader view in banking activities, in particular in market finance and asset-liabilities management. Finally, I applied to my current position.

3. According to your professional experience, what are the most useful skills you obtained during your degree?

To me, one of the main strengths of TSE is the diversity of the teachings provided, which are based on strong foundations. Some useful skills from TSE are to be able to see a problem from a more general perspective, to quickly think of potential solutions, and to see the implications these solutions. These skills are highly valued in the professional world. The utility of abstract classes – mathematics in particular – might not be directly understood, yet they develop those skills, on top of being prerequisites for advanced courses. Moreover, the many conferences and seminars organized through the year, and the availability of the teachers and researchers, gives students the opportunity to get interested in many different fields, and to broaden the mind.

4. What advice would you give to TSE students or to the school?

TSE is a marvellous place to study at, and you should try to gain all benefit from it. This translates into its classes as well as into its atmosphere. I would also strongly advise the students to attend the seminars and the conferences, in order to discover new topics and methodologies. Combine this with the intellectual tools taught at TSE and you will be able to handle any issue. I would also like to remind the students, that the situations or models you see in class are necessarily restrictive and simplified, because they do not intend to mimic the real world. However they are not deprived of interest; they give you thinking frameworks and intuition. They are but tools you have to adapt, and in which you have to pick what you need to fit your particular problem. And finally, the keys to success at TSE: don't stress out, find students with whom you like to work and discuss, and do sport. ■



Distinguished Lectures Series

Narrative Economics. Robert J. Shiller

by Jose Alfonso Muñoz

As part of the tradition every year, the *Institute for Advance Study in Toulouse (IAST)* organized the Distinguished Lecture Series in the social sciences, focusing on a topic most people are unfamiliar with: Narrative. The lecture took place on September 22th with 2013 Nobel Prize in Economics laureate professor Robert Shiller from Yale University, top reason for an almost complete audience during the lecture.

In the hour long lecture, professor Shiller talked about the effects of narratives on big economic events throughout history, and the problems and risks that “word of mouth” interactions can have in social and economic situations. First, he gave a little introduction about narratives in social sciences, explaining the importance of this element in different fields, like anthropology and history, especially because narration is a human characteristic, that doesn't changes between cultures. Afterwards, he introduced the Kermack and McKendric model (1927)¹, whose importance in the lecture lies in comparing the speed at which an epidemic disease can spread across a population, to the way infectious narratives can spread in a population via “word of mouth” interactions. He also emphasized that narratives that are no longer viral, can stay in memory and mutate to become infectious again because some recovered people are still infected.

The next part of the lecture focused on describing briefly the role that narrative had during three important economic events in modern history: the United States contraction in 1920-21, the Great Depression of 1929-30 and the Great Recession of 2008-09. Professor Shiller mentioned how different narratives became iconic parts of these events like *Keynes economic consequences of the peace* for the first one, Cheap



Robert J. Shiller.

long distance telephones in the second event, and *inequality narrative*. Also, he gave importance to some words that represent those events, like *communism* that surge at end of World War I and occupy wall street for the Great Recession of the last decade, both played an important role in day-to-day actions, and were exploited by newspapers.

After this summary, professor Shiller finished his lecture mentioning the different opportunities Narratives offer in research, like research transformed by big data, advance in semantic search, and advances in psychology, neuroscience, and artificial intelligence, without letting go that narratives have already started to take an important role in economics. The end of the lecture was dedicated to questions from the public.

With this lecture, the IAST has started with the right foot the sequence of Distinguished Lectures series. The second lecture will feature professor Rebecca Stott, from East Anglia University, where she will present *The Cross-pollinations: Narrative in science and literature*. It will take place on November 3rd at 18:00. ■



¹W.O. Kermack, A.G. McKendrick, A contribution to the mathematical theory of epidemics, Proc. R. Soc. London 115 (1927) 700

Mens sana in corpore sano

Participation on the European Doctoral Olympics Sports competition in Clermont-Ferrand 2016.

Our quest for the medals

by Rodrigo Arnabal

It all started one morning in our Phd office when we received a call and email from Caroline. This time it was not about conferences or seminars, but about some Olympic Games for European Phd students to be held in Clermont Ferrand. We had to make a team of at least six competitors with a minimum of two girls, what it turned out to be not an easy job among phd students in economics. After some struggle, our group was formed by Jacint Enrich, Nicolas Bonneton, Stefan Pollinger, Yuting Yang, Paloma Carillo and me, Rodrigo Arnabal . We all bought the bus tickets at the same time, and arrived at Clermont the night before in order to get some rest until the next day's competition at 14:00.

During the bus trip, we defined some strategies and divided ourselves between the different disciplines in order to maximize our chances to bring back a medal. I was chosen as coach, while each member of the team was assigned responsibilities. Yuting and Nicolas were to defend our team in badminton;

given their expertise, they were our best chance to win a medal. The rest of us started to speculate about the discipline we were going to face as a group: green ball. It turned out that green ball was like handball on a soccer court for five players with pink balls.

At the welcoming lunch, our hopes vanished as we saw teams from all over Europe wearing outfits of their university for the competition. One team even had special outfits designed for the event, while all foreign teams had experienced coaches and some even massage therapists.

Our new objective was not to be humiliated. After lunch, we split between badminton and greenball. In our first match, we faced the team of Paul Sabatier from Toulouse, our archenemies. All the tactics discussed during the match faded out when the game started and were replaced by nerves. We lost our first encounter. We took 20 minutes off to practice passes and after doing some shoots, Stefan decided to be



Participants during the kayak competition

our goalkeeper. We won the following two games by penalties, improving our performance as a team. The marvelous performance of Stefan was key to our victories. We had one last match against a direct competitor, and despite all our efforts, we lost by one goal, ending up fourth out of sixteen universities. By that time, we heard that our badminton players were eliminated in the second round. Despite being both first in their pool, the following matches were assigned randomly and our teammates end up falling against the two best badminton players. All our hopes were lost, as none of us had ever done kayak and neither of us played soccer regularly. It was time for a quick shower and a deserved dinner, where we took the opportunity to study better our rivals and make some acquaintances.



TSE team arriving to the finish line.

The following morning after an early breakfast, we departed to the Lac d'Aydat for the bike and run and kayak competition. Again we had to split, but this time there were two rounds. Stefan and Jacint went to the bike and run competition while Nicolas and I took the Kayak. Both teams were to surround the lake and then get together at a point and run all at the same time the last 100 meters.

The whistle blows and Nicolas and I jump into the kayak, we

have a good departure, we are the fifth boat. Soon we reach the third position, which we are able to hold all along the way, despite the thirst that invaded us in the middle of the lake. When we arrive to the shore, Yuting and Paloma were shouting that Stefan and Jacint were already waiting for us and that we may win; this gave us the last breath to run at all speed to their encounter. Then we all sprinted together and arrived first.

“It was a glorious and epic moment that we had never dreamed about. We all merged together in one big hug and savored victory.”

It was a glorious and epic moment that we had never dreamed about. We all merged together in one big hug and savored victory. Stefan and Jacint’s strategy with the bike was determinant for our success. After this unexpected first place, we decided to keep the same teams for the second round, for what the massages of Yuting were essential. This implied 14 kilometers of run and bike and seven kilometers of kayak in total for both teams. This time the run and bike team ended up first, but we ended up fifth in the kayak race, ending up in a second position overall .

At that point, after lunch, we were exhausted and yet the organizers insisted that we play soccer. Again, team work was crucial to pass the pool, but we didn’t manage to pass the semifinals, despite the great effort of the team, and the brilliant performances of Paloma and Yuting.

In the end, there were no medals, just trophies for the best three in all competitions. We were however recognized as winners of the bike, run and kayak competition. For us, it was a great experience that forged our friendship and developed a great team spirit. Our quest for the medals is far from over; we are already training and scouting for new talents to join our Olympic team for next year. ■



TSE PhD' students team.

Coffee Talks

Charter cities and governance of megacities

First TSEconomist Coffee Talk of the semester

by Mahi ElAttar

What makes societies develop? This is a question economists and politicians alike have been trying to answer for centuries. A solution may perhaps be found through the study of institutions and their role in facilitating growth. In late September, the TSEconomist hosted its first Coffee Talk of the semester to discuss one innovation to economic institutions that might foster growth: charter cities, recently promoted by the incoming Chief Economist of the World Bank, Paul Romer. Our moderator, Philip Hanspach, briefly presented the topic before opening the floor to discussion by TSE students. Romer's idea is to build a city on a piece of uninhabited land and give it a set of rules, or a charter – hence the name “charter cities” – that would govern it. The hope is that if these rules are conducive to growth the city would be a success, attracting new citizens and investment; if not, the city would founder, and people would move elsewhere. People could “vote with their feet” for the cities of the future.

However, a key question regarding the governance of such cities arises: who sets the rules? Romer has argued that if a developing country wants to start a charter city, it should let the government of a developed country manage it. The controversy surrounding this solution was the main theme of our discussion, which featured a heated debate on the merits and drawbacks of top-down and bottom-up approaches to development.

On the one hand, some students argued that a charter city established by a deal between a developing and a developed country and replicating the successful policies of the sponsor country would see rapid growth and hence attract citizens. A good charter could also have positive spillover effects, improving governance in the rest of the country.



Brasilia.

“Romer’s idea is to build a city on a piece of uninhabited land and give it a set of rules, or a charter – hence the name “charter cities” – that would govern it.”

On the other hand, several students thought that the governments of developing nations do not have enough incentive to actually commit to a charter city and to respect the independence of the new city and its charter. They argued the main hindrance to growth in poorer nations is not a lack of rules or an institutional framework per se, but rather a lack of enforcement of the rules and corruption within these societies.

While no charter city has yet been constructed, we discussed many examples of cities and regions that have been given significant autonomy, to further illustrate the potential advantages of charter cities. One such example is Hong Kong, a favourite of Paul Romer. China ceded Hong Kong in the 1840s to Great Britain, which governed it as an overseas territory until 1997; during that time it developed into a very prosperous semi-autonomous city-state. However, the current schism with mainland China highlights the potential pitfalls of devolving significant powers to charter cities, especially if the influence of the trustee nation leads to a significant divergence in the political culture of the charter city from its host nation.

We also discussed another example, the city of Brasilia, which was built using public funds in 1956 to be the new seat of the Brazilian government and attracted more people than initially expected. However, Brasilia does not fit the mould of a charter city as laid out by Romer, since it was a purely domestic effort by the Brazilian government, without an international partner, and Brasilia's devolved powers were fairly limited at the time.

Therefore, without clear examples of existing charter cities, we can only speculate on the effectiveness of such an idea. Our intense hour-long discussion ended without us agreeing on whether or not charter cities are a good idea, or whether they would work in practice, but we all came away wondering at the possibilities that this exciting idea could yield.

The international reach of TSE was especially evident during the talk, and made the discussion lively and enriching. For all these reasons, and not to mention the free food, you do not want to miss the next Coffee Talk! ■

Integration Weekend

by Fernando Stipanovic and Lars F. Nordgreen



BDE members at the integration weekend.

New at the Toulouse School of Economics? Prepare your body and spirit, take your sleeping bag and do not forget the sun cream because this weekend we are going to the Integration Weekend! During the weekend of the 16th to the 18th of September the Bureau Des Étudiants (BDE) organised a new edition of the renowned Integration Weekend (WEI) and the TSEconomist had two representatives present who covered it all.

With an international destination and an increased capacity of around 50% with respect to the previous year, the 120 tickets were sold out within the first days of la rentrée. After the great WEI of 2015 the expectations for this one were huge, but as the date got closer a rainy weather forecast was threatening. However, that would not stop the eagerness and passion of the students to get to know their new classmates and to build closer bonds with their old friends.

The venue for the weekend was a camping site in the proximity of Tossa del Mar in the Province of Girona, Spain. We lodged in bungalows in groups of five and enjoyed the site's private beach, open bar, paella, and more in the restaurant.

But there was not too much time to lounge around. The BDE team had prepared a whole host of activities. During the boisterous bus ride to Spain, all the participants were assigned to one of the four teams –blue, pink, orange, or green– and given corresponding t-shirts. Cheerful team chants on the bus suggested jovial battles ahead.

The following day, as the sun and the clouds vied for the sky, TSE's colourful teams fought for victory on the beach below. With excellent background music, the four line-ups went head-to-head at different games in the beach with balls, balloons, and even swimming fins. The games were funny and clever, and they induced a friendly competitive atmosphere, full of laughs. The afternoon ended with plenty of time for mingling and relaxation on the beach. "The games were great

for bonding," remarked Julien Crousier (L3 Eco-Droit). This appeared to be the consensus among the students. "What I liked the most were the activities that we did at daytime on the beach, when we played volleyball and had contests," says Liselotte Seljom (M1 Erasmus from Norway).

Over the two nights, BDE booked the property's private night-club for us, where they set up a party with fluorescent paint on Friday and a feria-themed party on Saturday. Finally, the weekend was rounded off with a delightful foam pool party during Sunday afternoon. Some of the students made it clear that they were impressed by the organisation, like Julie Cavarroc (M1 Eco-Stat) said: "it was well-organised, with a lot of activities. I had a really good experience".

Your correspondents would like to thank the organising team for creating such an excellent opportunity for the students to meet each other, become closer friends and get to know their environment. We recognise and appreciate the great effort involved in planning and executing the WEI. Endeavours like this one form lasting links between peers and strengthen the TSE community.

As Mr. Crousier summarises "It meant finally becoming part of the TSE family, feeling fully integrated into the school". ■



TSE students at the integration weekend.

BDE Note

This year's Integration Program has been a great success. Organized into six parts – a guided tour of Toulouse, three parties, an international dinner in addition to the Integration Weekend, and the launch of the brand new TSE Buddy Program which united over 260 students – it is easy to say that here, at the BDE TSE, we have been working harder than ever to unite TSE students, to develop their networks, and to facilitate their entry into the school, and in Toulouse more generally.

Moreover, the introduction of the "Teasy Card" in September, which this year replaces the old BDE membership, aims to make the life of students even easier by providing access to unbeatable discounts in many specially selected stores in Toulouse. As this is being written, there are more than twenty different and complementary partners in Toulouse where you can use your card, without forgetting the amazing access to all of the BDE events and goodies throughout the year. This card can be used in many areas: food, drink, sport, entertainment, high-tech, hairdressing and many, many more! To find out more about our partners and where they are located, you can visit our new website at <http://www.bde-tse.com> or our Facebook page "The Partnership TEASY CARD."

This website will get you informed about our exclusive future events (the Gala, the Ski Weekend, etc.). Furthermore, it allows you to look at the photo galleries from past events and to consult our online shop.

As we are sure you are all curious to know, the new goodies will be out by mid-November; as for the other BDE TSE events, you will have the opportunity to order them online through our website. We expect this will facilitate orders, particularly for alumni and students currently undertaking internships. This year, the catalogue has been extended with many additional choices of TSE items and clothing.

After the Pub Crawl on the 26th of October and the Halloween Party on the 4th of November at Le Coup D'Etat, the BDE is also working on organising again an exchange program with the Paris School of Economics (PSE) in mid-November. PSE students will come to Toulouse and stay at TSE students' place; then in mid-February those TSE students will have the chance to visit their "PSE Cousins" in Paris!

In mid-November an e-gaming event will also be organized, with the very first TSE FIFA Tournament. It will take place on a Saturday afternoon at La Manufacture in the Amphitheatres, in partnership with the Toulouse Football Club. So, make sure to not miss out on this opportunity to show us your skills, and to try and win the prizes for the best e-gamers!

The next big event on campus will then be the famous annual Ski Weekend. This year it is expected to be even better and crazier than ever with the new location of La Mongie, in a private ski area, from the 20th to 22th of January. The area is extremely exclusive and can only host 90 students, so do not miss out the registration date: stay connected to the BDE's Facebook page! The release date of the online ticketing will be announced a week before to give students equal opportunities to get a spot. Moreover, for the first time ever, a licensed ski instructor will be giving classes to TSE ski beginners.

Last, but by no means least, after last year's wonderful and classic Gala we all remember, BDE TSE is working this year on organizing more original, that fits everyone's expectations. That is the only clue we are giving away for the moment, except from the fact that it will take place on the 3rd of March. Hopefully, see you there!

You can now subscribe to the BDE Snapchat account to keep up to date with live events & contests from the inside: SNAPBDETSE.

Don't forget our Instagram: BDETSE. ■



Members of the BDE.

Junior Etudes Note



Members of the Junior Etudes.

In 2015, only 5 years after its creation, the TSE Junior Etudes was a finalist of the Best hope label, a national award for the most promising Junior Enterprise (JE). Bolstered by this background and our own experience since then, we decided to place the coming year under the sign of ambition.

The first step of this year consisted in creating a dream team : September was the time of the Recruitment Training Handover (RFP) process, to finally get the 31 members of the Junior Etudes' new mandate; it ended on September 24, through various formations destined to make new members real junior-entrepreneurs.

The second step was to train the new ones for their specific positions : we all attended the Regional Fall Congress organized in Toulouse Business School in October, where we benefitted from the training offered by the National Confederation of Junior-Enterprises (CNJE) and their partners, thanks to which everyone has learnt new skills and received valuable contacts.

What comes next? Ambition! As the economics students that we are, we were of inspired by economic theory: what are the two key words in game theory? Cooperation and competition!

Our JE operates in a highly competitive environment; the market of Counseling and Statistics, which is thanks to the emergence of Big data a booming market. Our goal ? To be leader or become the regional or national JE specialized in analysis of statistical data reference. We already have prestigious clients, such as Airbus or Pierre Fabre; but the goal is to strengthen our field presence, by highlighting our unique skills acquired here, at TSE, and by enhancing our attractiveness within the school and our links with TSE students.

Cooperation. Since we received some help: we benefit from a

pleasant working environment provided by TSE, and quality courses, supplying us the tools to give accurate answers to our customers. We also have friends from other JE in Toulouse, and we are helped by the CNJE, the National Confederation of JE, which brings us support and lucidity, but also major events such as the 2016 National Winter Congress, which gather all French JE for formations and meetings.

To achieve our ambitions, we need you! We recruit consultants to work on our studies ; their diversity involves various, and each one of you has valuable and useful knowledge. If you are looking for a small job suited to your needs and your availability, but also a way to see what life looks like after TSE, please contact us at contact@tse-junioretudes.com.

Remember to like our Facebook page and follow us on Twitter and LinkedIn! ■



The Junior Etudes during the Regional Fall Congress.

Say It Aloud! Note



Say It Aloud was founded on a rather simple idea: TSE needed a forum where students could share their beliefs and discuss about them. This is why a small group of friends gathered to create Say It Aloud. They were thinking big. They decided it would be fun to organize conferences on various topics, to create a debating society and to run a public speaking workshop.

Two years have passed since, but the fire is burning brighter than ever!

Whether it is to participate in debate competitions, to train on public speaking, or to organize conferences, Say It Aloud is the right place for you.

Debate

Can people loudly disagree and still be friends? Say It Aloud says yes, if you disagree the right way, and listen. The debate sessions, both in English and in French, on Monday and Tuesday at 6.30PM respectively, train every student to express their beliefs with eloquence and form solid arguments to defend them. Members can take part in competitions under the supervision of a professional coach.

For the first year, Say It Aloud is competing in the national debating championships. Our team has just won the first match of the year against the Institut Catholique de Paris on November 12th. We will face off HEC Paris in the next round.

We are currently making plans to participate in competitions organised by international debate societies.

Public speaking workshops

A professional trainer runs the workshops both in English

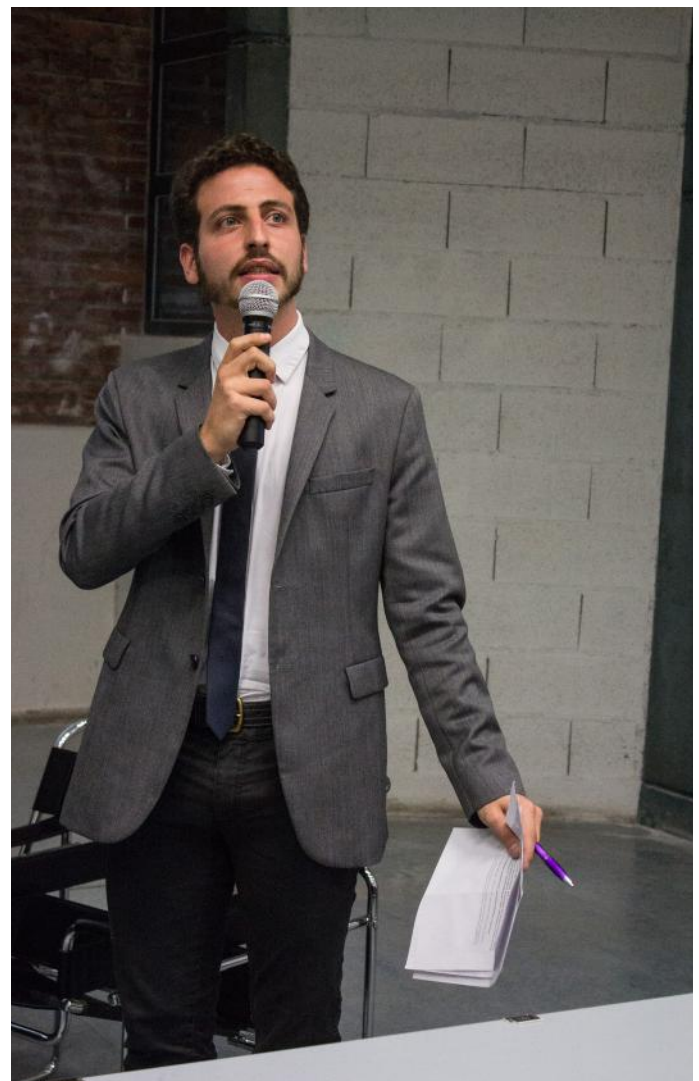
and French. Through the workshops, students improve their speaking skills and learn to better manage stress when speaking in front of an audience.

Conferences

Say It Aloud organizes conferences led by students on diverse topics, where guest speakers present and debate. This year's first conference was about the new means of expression in democracy with Olivier Carré (member of French parliament) and Stéphane Mouton (professor of public law) as guest speakers. Also, don't miss the next one about adventurers travelling across the globe (December 8th).

Do you want to be a better speaker? Are you driven by challenges? Or do you just want to make friends while discovering new things? If yes, you should come to Say It Aloud!

For more information, contact us at say-it-aloud@tse-fr.eu, on Facebook, on our website www.sayitaloud.fr or come and see us in MD303. ■



Say it Aloud! conference.

Meet The TSEconomist Team!



Design team 2016/2017.



The Board 2016/2017.



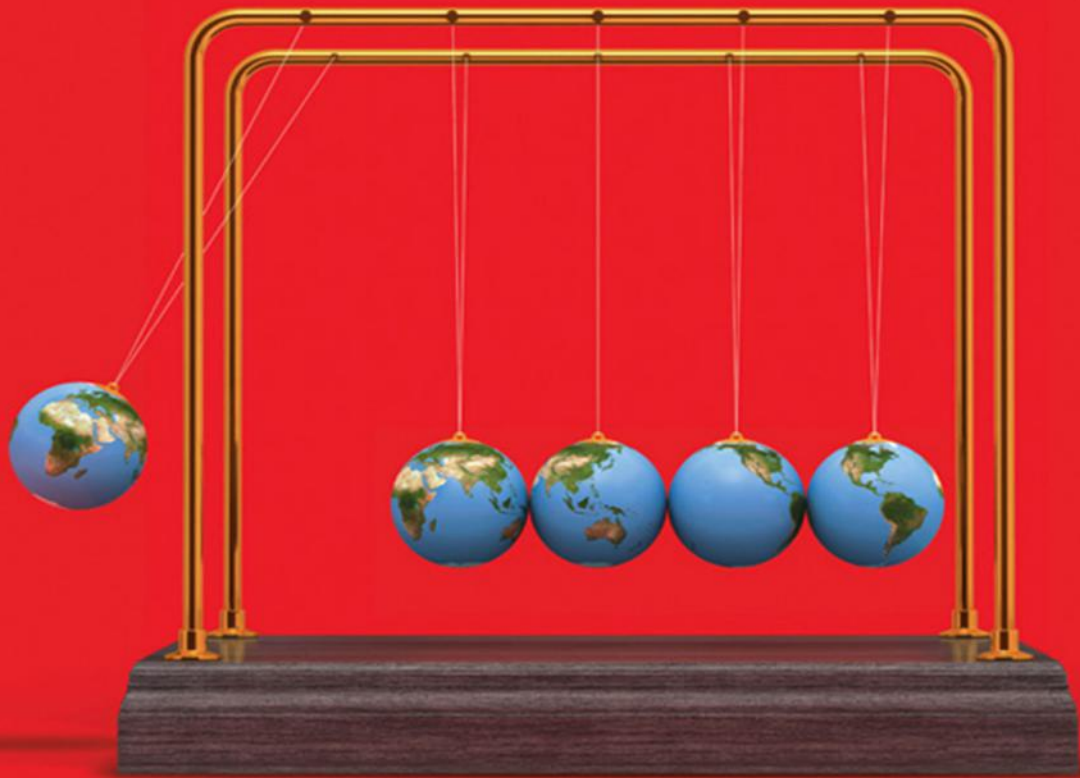
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A changing media landscape: social, political and economic consequences

A view from



The Economist

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