

# STUDENT ECONOMIC REVIEW 2024



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# Student Economic Review

## The 2024 Committee

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**GENERAL MANAGER**

Grace Kirwan

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Saloni Khosla

**COPY EDITOR**

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Victoria Cosgrove



**Back Row (L-R):** Mark Heanue, Patricia Finlay, Grace Kirwan, Magnus Marchand

**Front Row (L-R):** Conal Gillespie, Victoria Cosgrove, Saloni Khosla

**Absent:** Caoimhe Lawlor McEnroe

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**PRIZE-WINNING ESSAYS OF THE  
STUDENT ECONOMIC REVIEW 2024**

**BEST OVERALL ESSAY: DERMOT MCALEESE MEDAL**

**WHY DO WE OFTEN OBSERVE POLITICAL RESISTANCE  
TO FREE-TRADE POLICIES?**

*DAVID COSGRAVE*

**BEST APPLIED ECONOMICS ESSAY: JOHN O' HAGAN MEDAL**

**CUTTING TIES: HOW DID LOCKDOWN POLICIES AFFECT SOCIAL NETWORK  
BASED JOB SEARCH? EVIDENCE FROM THE UK LABOUR FORCE SURVEY**

*EVAN CARRON-KEE*

**BEST FRESH ESSAY PRIZE:**

**DECIPHERING CHINA'S HOUSING CRISIS:  
THE SUSTAINABILITY OF GROWTH UNDER EXTRACTIVE INSTITUTIONS**

*YIYUE XIAO*

# Editors and General Managers of the Student Economic Review, 1987-2024

<b>Year</b>	<b>Editor</b>	<b>General Manager</b>
1987 (Vol. I)	John Fingleton	Paddy Waldron
1988 (Vol. II)	Kevin Carey	Finbar McDonnell
1989 (Vol. III)	Johnathan Wright	Joe Denehy
1990 (Vol. IV)	Philip Lane	C. J. O'Neill
1991 (Vol. V)	Paul O'Connell	Billy Stamp
1992 (Vol. VI)	Alan White	Addo C. Barrows III
1993 (Vol. VII)	Gareth Davis	David Butler
1994 (Vol. VIII)	Alan Dunne	Donagh Lynch
1995 (Vol. IX)	Fergal Shortall	Myles H. Clarke
1996 (Vol. X)	Geoffrey Gill	Suzanne O'Neill
1997 (Vol. XI)	Sarah Rowell	Carol Newman
1998 (Vol. XII)	Richard Doyle	Charlotte Hess
1999 (Vol. XIII)	Michael Mc Mahon	Niamh McDonagh
2000 (Vol. XIV)	Ana Carrie	Collette Murphy
2001 (Vol. XV)	Ronan Lyons	Charles Larkin
2002 (Vol. XVI)	Ivan McAdam	Janine Boyd O'Carroll
2003 (Vol. XVII)	Rowena Gray	Elaine Doyle
2004 (Vol. XVIII)	Denis Tkatchenko	Tara McInhoe
2005 (Vol. XIX)	Cormac O'Dea	Paul Sammon
2006 (Vol. XX)	Deirdre Reilly	Melinda Simonffy
2007 (Vol. XXI)	Niamh Crilly	Charlie Nolan
2008 (Vol. XXII)	Nathalie Ennis	Kieran Curtis
2009 (Vol. XXIII)	Jean Acheson	James Walsh
2010 (Vol. XXIV)	Jason Somerville	Amandine Lobelle

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<b>Year</b>	<b>Editor</b>	<b>General Manager</b>
2011 (Vol. XXV)	Robert Farhat	Áine Ní Shúilleabháin
2012 (Vol. XXVI)	Tony O’Connor	Debbie Blair
2013 (Vol. XXVII)	Brian Higgins	Marielle Grigsby-Rocca
2014 (Vol. XXVIII)	Féidhlim Mc Gowan	Cián Mc Leod
2015 (Vol. XXIX)	Gearóid Gibbs	Michael Mahony
2016 (Vol. XXX)	Gillian O’Connell	Kate Hayes
2017 (Vol. XXXI)	Míde Ní Ghríofa	Alexandru Radu Puiu
2018 (Vol. XXXII)	Keelan Beirne	Aditya Garg
2019 (Vol. XXXIII)	John (Charlie) Walsh	Luisa Mostarda
2020 (Vol. XXXIV)	Harry Humes	Kevin Loftus
2021 (Vol. XXXV)	Ronan Dunne	Yvonne O’Kiersey
2022 (Vol. XXXVI)	Sarah Clavin	Cian Brennan
2023 (Vol. XXXVII)	Rachel Kane	Constantine Iordanov
2024 (Vol. XXXVIII)	Saloni Khosla	Grace Kirwan

## Guest Speakers at the Launch of the Student Economic Review, 1990-2024

Year	Speaker	Organisation
1990 (Vol. IV)	Richard Lipsey	Simon Fraser University
1991 (Vol. V)	Charles Goodhart	London School of Economics
1992 (Vol. VI)	Peter Sinclair	Brasenose College, Oxford
1993 (Vol. VII)	David Greenway	Nottingham University
1994 (Vol. VIII)	Hamish Mc Rae	The Independent, London
1995 (Vol. IX)	John Sutton	London School of Economics
1996 (Vol. X)	John Martin	OECD
1997 (Vol. XI)	Alan Tait	IMF
1998 (Vol. XII)	David O'Sullivan	European Commission
1999 (Vol. XIII)	Paula Donovan	World Bank
2000 (Vol. XIV)	Dermot McCarthy	Department of an Taoiseach
2001 (Vol. XV)	Donal Donovan	IMF
2002 (Vol. XVI)	Margaret Doyle	The Economist
2003 (Vol. XVII)	Tomy Healy	Irish Stock Exchange
2004 (Vol. XVIII)	Gerry Foley	ITV PLC.
2005 (Vol. XIX)	John Fingleton	Competition Authority
2006 (Vol. XX)	Marius Brühlhart	HEC University of Lausanne
2007 (Vol. XXI)	Cliff Taylor	Sunday Business Post
2008 (Vol. XXII)	Alan Barrett	ESRI
2009 (Vol. XXIII)	Patricia Callan	Small Firms Association
2010 (Vol. XXIV)	Jane Williams	Forfás
2011 (Vol. XXV)	Tom O'Mahony	Department of Transport
2012 (Vol. XXVI)	Kyran McStay	Key Capital Limited
2013 (Vol. XXVII)	Alan Gray	Indecon Economic Group

<b>Year</b>	<b>Speaker</b>	<b>Organisation</b>
2014 (Vol. XXVIII)	Anke Heydenreich	Attestor Capital LLP
2015 (Vol. XXIX)	Declan Sheehan	JP Morgan
2016 (Vol. XXX)	Various Speakers	Past Committee Members
2017 (Vol. XXXI)	Kevin O'Rourke	All Souls College, Oxford
2018 (Vol. XXXII)	Liam Delaney	U.C.D.
2019 (Vol. XXXIII)	Carmel Crimmins	Reuters
2019 (Vol. XXXIII)	Seán Barrett	Dáil Éireann
2020 (Vol. XXXIV)	Eithne Fitzgerald	Former Minister of State
2021 (Vol. XXXV)	John Fitzgerald	ESRI
2021 (Vol. XXXV)	David McWilliams	Irish Economist
2022 (Vol. XXXVI)	Andrea Linehan	Currency Fair
2023 (Vol. XXXVII)	Ivan Pastine	U.C.D.
2023 (Vol. XXXVII)	Sarah Parlane	U.C.D.
2023 (Vol. XXXVII)	Edel Doherty	N.U.I.G.
2024 (Vol. XXXVIII)	Philip Lane	ECB
2024 (Vol. XXXVIII)	Felicia Odamtten	Black Economist Network
2024 (Vol. XXXVIII)	Margaret Doyle	Deloitte UK

# Student Economic Review Debates, 1990-2024

Year	Opposition	Topic	Victor
1996	U.C.D.	Third Level Fees	Trinity
1998	U.C.D.	EMU Without Britain	Trinity
1999	Oxford	The Euro: The Way Forward	Oxford
2002	Oxford	Boston or Berlin?	Trinity
2003	Cambridge	The Euro is a Success	Cambridge
2004	U.C.D.	Free Trade and Development	U.C.D.
2005	Oxford	Third World Debt	Trinity
2006	Cambridge	Common Agricultural Policy	Trinity
2007	Oxford	Environmental Responsibility	Trinity
2007	Yale	Boston or Berlin?	Trinity
2008	Harvard	Mass Emigration and Labour	Trinity
2008	Cambridge	Britain's Place in Europe	Cambridge
2009	Yale	Boston or Berlin?	Yale
2009	Oxford	Bank Nationalisation	Trinity
2010	Cambridge	Should Ireland have Joined the Euro?	Trinity
2010	Harvard	The Decline of US Economic Dominance	Harvard
2011	Oxford	Ireland Owes a Debt of Gratitude to Britain	Oxford
2011	Yale	It's all America's Fault	Trinity
2012	Cambridge	Ireland Should Rejoin the Sterling	Trinity
2012	Harvard	The US State Does Not Care for it's Sick	Harvard
2013	Oxford	Deserting the Euro	Trinity
2013	Yale	Tax is Theft	Trinity
2014	Cambridge	United States of Europe?	Cambridge
2014	Harvard	US Education System	Trinity

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<b>Year</b>	<b>Opposition</b>	<b>Topic</b>	<b>Victor</b>
2015	Oxford	100% Inheritance Tax	Trinity
2015	Yale	Opening the Mexican Border	Yale
2016	Cambridge	Will the EU Benefit from Brexit?	Cambridge
2016	Harvard	Should we be afraid of Cheap Oil?	Harvard
2017	Oxford	The EU is Unsustainable	Oxford
2017	Yale	Globalisation is Doomed	Yale
2018	Cambridge	Britiain Should Pay Reperation to Former Colonies	Cambridge
2018	Harvard	The American Dream is Dead	Trinity
2018	Oxford	Unite Ireland post-Brexit	Oxford
2019	Yale	Protectionism is Failing America	Cambridge
2019	Cambridge	Open All Borders	Cambridge
2021	Oxford	Break-up the UK	Oxford
2021	Yale	Implement Universal Basic Income	Trinity
2022	Cambridge	Derelict Properties Should be Surrenderd	Cambridge
2022	Harvard	Economic Warfare Does More Harm than Good	Harvard
2023	Oxford	Tax Cuts Create Economic Growth	Oxford
2023	Yale	Break Up Big Tech	Trinity
2024	Oxford	Abolish All Borders	Oxford
2024	Harvard	Capitalism Cannot Solve the Climate Crisis	Trinity

## ENDORSEMENTS

*“The Student Economic Review gives many students their first opportunity to publish a piece of academic written work. It thus supports and promotes the rigorous analysis, excellence in learning and persuasion that are essential building blocks for future careers and broader intellectual contribution. The collected contributions, now reaching into a third decade, constitute an elegant contribution to scholarship and erudition of which Trinity College can be proud.”*

**John Fingleton**  
**Trading London**  
**Editor, SER 1987**

*“My involvement in the SER was an important defining point in my undergraduate experience at Trinity. It introduced me to the world of academia, the role and importance of academic publishing and the range of questions and depth of research possibilities in the discipline of economics. It has stood the test of time and grows stronger every year attracting the highest calibre of students.”*

**Carol Newman**  
**PhD TCD, Associate Professor TCD**  
**General Manager, 1997 SER**

*“Ever since leafing through a copy of the SER in my JF year, my ambition to become involved in this prestigious student society could not be curbed. Leading the committee through the year from the first workshop to the launch was an experience dotted along the way with enduring memories. From a three-day discussion about which tablecloth should be used for the workshop, to finally holding a copy of the review at the launch evening. I’m sure our friendships will last as long as the memory of my scrupulous organisation!”*

**Cián McLeod**  
**Strategic Operations Specialist, Google Ireland**  
**General Manager, SER 2014**

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# FOREWORD

I am delighted to have been asked to write the foreword for the 38th edition of the Student Economic Review on behalf of the Review's Patrons: Prof. Agustín Benetrix, Prof. Martina Kirchberger and myself.

I had the privilege of being involved in the Review when I was an undergraduate student, though I am not going to divulge the year. It was a formative experience both professionally and personally, showing me the breadth of issues economics studies and helping me make some of my best friends during my time at college.

The Review holds a special place in the life of the Department of Economics in Trinity. Supported and championed for so many years by our colleague Emeritus Prof. John O'Hagan, the Review brings together a remarkable group of Junior Sophister students who put together an undergraduate journal of superb quality from scratch. While the Review may be the Committee and contributors' first experience with publishing economic research, it often is not their last. A quick scan of previous editions reveals that many go on to have stellar research careers in universities, public bodies and the private sector both here in Ireland and abroad. Indeed, of the 37 editors to date, almost half have gone on to pursue a PhD in Economics.

However, the journal is just one part of the Student Economic Review as you'll see from the summary in this journal of the many debates, workshops and other events organised by the Committee over the course of the year.

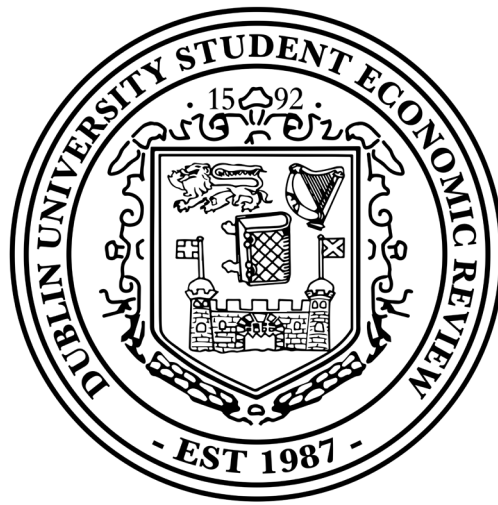
Of course, none of this would be possible without the generous support of past members of the Committee and students of the Department. We are incredibly grateful for that support, and always enjoy seeing them return to participate in events organised by the Review.

Lastly and most importantly, I'd like to thank this year's committee for the huge amount of work that has gone into ensuring yet another brilliant year for the Review. They've done an exceptional job and the Department are proud of their achievement.

**Prof. Barra Roantree**

**Department of Economics, Trinity College Dublin**

# STUDENT ECONOMIC REVIEW WELCOMES



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# WELCOME FROM THE GENERAL MANAGERS

A very warm welcome to the 2024 Edition of the Student Economic Review, one of the oldest undergraduate journals in the world. First and foremost, on behalf of all the committee, I would like to extend a heartfelt congratulations to everyone who contributed to the journal and helped to create such a special year for the 38<sup>th</sup> edition of the Student Economic Review! It is amazing to see the quality of work that is produced every year, and the journal is a testament to the standard and novelty of economic thought among young academics in Ireland.

The SER provides a wonderful opportunity to undergraduate students in Trinity to expand their depth of knowledge about economics as well as their interest in the subject outside of the lecture halls. Not only can students have their work published, but also utilise the chance to engage in academic discourse through the workshops and debates organised by the SER annually. This year, I am very proud to have been a member of the hardworking and dedicated committee that hosted a plethora of informative and engaging events which not only contributed to economic discourse in Trinity but also aimed to educate students on the importance of diversity in academia.

I was very grateful to be given the role of General Manager at the beginning of the academic year. Unfortunately, my time at the SER only lasted for the first semester, as I received an unexpected Erasmus offer. I would like to thank Grace Kirwan, our Debates Manager, for taking over from me in the Hilary term.

During Michaelmas term, we hosted two events and prepared for the Hilary term. The first event of the year was the Foundation Scholarship Workshop, organised by our Workshop Manager, Conal. This workshop is an invaluable resource to students who are looking to pursue the scholarship examinations and a perfect example of how the SER promote the study of economics in Trinity. In November, we invited Tara McIndoe Calder, who is not only a Trinity alumnus but a former General Manager of the SER. She delivered an excellent talk titled “Insights into the Labour Market and Inflation”, as well as providing relevant information about the life of an economist working in the Central Bank. We overcame each hurdle we faced as a committee, showcasing our capability in working.

Everyone was dedicated to ensuring that the SER reached its full potential and I truly believe that they surpassed all expectations.

Finally, I would like to commend the whole committee for their outstanding work, and I would like to thank them for their friendship, they truly were a pleasure to work with. To the Editorial Team: Saloni, Conal, and Mark, well done for maintaining the rigour that the SER is known for. To the Management Team: Grace, Victoria, Magnus, and Patricia, thank you for ensuring all our workshops, debates and the launch ran smoothly and putting in your best efforts to make this year of the SER one to remember. I would also like to extend thanks to our patrons Dr Agustín Bénétrix, Dr. Martina Kirchberger, and Dr. Barra Roantree, as well as the former President of the SER, John O'Hagan, for all their much-appreciated assistance and support during the year.

I hope you enjoy reading the journal and learn a few things along the way!

**Caoimhe Lawlor McEnroe**  
**Former General Manager,**  
**Student Economic Review XXXVIII**

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# WELCOME FROM THE GENERAL MANAGERS

It is with great pride and joy that I, on behalf of the 38th edition's committee, extend a warm welcome to you for the 2024 Student Economic Review. The review, founded in 1987, reflects some of the best undergraduate economic work in Trinity College, compiled from driven, curious and creative students. It has been such a pleasure and inspiration to be a part of a publication that harnesses work from some of the brightest individuals in the department. In today's rapidly evolving economic landscape, the need for fresh perspectives, critical thinking, and data-driven analysis is more crucial than ever. It is with this understanding that we launched this year's review, aiming to provide a space for undergraduate students to publish their research, share their insights, and contribute to the broader economic discourse. This year's publication spans a broad array of topics from Economic Nationalism in 19th century Poland to Political Resistance to Free Trade Policies.

First and foremost, I extend a heartfelt gratitude to our previous General Manager, Caoimhe Lawlor McEnroe, whose foundational efforts in the Michaelmas term were instrumental in shaping the 38th edition of the Review. Her work in fostering a robust team dynamic within our committee this year cannot be overstated. The term saw two events held under Caoimhe, the first being our annual scholarship workshop. It was a pleasure to host such event and we are grateful that the SER can provide guidance for those partaking in Schols exams. Secondly, we had a very compelling and topical talk from Tara McDoe-Calder, General manager of the 2004 SER, and current senior research economist at the Central Bank. Her research focuses on labour economics and the distribution of income and wealth across euro area households.

It was of prime importance to the committee and I this year to make the SER an outlet for exploring different careers paths in economics. We had two seminal events in the Hilary term to fulfil this goal. Patricia took great initiative and organised a workshop with Frontier Economics, where we not only explored what it was like to be an employee in Frontier but also got the chance to engage in a consulting workshop. We discussed cartels, efficiency, and other pertinent topics. Secondly, we had a captivating and detailed speaker session with Pat McCloughan, the founder of PMCA Economic Consulting. He guided us

through his academic journey, his previous position as a lecturer, and his present role as an economic consultant and managing director. He elaborated on the diverse projects that economic consultants undertake, such as economic impact assessments, public spending code, cost-effectiveness analysis, and competition. I found it especially fascinating to learn about his collaborations with various county councils in Ireland. Furthermore, he outlined the essential skills that economic graduates should possess in 2024, making it an exceptionally enlightening session. The atmosphere of the talk was remarkably relaxed and conversational which seamlessly complemented the insightful content of the discussion.

One of my personal favourites from the speaker session events we held, was “An Introduction to Feminist Economics” with Louisa Roos, a PhD candidate here in Trinity. This new perspective challenged and expanded my understanding of economic theories. I was compelled by the concept of time scarcity, and the disproportionate impacts of monetary policy on gender. The talk also brought to light the limitations of traditional economic models and the importance of the care economy. The talk was concluded with a vibrant group discussion, sparking lively debates and collaborative insights among the attendees, truly bringing the concepts to life.

This term, we also held our annual intervarsity debates in collaboration with the Philosophical and College Historical Society, which saw the arrival of teams from both Oxford and Harvard. These debates are extremely valuable in their ability to construct economic discourse. The many debate trials conducted, show how eager students are to get involved in the applied side of economics. We were thrilled by the large number of attendees at the debate as this attests to broad economic interest within the student body.

Thank you to Patricia, our Launch manager, for organising what I am sure will be a great and impactful launch. One of our goals is to bring discussion around diversity and inclusion to the forefront of launch. Diverse viewpoints foster innovation, challenge conventional models, and introduce novel solutions that might otherwise be overlooked. Inclusion ensures that everyone, regardless of background, has a voice in shaping economic policies and theories, leading to outcomes that are more equitable, sustainable, and reflective of our diverse world. There is still considerable work to be done to cultivate a truly inclusive and diverse environment within economics. Building on this theme, we are due to hold a panel session with the Irish Women in Economics Society, the event will give a good overview of

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different career paths in economics but will also discuss the systematic barriers women can face in their careers.

At the heart of the SER's yearly journey, and what distinctly defines our initiatives, is the publication itself. Each year, the SER receives a large amount of submissions from those across the undergraduate economics department. I am profoundly aware of the dedication and passion that underlies every submission we receive. It is with sincere appreciation that I acknowledge each student who has shared their insights and research with us. I would also like to thank the editorial team- Saloni, Mark and Conal- for their dedication. The journal is a testament to their hard work and academic expertise. Secondly, I would like to thank Magnus, our production manager for harnessing the SER's online presence and formulating the journal. Thank you to Conal our workshop editor, for diligently handling the logistics of the events. Victoria, our finance manager for maintaining relationships with our sponsors and her financial stewardship throughout the year. I would like to thank our patrons for their guidance, John O'Hagan for his continued support and lastly our sponsors for supporting us in publishing the journal and hosting events.

All that being said, I now invite you to delve into the following pages and explore the varied collection of essays featured in this edition of the Student Economic Review.

**Grace Kirwan**

**General Manager and Debates Manager**

**Student Economic Review XXXVIII**

# LETTER FROM THE EDITOR

I am delighted to introduce you to the 38th edition of the Student Economic Review (SER). Established in 1987, our journal proudly ranks among the world's oldest undergraduate publications in the field of Economics, making it a unique hallmark of the Trinity undergraduate Economics experience. Every year, the Review bestows upon ambitious students the privilege of having their work featured in a globally renowned academic journal. Furthermore, the SER aims to provide a platform to economics students to engage in debate, discourse and learning outside the classroom. Throughout its history, it has been a stepping stone into the world of academia for many who have then gone on to become influential figures in academia, policymaking, business and finance. Judging from the excellence of the essays featured in this year's Review, I am confident that you will soon find the contributors of this edition following in the footsteps of those before them.

We received about twenty-five essays this year, spanning a wide range of subjects from the Chinese Housing Crisis to examinations of Classical Listian Economics in nineteenth-century Poland. I am truly impressed by the high standard of the essays we received- all of which displayed commendable insights and clarity. I express my gratitude to all the students who submitted essays to be included in this year's Review. Furthermore, I wish to offer my congratulations to each student who was successful in achieving publication this year. The essays have been segmented into four categories, each of which will be examined in the following discussion.

The first section in this edition of the Student Economic Review is Applied Economics. Evan Carron-Kee's study examines the impact of COVID-19 lockdowns on job finding rates, focusing on the "cut ties" effect. Analyzing UK Labour Force Survey data, it investigates the role of personal networks in job searches during lockdown periods. The findings challenge the notion that social networks became less useful for job searching during the pandemic, suggesting avenues for future research to explore on-the-job search dynamics and the strength of ties in successful job searches amid pandemic conditions. This essay is also the recipient of the John O'Hagan Award for best Applied Economics essay.

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The second section of this year's Review is History of Economic Thought. Bryony Hoyle's essay argues that Joan Robinson's contributions were underrated in economics during her lifetime. The paper presents two of her foremost papers to illustrate how Robinson traversed multiple economic fields. It goes beyond previous literature by identifying that she lacked the fundamentals valued by neoclassical economics, leaving her overshadowed by male economists. Oliwia Borek's paper is a formidable successor; it provides a comprehensive analysis of how Prince Ksawery Drucki-Lubecki's policies in 19th century Poland embodied the principles of economic nationalism as per the Listian tradition. The paper establishes a link between Lubecki's policies and List's ideas in four key policy areas and concludes that Lubecki's policies significantly reflected Listian ideas of economic nationalism, thus making a noteworthy contribution to the existing literature.

The third section of this year's Review is Economic Policy. Benjamin Cantwell's essay critically examines the impact of U.S. military expenditure on the well-being of its citizens. It analyzes the economic and social implications of military spending and its role in supporting domestic industries and explores broader aspects of the contemporary U.S. economy to provide context to these findings. Ultimately, the essay seeks to propose a balanced solution for optimizing resources and ensuring the well-being of American citizens in the future.

The 2024 edition of the SER concludes with the Development Economics section. David Cosgrave's essay- which is also awarded Best Overall Essay- explores the paradox of political resistance to free trade policies, critically examining the traditional economic self-interest argument and the concept of sociotropic influence, loss aversion, and issue framing. Through empirical evidence and theoretical analysis, the essay concludes that current economic models are too basic for explaining the opposition to free trade and a more integrated approach considering other social, cultural and psychological factors must be considered. Second is Sophie Mawhood's essay, outlining the EU's pioneering role regarding the future of AI and AI regulatory standards, as well as the possible ramifications of AI for European growth, integration, and policies. It is followed by Bryony Hoyle's second essay in this edition of the SER, which scrutinizes the persistent ramifications of Apartheid in South Africa and evaluates the government's efforts to address its socioeconomic legacies. By dissecting the economic and social impacts of the 2010 FIFA World Cup, it argues

for prioritizing policies that directly address societal needs over investing in high-profile sporting spectacles. The final essay is the Best Fresh Essay in the 38th Edition of the SER-Yiyue Xiao's sophisticated analysis of a crisis in the housing market in China. It employs Acemoglu & Robinson's framework of inclusive and extractive institutions to analyze the underlying issues contributing to the crisis and evaluates the impact of Chinese institutions on the property sector's sustainability.

I would like to express my gratitude to my fellow editors, Mark Heanue and Conal Gillespie, and our Production Manager, Magnus Marchand, for their tireless efforts this year in bringing this journal to life. Additionally, I want to thank Caoimhe Lawlor-McEnroe and Grace Kirwan, this year's general managers, for supporting the editorial process and ensuring that everything went successfully. I would also like to express my gratitude to the entire committee for their collaborative efforts in putting together some incredibly amazing seminars, workshops and debates and our upcoming Launch event. The 2024 committee has truly dedicated themselves to providing a space for academic discourse, opportunities to further immerse and educate oneself in economics and recognise the importance of diversity in the field.

Last but not least, I would like to express my gratitude to the Economics Department and our patrons, Drs. Barra Roantree, Agustin Benetrix, and Martina Kirchberger, for their support and advice. I wish to extend my gratitude also to former President of the SER Prof. John O'Hagan for his continued encouragement and motivation throughout the year.

Now, reader, I invite you to turn the page and begin reading this year's Review. I hope you find reading these essays as enjoyable as I did.

**Saloni Khosla**

**Editor,**

**Student Economic Review XXXVIII**

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# MEMORIES OF SER DEBATES BY JOHN O'HAGAN

Thank you to the SER 2024 team for inviting me to reminisce at the 2024 Harvard debate about previous SER debates (co-hosted with the Hist and Phil), twenty-five years after they first began. It was also wonderful to see four of that SER 1999 committee present on the night, including the founder of these debates.

## 1996 to 1999 :Trinity v UCD

The first debates were held against UCD, the venue alternating between the two colleges.



*Vinay Nair Cup*

## 1999:Vinay Nair and the start of the Oxbridge Debates

In response to being allocated (by me!) to the SER Committee the ‘lowly’ position of arranging a debate against UCD, and a bus for all to get there, a precocious young student, Vinay Nair, ‘in disgust’, started the Cambridge/Oxford debates, organising a team and raising a sizeable sum of money for the event! We now have the Vinay Nair Cup with the winning team inscribed on it twice a year and kindly funded by Vinay. He of course chaired the 2024 SER/Hist debate against Harvard.

The SER Editor, Michael McMahon, now an Economics Professor at Oxford wrote: ‘As well as the usual win over UCD in the Colours debate (he stated with distain!), the

introduction of the Oxford Debate will hopefully become a permanent fixture'. And so it has.

Two other judges at the SER/Hist 2024 debate, as well as Michael, were Anke Heydenreich, and Susannah McAleese co-opted as an honorary member without the approval of the President of the SER! Both have been wonderful supporters of the Department of Economics and indeed the College at large ever since.

## 2001: Trinity v Oxford

But no Oxford team arrived! The team was stuck at Heathrow due to inclement weather. It is noted in the SER of that year that a big thank-you goes to Patrick Cosgrave (later CEO of Web Summit) of the Phil (the co-hosts that year) for miraculously finding a replacement for Oxford at the last minute. The hastily assembled team was from the UCD Law Soc and they were declared winners on the night. Who says you need a lot of preparation to win a debate!



*The 2005 TCD Team (right to left): Ronan, David, and Cormac*

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## **2005: Some Familiar Names!**

It is noteworthy that the Trinity team against Oxford all went on to become professors of economics: Ronan Lyons (Trinity), Cormac O'Dea (Yale) and David Comerford (Stirling). 'Though Ronan Lyons began with a joke, it was soon obvious that a hard-hitting night of verbal assault was in store' wrote the Debates Manager.

## **2007: Start of Yale/Harvard Debates**

A Trinity student, doing a graduate degree in Yale, asked of an SER committee member, why not extend the debates to Yale/Harvard. Why not indeed!

'The arrival in 2007 of the Ivy League University, Yale, generated huge anticipation. The prospect of top-class debating was enough to ensure another full-house in the GMB' was recorded in the SER 2007. Áine Lawlor, RTE, was chair of the judges. It was an exceptionally strong Yale team, with all three of their speakers ranking in the top 10 at the World debating championships that year. Nonetheless, as noted in the SER 2007, Trinity 'edged out their illustrious transatlantic rivals'.

## **2008: First Team from Harvard**

The Chair for this first debate was the US Ambassador to Ireland and Harvard Alumnus, Thomas C. Foley, and the Motion was: 'That mass emigration is beneficial to labour markets'. How topical again today. The Trinity team were victorious. Economics student Séin Ó Muineacháin debated for Trinity that evening and indeed on several other occasions. The SER noted that he 'delivered a passionate speech'. He always spoke with passion, especially when the debates were against English teams!

Senator Shane Ross chaired the meeting and one of the judges, interestingly, was current Provost, Linda Doyle, who it was so great to see again at the debate this year.

## **2009: Barra Roantree on TCD Team v Yale**

Motion: 'Boston or Berlin: This House believes that the European Model is superior'

Barra is quoted as saying, 'European systems are arguably more beneficial and equitable to the general public where a six month wait for an operation is better than no operation at all if you do not have health insurance'. His research since has followed on this broad theme.



*Áine Lawlor, again, was chair of the judges, and commented on the humour 'brought into the mix by Barra'. Bill Emmet, former Editor of the Economist, chaired the meeting.*

## **2012: Trinity Team v Cambridge**

Motion. 'This House believes Ireland should rejoin the Sterling area'. In effect, that Ireland should leave the euro and revert to having again monetary policy determined in London.

A young, first-term SF BESS student, Estelle Purcell, was picked for the Trinity team (opposing the Motion). She opened by looking dramatically towards the audience and what followed it seemed to me as a very long silence. I was worried, had this relatively inexperienced debater maybe choked! However, it is recorded in the SER of that year that 'she intensely looked around the room, before drawing out the words, eight hundred years', pointing her remarks accusingly at the Cambridge team!

## **2012: Sally Rooney on Trinity Team v Harvard**

Motion: 'This House believes the US State does not care for its sick'.

Sally Rooney spoke second and argued, according to the SER write-up, 'that there was no pride in having a system which works well for two-thirds of the country but fails the other third. She asked why the lottery of birth should determine not just your start in

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life but your end too, particularly those in Black or Hispanic communities’.

Harvard though were declared the winners. The Provost of the day, Patrick Prendergast, chaired the meeting.



*Sally Rooney debates second for SER/Phil against Harvard, Wednesday 1st Feb 2012*

## Prizes and Funding

There has been major funding over the years of the SER by economics alumni, and others. There are also two debate-related recognition awards. The name of the winning team is inscribed on the Vinay Nair Cup each year, and from 2023 a prize, funded in perpetuity by my American sister-in-law, Virginia Botts-O’Hagan, for the best individual Trinity speaker in the Harvard/Yale debates.

We have a wonderful SER Committee again this year, with an extended programme. Warmest congratulations. Many thanks also to the Hist and the Phil for co-hosting these magnificent debates over the years. Without this support, these debates simply would not be possible.

**John O’Hagan,  
February 2024**

# SER DEBATES

2023-24

1996 stands as a seminal year for the student economic review, as it saw the introduction of the SER debate. 3 years later, Vinay Nair diligently extended the invitation to both Oxford and Cambridge to partake, which then saw Harvard and Yale later join. The debates stand as a marquee event for both the Student Economic Review and the department, epitomizing a pinnacle of academic engagement and intellectual showcase. The debates have emerged as a cornerstone of economic discourse within Trinity College, offering a unique platform to delve into and discuss economic theories and their real-world applications. These debates have not only highlighted the relevance of economics in understanding global events but have also made the subject more accessible and engaging for students across disciplines. It is extremely important to the SER that all economic concepts brought forth in the debate can be easily engaged with and understood by those who have not studied economics, making the debates an inclusive learning ground where students can get a taste of the discipline all while understanding the implications of certain policies and themes. This blend of intellectual rigour and inclusivity has fostered a vibrant community of learners, eager to explore economic perspectives on pressing issues.

This year, the debates were held in tandem with the Philosophical Society and Historical Society. It is with great gratitude from the SER that these societies continue to collaborate with us in these debates as it would not be possible without their help and expertise. I would like to thank those within the Philosophical Society that enabled us to host our 25<sup>th</sup> annual Oxbridge debate, this year's against Oxford. I would particularly like to thank Jack Palmer, President of the Phil, for his expertise and efforts in coordinating the debate. With regards to the Harvard debate, I would like to extend an immense thanks to Mary Woods, correspondent secretary of the College Historical Society, for her invaluable assistance and support with organising the debate. I would also like to thank their treasurer, Malika Manir, for helping with the logistics of accommodating the speakers, and lastly, their auditor, Áine Kennedy. It was particularly special to collaborate with the Hist this year as they gained recognition as the oldest student society in the world by the Guinness World Records.

Thank you to all who joined us for the debates, both the audience and the speakers.

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Your presence and participation truly made the event lively and engaging, creating a memorable atmosphere for all. I would also like to acknowledge those who trialled to participate in the debates but who unfortunately didn't make the team. I was astonished and inspired by the talent displayed by those who trialled. I would lastly like to thank the Judges and Chairs of both debates. Their economic expertise and experience added to the educational environment of the debates. For the Oxford Debate, Ben Elsner chaired with Lucia Morales, Michael King, Míde Griffin and David Lawlor judging. For the Harvard debate, Vinay Nair chaired, with Susannah McAleese, Anke Heydenreich, and Michael McMahon judging.

## **Oxford Debate**

### **8<sup>th</sup> of February 2024**

On the 8<sup>th</sup> of February, the Student Economic Review (SER) and the Philosophical society hosted it's 25<sup>th</sup> annual Oxbridge debate, this year's in opposition with Oxford. The motion of the evening was "This house would abolish all borders." The Trinity team consisted of Mark Heanue (Philosophy and Economics), Hillary Vanni (MSISS) and Andy Cullinane (PPES). The Oxford team was comprised of Devansh Pandey (PPE), ShuRui Lai (PPE) and Zaghham Farhan (Politics and History). The motion was picked mainly in response to the anti-immigrant rhetoric ubiquitous in many right-wing parties across Europe and an influx of misinformation across social media. Earlier in the semester, we also had a talk from Tara McIndoe Calder, senior economist at the Central Bank, about her research on Irish labour markets. She delved into the effect of migration on the labour market and prices, which further inspired us to pursue this motion.

Our very own Mark Heanue from the SER committee opened the floor for the proposition. Mark's argument was grounded in two main points, the moral injustice of borders and the economic benefits of abolishing them. He started with a very realistic posh English accent which made me double check if he really was debating for Trinity and not Oxford. He then asked us to close our eyes to contemplate the physical barriers that restrict knowledge, experience, and love. Regarding the economic arguments, he discussed how abolishing borders would allow refugees and trafficking victims to integrate into the workforce, rather than being isolated or driven into crime. Secondly, he discussed how borders can cause

conflict which hinders economic growth. Lastly, Mark used Brexit as a case study, a possibly hard-hitting subject for those from Oxford to articulate the current socio-economic impact of borders, such as the UK's post-Brexit challenges, and to argue their economic inefficiency.

Hilary brought forward the idea of governing through a body like the U.N, countering the point made by Oxford that abolishing borders would lead to anarchy. The negative impact of borders on 'climate refugees' was the crux of her argument as she explained how an influx of refugees would cause governments to be held directly accountable for their inaction. Lastly, she suggested that a global governance system would make it easier to respond to global crises, like the Covid-19 pandemic which saw a dis-alignment of responses from governments around the world.

Andy then closed the floor for the proposition. He started by placing his laptop on the stand and saying, "If it falls, I will speak from the heart." This was a fitting start to his speech as he, in fact, won 'best speaker'. He then reflected on the arbitrariness of names and national identities assigned at birth without consent, drawing a parallel to national borders and explained how "one's quality of life is inhibited by factors outside of their control." He criticised the argument presented by the opposition that removing borders would lead to worsening living conditions and overcrowding as the existence of borders has already exacerbated this, using Greece and Italy as examples. Lastly, he addressed Oxford's concerns about the viability of a potential global government, suggesting that a global government could be held more accountable than current undemocratic regimes that only serve a minority. He finished his argument by stating that the current inefficiency of the UN is due to the power and precedence of individual states.

Devansh opened the floor for the opposition suggesting Trinity's arguments applied to 'open borders' which are fundamentally different to abolished borders. His points consisted of how abolishing borders would destroy government, how countries need jurisdictions to operate and, lastly, he questioned Trinity's ability to bring any solutions to the floor.

ShuRui's arguments consisted of two main points. Firstly, the state's functions and its benefits. Secondly, the economic consequences of abolishing borders. Considering her economic arguments, ShuRui suggested removing borders would lead to worsening inequality and predicted overcrowding in wealthier cities, which could decrease wages and overburden

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resources, leading to a decreased standard of living.

Lastly, Zaghham concluded the arguments for the opposition with a comedic performance. He emphasised how borders are innate to human behaviour and how a potential world government would not work in practice because even Birmingham city council is corrupt. He finished his speech by urging the audience to think about what works in practice and think about the world we really live in.

It was a close call in the end. The room was split. The judges eventually declared Oxford victorious for their realism and seamless integration of economic theories into their speeches. The debate concluded with a speech, from the Chair of the evening, Ben Elsner, a professor of economics in UCD who researches the effects of international migration, making it an extremely lucrative conclusion to the debate.

The topic of ‘brain drain’ was mentioned throughout the debate which Ben went on to discuss. He explained how this negative externality of migration is often offset by remittances and other benefits. He outlined how migrants gain the most from migration, enjoying substantial improvements in their standard of living. However, the effects on receiving countries are nuanced and complex. Economic indicators do not suggest any significant negative impacts, particular on crime rates and labour rates. In-fact, increased migration can lead to a rise in global GDP and prosperity. Ben questioned the obstacles posited to realising the benefits of migration related to social cohesion and voter preferences for homogeneity. He concluded his speech by stressing that this is an area that requires further research, as understanding these social preferences is crucial for formulating policies that could lift migration restrictions responsibly.

## **Harvard Debate:**

### **21<sup>st</sup> of February**

The Harvard debate took place on the 21<sup>st</sup> of February in collaboration with the College Historical Society. The motion for the evening was “This house believes that capitalism is incompatible with solving the climate crisis.” Our reasoning behind our selection of this motion was due to its existence as a salient subject in today’s political and economic environment. Our objective was to stimulate a conversation on how the battle against climate

change requires a reassessment of economic structures to facilitate a sustainable future. Furthermore, it was our hope to invite discourse on questioning the ability of mainstream economic concepts like the free market in its ability to manage the finite resources on our planet. Whether through regulatory reforms, market-based solutions, or a reimagining of capitalism itself, the debate underscores the urgent need for economic strategies that prioritise the planet's health alongside prosperity. We thought this debate would add meaningful discussion to what might be the best way to deal with this crisis.

We welcomed three speakers from Harvard University for this debate- Daniel Perez, an economics and applied maths student, Julia Shephard, an applied maths student, and finally Theo Datta, a philosophy and computer science student. The Trinity team consisted of Lisa Basquel, an economics master's student, Srishti Nautiyal, a quantum science and technology master's student, and Jack Palmer, president of the Philosophical Society and a philosophy student.

The Harvard team brought two arguments to the floor: firstly, that addressing climate change effectively hinges on the innovation and technological advancements fostered by capitalist incentives. Suggesting that this innovation will save the future. They further explored how technology developments have pushed the previous boundaries of human capabilities. Secondly, they stated that climate change was in fact a result of industrialising rather than capitalism. They expanded on this idea by arguing that the growth and expansion aspirations of the world's 8 billion people are driving climate change more significantly than the structural mechanics of the system itself.

The Trinity team brought three key points to the debate. Their first argument introduced us to how they believe capitalism promotes profit over people. They reinforced their argument, citing Exxon Mobil as an example, and pointed out how the company had economic incentives to withhold their research on climate change. Secondly, they discussed the extractive nature of capitalism, explaining how capitalism promotes maximum production to be derived from all resources. They concluded with explaining how government efforts to steer capitalism towards an environmentally equitable future do not work, as such endeavours fundamentally clash with the inherent mechanics of the system.

The reception saw Trinity College named victorious and Srishti championed as best Trinity speaker of the evening. The Vinay Nair cup was then presented by Nair himself. He

then beckoned the Provost, Linda Doyle to say a few words. She described the great friendship that she had with John O Hagan, highlighting the seminal work he has done with the SER and in Trinity in general. The portrait, which can be seen below, includes a copy of the SER, the 14<sup>th</sup> Edition of the Economy of Ireland textbook as he taught the module for over 40 years, and lastly, a book on the Economics of the Arts, a focus of his research.



The portrait's reveal

The reception itself was graciously sponsored by our judges and chair of the evening, Vinay Nair, Susannah McAleese, Anke Heydenreich and Michael McMahon. The reception served as a 25-year reunion since their contributions to the SER 1999. We also had some of the other committee members in attendance which made the reception truly special. It was wonderful to be able to facilitate this reunion, they all shared stories of how the SER was a highlight for them in their universities years and was also a ground to foster many friendships.



*This years committee with, Linda Doyle, John O'Hagan, Barra Roantree and members of the 1999  
SER Committee: Vinay Nair, Susannah McAleese, Anke Heydenreich, and Michael McMahon*

**Grace Kirwan**  
**General Manager and Debates Manager**  
**Student Economic Review XXXVIII**

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# SER WORKSHOPS

2023-24

## **SER Foundation Scholarship Workshop**

*2 Nov 2023*

This Michaelmas term, the SER organised a Foundation Scholarship Examinations Workshop at the Robert Emmett Theatre on the 2<sup>nd</sup> of November 2023. An essential fixture in our academic calendar, aimed at guiding aspirants for the Foundation Scholarship examinations, the workshop covered four key academic areas: Business, Economics, Philosophy, and Politics. It began with overarching advice for the exams, followed by an in-depth look at the exam structure and subject-specific strategies for success.

Interactive Q&A sessions allowed personalised guidance for attendees. The workshop eased the minds of students who intended to sit the exams, as they learned what the process entails. The workshop wrapped up with essential tips on study planning and stress management. Reflecting the SER's commitment to academic excellence, the event was a rich source of knowledge and strategies, leaving attendees well-prepared for the challenging Scholarship Examinations ahead.

## **Talk with Tara McIndoe-Calder on Labour market and inflation**

*20 Nov 2023*

The workshop held at the Maxwell Theatre, on the 20th of November 2023, marked our finale to the Michaelmas term. This event would not have been possible had it not been for Dr. Tara McIndoe-Calder, a prominent figure known for her extensive research in economics. The primary focus of the workshop was her current research, which delves into the intricacies of the labour market as well as inflation. There was also discussion on the many different career trajectories that await graduates within the Central Bank of Ireland.

Dr. McIndoe-Calder's presentation provided a detailed analysis of the evolving dynamics in the Irish labour market, particularly in the context of the financial sector. Her insights were based on rigorous data analysis and encompassed various aspects such as employment trends, and wage growth. The workshop facilitated an engaging dialogue

between Dr. McIndoe-Calder and the attendees, fostering a deeper understanding of the subject matter. Questions ranged from the specifics of her research methodology to the broader implications of her findings for Ireland's economy. This discussion was not only informative but also sparked further interest in economic research among the participants.

Overall, the event was a resounding success and underscored the importance of such academic gatherings in bridging the gap between theoretical research and real-world economic scenarios.

## **SER X Frontier Economics**

*25 January 2024*

Kicking off the Hilary Term, economic consultancy firm Frontier Economics hosted a case study workshop on the 25<sup>th</sup> of January 2024. The event, pivotal for its hands-on approach, provided a platform for participants to immerse themselves in the practical aspects of economic consultancy.

The workshop was led by a team of seasoned consultants from Frontier Economics, each bringing a wealth of knowledge and experience from their respective fields. The focus of the session was a comprehensive case study that illustrated the application of economic theory to real-world issues, enabling participants to engage with the material in a tangible and meaningful way.

Participants worked in groups to dissect and analyse the case, guided by the consultants who facilitated discussions and provided insights. This collaborative environment allowed for a dynamic exchange of ideas and fostered a deeper understanding of the complexities involved in economic decision-making processes.

The case study centred on a competition antitrust case faced by a multinational corporation, exploring themes such as market competition, regulatory challenges, and strategic growth. Through this exercise, attendees were able to apply theoretical concepts to devise viable solutions and strategies, reflecting the type of work conducted by professionals in the field.

Feedback from attendees highlighted the effectiveness of the interactive format in enhancing their learning experience. The workshop was not only a learning experience on

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how to effectively utilise analytical skills but also provided a glimpse into the career path of an economic consultant. The event concluded with discussion of potential career opportunities within Frontier Economics.

### **SER X PMCA**

*31 January 2024*

Following success of the previous workshop, we held an interactive talk with the founder of PMCA, Dr. Pat McCloughan. Held on the 31<sup>st</sup> of January in the Arts Building, he talked through his experience of transitioning from the world of academics to the business world application of economics.

Throughout the talk, we were taken through the life of an economic consultant including the typical clientele that one interacts with. The session concluded with an informative QA.

### **Workshop on Feminist Economics with Louisa Roos:**

*6 February 2024*

With the help of Louisa Roos, we hosted a Feminist Economics Workshop on the 6<sup>th</sup> of February. Throughout the presentation we were exposed to the many aspects in which feminist economics differs to mainstream economics. The discussion then veered into the theoretical underpinnings of feminist economics which was then followed up by real-world examples of problems that feminist economics can tackle. The workshop switched to a QA session which was very successful thanks to audience participation and engagement.

**Conal Gillespie**

**Workshop Editor**

**Student Economic Review XXXVIII**

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# APPLIED ECONOMICS



# CUTTING TIES: HOW DID LOCKDOWN POLICIES AFFECT SOCIAL NETWORK-BASED JOB SEARCH? EVIDENCE FROM THE UK LABOUR FORCE SURVEY

EVAN CARRON-KEE

SENIOR SOPHISTER

*“This study examines the impact of COVID-19 lockdowns on job finding rates, focusing on the ‘cut ties’ effect proposed by Wolfe (2023). Analysing UK Labour Force Survey data from 2015 to 2022, it investigates the role of personal networks in job searches during lockdown periods. Contrary to expectations, while individuals were less likely to use personal networks during lockdowns, there was no evidence of decreased job finding success through these networks. The findings challenge the notion that social networks became less useful for job searching during the pandemic, suggesting avenues for future research to explore on-the-job search dynamics and the strength of ties in successful job searches amid pandemic conditions.”*

## Introduction

This research is a preliminary investigation of the effect of lockdowns, a crucial part of COVID-19 pandemic policy, on job finding rates. In a paper published in this journal, Frank Wolfe and I (2023) proposed the lockdown-induced ‘cut ties effect’, which suggests that the social isolation induced by COVID-19 lockdowns lead to decreasing job finding rates as individuals’ social networks became less useful. This paper first provides a brief overview of the key mechanisms which form this hypothesis, before connecting these mechanisms to the existing literature on job search. Using data from the UK Labour Force Survey (UK-LFS) between 2015 and 2022, I show that during periods of lockdown (2020 and 2021) unemployed individuals were significantly less likely to use their personal networks as their main method of searching for jobs. However, I find no evidence that using personal networks during the lockdown was associated with a decreased

chance of finding a job, or that those who did find a job were less likely to cite personal networks as the way in which they found that job. Therefore, this research does not support the hypothesis that social networks became less useful for job searching during the pandemic. Future research should investigate on-the-job search, which may have been particularly affected by lockdown policies, and should seek to identify the strength of ties used in successful job search during the pandemic.

## Literature Review

The COVID-19 pandemic represented a large shock to the global labour market. A significant reason why this shock was so dramatic is directly linked to the lockdown policies which were implemented to halt the spread of the disease. There was no single set of characteristics which define a lockdown, but generally, the rules tended to mandate working from home where possible and prevented gatherings outside of the household, gatherings indoors, and sitting indoors at a café, restaurant, or bar (Institute of Government, 2022). The associated collapse in demand for services led to a spike in unemployment across the EU, US, and the UK (ONS, 2023; Eurostat, 2023).

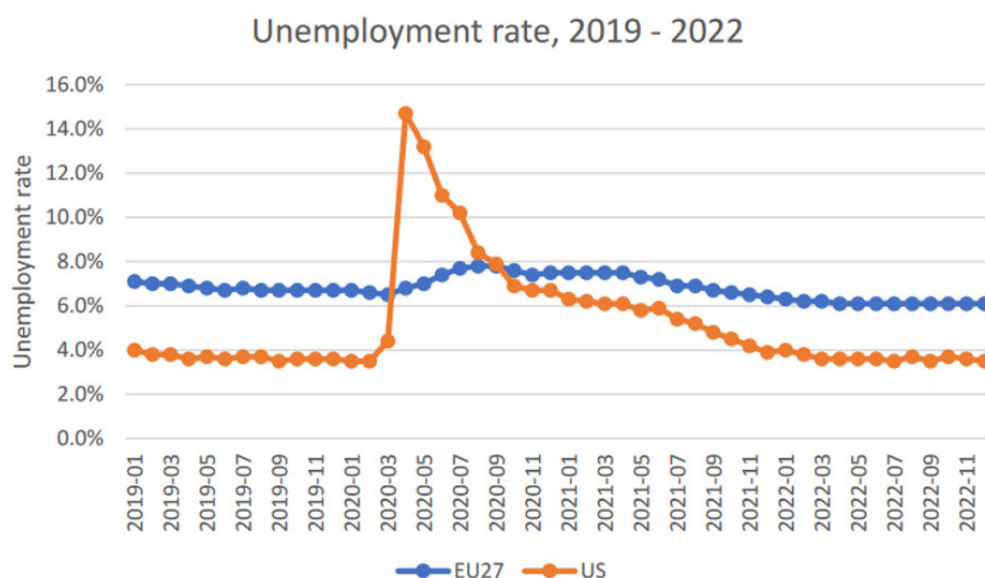


Figure 1 Source: Eurostat (2023) Dataset: EI\_LMHR\_M

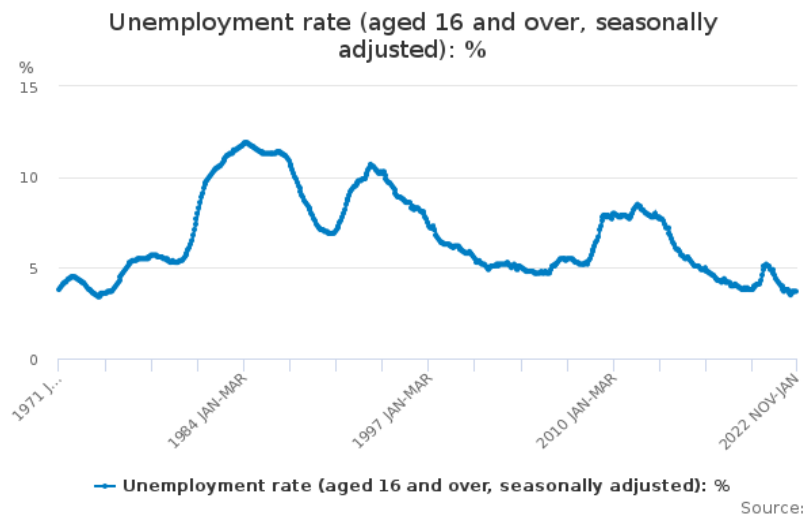


Figure 2 Source: ONS (2023) Dataset: LF24

This research focuses on how the effectiveness of job search via social networks may have been affected by lockdown policies. To my knowledge, there has been no study of this topic to date. However, there is a broad literature which highlights the importance of social networks as a method through which workers may be matched with suitable positions (Behtoui, 2008; Battu, Seaman and Zenou, 2011; Bachmann and Baumgarten, 2013). One important aspect of social networks which may make them useful for job searching are ‘information channels’. These are the relationships through which one receives information from others in a social network, and are an element of social capital (Coleman, 1988). The ideal structure of a social network for finding employment may appear to be one with many strong ties. Strong ties are those in your network with whom you are most closely connected, are the most likely to know that you are looking for a new job and are the most motivated to offer you support; weak ties are those with whom you are only acquainted (Uehara, 1990). However, Mark Granovetter (1973), found that weak ties are generally more useful for hearing and accessing job opportunities. While strong ties may be more likely to help, they are also more likely to move in the same social circles as you and are more likely to be well-connected to each other. This is because strong ties are normally formed within dense networks such as the family. Therefore, they usually only hear about job vacancies which you have already heard about from other sources, meaning they are redundant for information sharing. However, weak ties are more likely to operate as ‘bridges’ between dense networks of strong

ties, thereby bringing information from other social circles. For instance, see Figure 3 below. Although F has more ties than A, A has a weak tie to B, which brings more useful information than F's many redundant ties. By varying the closeness of ties suggested by professional networking site LinkedIn, Rajkumar et al. (2022) were able to show that Granovetter's weak ties hypothesis is still relevant for finding a job in the modern labour market.

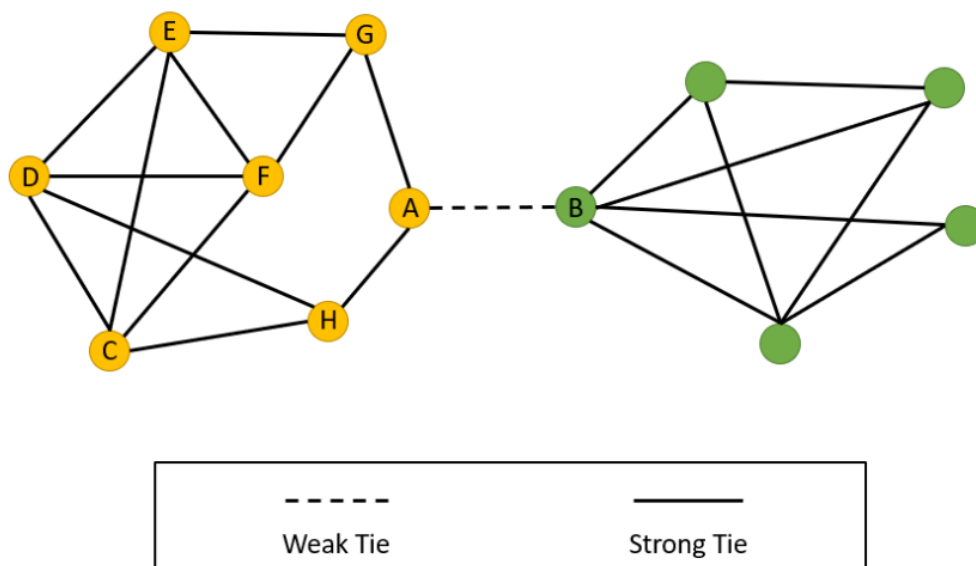


Figure 3 Source: Carron-Kee and Wolfe (2023)

Pandemic social restrictions seem likely to have reduced the number of weak ties individuals had, as interactions outside of a core group were heavily restricted. Two studies have investigated the effect of pandemic social restrictions on social networks. Völker (2023)  $n = 1342$  participants in both waves compares networks of individuals' before and after the pandemic, and finds that those who the respondent listed as 'strong ties' before the pandemic were more likely to be reported on the respondent's post-pandemic network, compared to those listed as weak ties. However, Bertogg and Koos (2022) research has only begun to understand the wider social consequences of these interventions. This study investigates how individuals' social networks have changed since the outbreak of the pandemic and how this is related to individuals' socio-economic positions and their socio-demographic characteristics. Based on a large quota sample of the German adult population, we investigate the loss and gain of strong and weak social ties during the pandemic. While about one third of respondents reported losing of contact with acquaintances, every fourth person has lost contact to a friend. Forming new social ties occurs less frequently. Only 10–15% report having made new acquaintances (15% find that there was no difference in the loss of weak

ties compared to strong ties in Germany. While the existing evidence on the effect of the pandemic on weak ties is mixed, no study has investigated the effect of specific lockdown policies on weak ties. Therefore, it remains plausible that lockdowns led to a loss of weak ties.

Clearly, if lockdowns led to a loss of weak ties, then social networks would become a less useful way to find jobs during such lockdowns. This would be an important effect to take account of in policy when assessing the costs and benefits of lockdowns, and when designing labour market interventions to reduce unemployment. This research provides a preliminary investigation of this hypothesis by testing whether search behaviour differed between lockdown and non-lockdown periods, and whether the search via social networks was less effective during lockdown periods. Limitations of the available data prevent the research from distinguishing between strong and weak ties, meaning the analysis can only relate to the overall effectiveness of social networks as a job search tool.

## Empirical Strategy

This research tests three hypotheses which are derived from the argument presented in the previous section:

- A) Personal networks became less common as a search method during lockdown periods
- B) Using personal networks as one's main method of job search is associated with a lower probability of finding employment during a lockdown compared to outside of a lockdown
- C) Those who find jobs are less likely to cite personal networks as the way in which they found their job

The data are constructed from a series of yearly longitudinal panel datasets with data from Q1 and Q2 of the calendar year. They were combined into a pooled cross-sectional dataset, where for each year there is data on the employment flow and search methods of individuals between Q1 and Q2. More detail is provided in the next section.

These three hypotheses are tested using probit regressions. The models are shown below:

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$$A) P(PN) = \beta_0 + \beta_1 L + \text{Controls}$$

$$B) P(F) = \beta_0 + \beta_1 L + \beta_2 PN + \beta_3 (PN \times L) + \text{Controls}$$

$$C) P(F_{PN}) = \beta_0 + \beta_1 L + \text{Controls}$$

For Model A, the dependent variable is ‘Personal Networks’, a dummy variable for whether the respondent reported that their main method of job search in the last four weeks was asking friends, relatives, or other personal contacts. The main independent variable is ‘Lockdown’, which takes the value ‘1’ during the two lockdown periods in the dataset (2020 and 2021) and takes the value ‘0’ for the non-lockdown periods (2015, 2016, 2017, 2018, 2019, 2022). For Model B, the dependent variable is whether the individual was successful in finding a job in Q2 of that year, having been unemployed in Q1. The main independent variable is the interaction between Personal Networks and Lockdown, which captures the unique effect of the Personal Networks variable during a lockdown period. This model is run on the subset of individuals who were unemployed in Q1. Finally, for Model C, the dependent variable is a dummy variable which is ‘1’ if the individual found their job via hearing from someone who worked there, and ‘0’ if not. This captures whether the job was found via a personal contact, which would indicate that social networks were integral in the job matching process. The main independent variable is the Lockdown dummy variable.

All three regressions have control variables for race (a dummy variable for white/non-white), gender, marital status (a dummy variable for married/nonmarried), the interaction between marriage and gender, education (a dummy variable for degree/no-degree), and duration of unemployment (measured on from one to five, where one is one year or less unemployment, and five is five years or more unemployment). These controls were chosen based on availability in the dataset, and because previous research has indicated that each affect labour market outcomes and search methods (Bachmann and Baumgarten, 2013; Giulietti, Schluter and Wahba, 2013)2013; Giulietti, Schluter and Wahba, 2013. Additionally, it seems plausible that these effects might have changed during the pandemic, meaning if they were not included in the models there may have been omitted variable bias.

## Description of the Dataset

The data is drawn from the UK-LFS, a quarterly rotating panel survey carried out by the Office for National Statistics (ONS). The UK-LFS's rotating panel design means that households are interviewed for five consecutive quarters, and then dropped from the panel. This is done on a phased basis, with 20% of respondents dropped each quarter [once they have completed their fifth quarter] and replaced by a new group entering their first quarter. This means that for two adjacent quarters there is an 80% overlap in respondents. However, in order to facilitate longitudinal analysis, the ONS produces datasets which contain only the 80% overlap in respondents between two quarters, creating a two-period panel dataset (ONS, 2019). Ideally, for this study, these datasets would be combined to create a series of independently pooled cross-sections with data on transitions to and from employment between two quarters. Yet, because of the rotating panel design, there is an overlap in respondents between successive datasets. For this reason, the dataset used in this study is created by combining each year's two period panel dataset for Q1 and Q2, from the year 2015 to 2022. This will only present a problem if seasonal trends changed for the lockdown years (2021 and 2022). As this is unobservable from this dataset, this represents a limitation of the study.

The Q1 to Q2 datasets were chosen, rather than the Q3 to Q4 or Q2 to Q3 datasets, as they lined up most closely with the two main lockdown periods in the UK. While there is no definitive date on which a lockdown began and ended, most restrictions in the UK began in March 2020 and expired in June 2020, and began again in January 2021 before ending finally in May 2021. As the data can only distinguish between Q1 and Q2, the lockdown dummy does not perfectly line up with the date of the lockdown policies. This is another limitation which should be addressed in future research. Additionally, there were several changes to interviewing practices during the lockdowns in order to remain in compliance with health regulations, and response rates decreased, although the ONS attempt to correct for this using weights (Watson, 2020). This represents a problem for any analysis of effects of the pandemic and should be kept in mind when interpreting results.

## Descriptive Statistics

Estimates of the proportion of people using personal networks for job search vary year to year and are low in the two lockdown periods. Table 1 presents some simple descriptive statistics for

each of the variables used in the analysis. Table 2 and 3 show the frequencies and proportions by year of those who search using personal networks and those who do not, as well as the frequencies and proportions by year of those who get their new job by personal network and those who do not. An interesting result is that the percentage searching using personal networks is much lower than the percentage who get jobs via personal networks. This may reflect the fact that the usefulness of social networks vary across individuals, with long-term unemployed people being less likely to have professional contacts outside of their own circles who can provide them with a job (Frijters, Shields and Price, 2003).

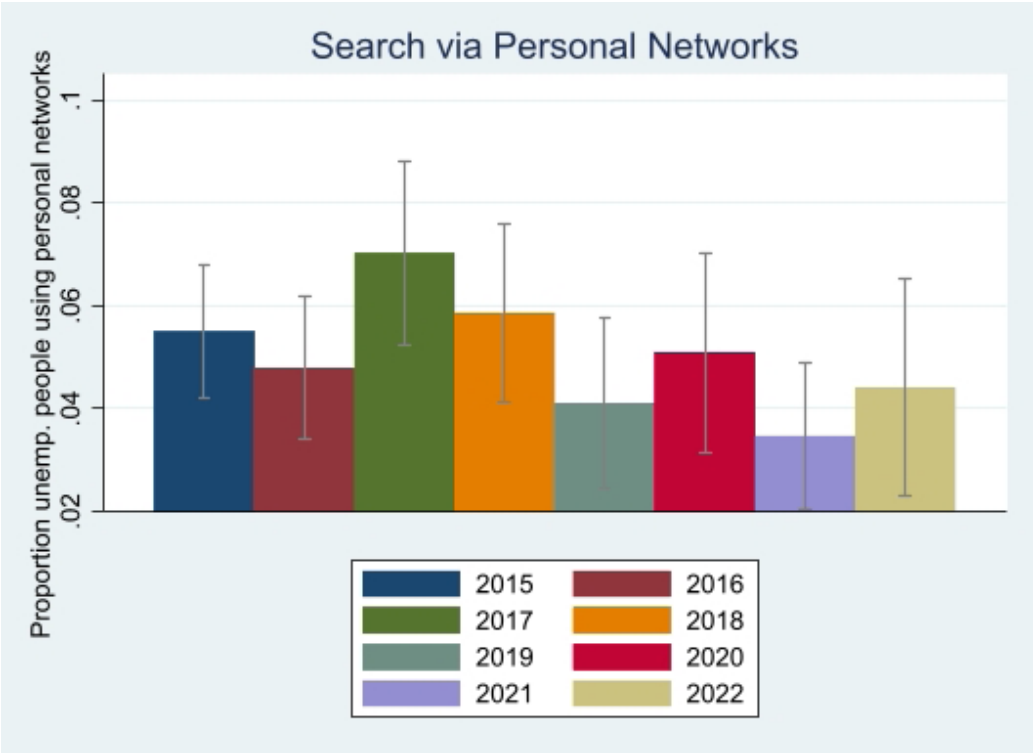


Figure 4 Source: Two-Quarter Longitudinal LFS, Office For National Statistics (2023)

## Summary Statistics

*Table 1*

Variable	Obs	Mean	Std. Dev.
Main Search Method is Personal Networks	14916	.06	.238
Current Job Found via Personal Networks	19427	.238	.426
Unemployed to Employed	5127	.262	.44
Unemployed/Inactive to Employed	193502	.019	.135
Lockdown	219124	.216	.411
Female	219124	.525	.499
Married	219124	.538	.499
White	219014	.912	.283
Degree	219124	.306	.461
Years unemployed	5794	1.706	1.394

## Main method of looking for work in the last 4 weeks

Table 2

Search method	Year								Total
	2015	2016	2017	2018	2019	2020	2021	2022	
Other search	2681	2114	2067	1761	1571	1354	1417	1054	14019
	93.45	93.54	93.49	93.77	94.07	93.31	95.81	95.99	93.99
Personal networks	188	146	144	117	99	97	62	44	897
	6.55	6.46	6.51	6.23	5.93	6.69	4.19	4.01	6.01
Total	2869	2260	2211	1878	1670	1451	1479	1098	14916

First row has frequencies, and second row has column percentages

## How current job was obtained

Table 3

Search method	Year								Total
	2015	2016	2017	2018	2019	2020	2021	2022	
Other method	2443	2032	2105	1918	1755	1568	1436	1554	14811
	73.50	75.60	75.77	76.23	77.52	77.09	77.45	78.92	76.24
Personal networks	881	656	673	598	509	466	418	415	4616
	26.50	24.40	24.23	23.77	22.48	22.91	22.55	21.08	23.76
Total	3324	2688	2778	2516	2264	2034	1854	1969	19427

First row has frequencies, and second row has column percentages

## Results and Discussion

The models were tested for heteroskedasticity by using a likelihood ratio test, comparing the full model without heteroskedasticity to the model fitted accounting for heteroskedasticity. For the first two models, evidence of heteroskedasticity was found so they were fitted with robust standard errors. The third model did not show heteroskedasticity and so was fitted with normal standard errors.

Table 4 shows the results of the three models outlined above. The results show a statistically significant negative effect of the lockdown dummy variable on the probability of using a personal network to search for jobs. As might be expected, lockdowns reduced the number of people

who reported using their networks, which were weakened at the time, to search for jobs. Future research should investigate the effects of this phenomenon. The independent variables of interest in the other two models did not show any significant effects, suggesting that the effect on success of personal network search does not vary depending on whether there is a lockdown, and that lockdowns do not decrease the probability that an individual will cite personal networks as the way in which they found their new job. Notably, the second model suggests that there is a slight negative effect of the lockdown dummy on the probability of finding a job.

These results do not support the hypothesis that lockdown policies decreased the effectiveness of personal networks as a search tool for the unemployed. However, the empirical strategy had several limitations which should be addressed in related future research. First, the necessary inclusion of data only from Q1 and Q2 means that if seasonal effects differed during the pandemic, then the results may be inaccurate. Additionally, the lockdown dummies did not line up exactly with the actual lockdown periods – this is especially relevant for 2020, where two months of the six were not affected by lockdown policies. A more granular dataset could help to answer this research question more clearly. Furthermore, the design of the LFS makes it impossible to follow individuals who move address, meaning there is a risk of right-censoring bias – individuals who move jobs cannot be distinguished from other reasons for attrition. The data included no indication of whether strong or weak ties were used, making it impossible to directly test the original hypothesis. Future research should focus on identifying the lockdowns' effects on weak ties. In this analysis, the effect of reduced weak ties may have been obscured by other positive effects on the use of personal networks, such as increased use of social media platforms and professional networking sites. Finally, this analysis did not include any research on those who transitioned from one job to another during the pandemic, due to limitations within the dataset. Analysis of 'on the job search' could have allowed the research to investigate the impact of working from home on social network job search. As those who are currently in work are more likely than the unemployed to have active and strong professional networks, the effect of lockdowns may have been particularly notable for their job search. These topics should be investigated further to better understand the labour market and the effects of lockdown policies on employment.

Table 4

	(1)	(2)	(3)
	Probability of using personal networks	Probability of finding a job	Probability of finding a job via personal networks
Lockdown	-0.167* (0.0805)	-0.0969* (0.0486)	-0.257 (0.193)
Personal networks		-0.0676 (0.0933)	
Personal networks * Lockdown		-0.0164 (0.361)	
Female	-0.0711 (0.0698)	-0.0834 (0.0475)	-0.124 (0.107)
Married	0.120 (0.0878)	0.0509 (0.0635)	-0.138 (0.147)
Female * Married	0.115 (0.122)	-0.0329 (0.0882)	0.245 (0.198)
White	0.00286 (0.0783)	0.235*** (0.0563)	-0.00745 (0.141)
Years unemployed	0.0157 (0.0197)	-0.254*** (0.0189)	0.0659 (0.0566)
Degree	-0.190* (0.0738)		-0.161 (0.107)
Constant	-1.621*** (0.0931)	-0.446*** (0.0661)	-0.758*** (0.166)
N	5600	4946	1008
R <sup>2</sup>			

Standard errors in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

## Conclusion

This research has shown that unemployed individuals were less likely to search using personal networks during lockdowns. This may have been because these individuals recognised a decreased effectiveness of the method, as hypothesised by this paper. However, it may also have been that they perceived increased costs to social interaction, such as to their health, and did not wish to substitute for this interaction through online means. While this paper did not find support for the cut ties effect it hypothesised, there were significant limitations in this analysis. Future research should aim to rectify these issues with the aim of improving our understanding of the effects of pandemic-related public health policies.

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# HISTORY OF ECONOMIC THOUGHT



# WERE JOAN ROBINSON'S CONTRIBUTIONS UNDervalUED IN ECONOMICS?

BRYONY HOYLE

SENIOR SOPHISTER

*“Joan Robinson is indisputably regarded as the greatest female economist. She carries this title without a Nobel Economics Prize to her name. This paper argues that her contributions were underrated in economics during her lifetime. By outlining neoclassical foundations, it becomes clear that Robinson was working against the tides of the profession. The paper presents two of her foremost papers to illustrate how Robinson traversed multiple economic fields. It goes beyond previous literature by identifying that she lacked the fundamentals valued by neoclassical economics, leaving her overshadowed by male economists.”*

## Introduction

Joan Robinson was a unique figure within economics. Today, she is widely heralded in popular domains as the ‘greatest female economist’ for revolutionising economics- both micro and macro. She achieved this by extending the Marshallian tradition in which she was raised; participating first hand in the Keynesian revolution; and contributing to the modern theory of capital and growth (Gram and Walsh, 1983). She also brought new perspectives to Marxian economics as she reconciled it with orthodox and Keynesian theory. Robinson did it all. Scholarly circles, however, have not always appreciated Robinson in the manner she is hailed today. More significantly, these scholars have regarded her arguments as neither analytically sound, nor justified in their attribution to neoclassical economics (Gram and Walsh, 1983). From the beginning, Robinson sought to not just challenge existing boundaries, but to redefine them. Her approach, as this paper will showcase, worked against her when it came to gaining accolades.

Whilst previous literature acknowledges Robinson’s theories were undervalued, most scholars assess her theories in isolation, judged on idea originality itself. These evaluations lack thorough-

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ness. This paper, arguing they were undervalued, will adopt a novel approach. It will explore Robinson's theories and methodology against the backdrop of her time. She was a woman playing a man's game, which meant other scholars were conditioned to view her and her theories with disdain. Furthermore, she was equipped with an alternative toolbox to that of her male counterparts as the discipline championed a quantitative approach, which Robinson did not possess. This resulted at times, in her living in the shadows of those more mathematically minded than her and not receiving the credit she was entitled to.

The paper begins with an overview of neoclassical economics, as only through acknowledging misogyny and gender bias can we understand why her postulations were not appreciated for their revolutionary nature. An assessment of her writings will be limited to 'The Economics of Imperfect Competition', and 'The Production Function and Theory of Capital'. The former, quite aligned with neoclassical Marshallian thought, while the latter, a clear apostasy from it, as this was an amalgamation of her Cambridge influences.

## Neoclassical Economics

By acknowledging the conditions beyond which Robinson operated, it becomes clear where credit was earned in this era and where it was withheld. It was a turning point for economics professionally and academically, with many of the developments forming the bedrock of economic scholarship today - from widespread calculus use to marginal utility (McGourty, 2019). Yet, the transformative nature of this orthodoxy was limited to one group, men. The marginalisation of women continued to be ubiquitous throughout economics. The changes that distinguish the neoclassical branch from its classical ancestors were enacted by Marshall primarily to establish and consolidate economics as a respected scientific discipline, with this successfully achieved (McGourty, 2019). Discrimination against women from the neoclassical orthodoxy manifested through two channels: 1) access and 2) methodological approach, with an overlap existing between them.

Neoclassical human capital theory was inherently discriminatory towards women through an essentialist interpretation of human ability (McGourty, 2019). This was pioneered by Marshall who incorporated these entrenched gender differences into his writings. He theorised this gendered division of labour where women cared for the home, whilst men were the breadwinners, engaging in paid work. For those women who were forced or chose to work, Marshall advocated for a

lower wage than paid to men, preventing the further injurious rise of women's wages and diminution of her household duties (Marshall, 1920). His theories in 'Principles' cemented the rationale for excluding women from the labour market, reducing them to caregivers. He proposed that unpaid domestic work carried out by women should not be reflected in national accounts, emphasising the inferiority of women. Given that Marshall's 'Principles' was the pre-eminent economics textbook for decades, the effect that his views had on younger generations should not be underestimated (McGourty, 2019).

Just as misogyny was prominent throughout his writings, it also pervaded the university in which he sat throne. By the 1920s, Cambridge had a long and inglorious history of discrimination against women unique among British universities, which in turn caused a sex-based academic caste system (Aslanbeigui and Oakes, 2009). Cambridge embodied Social Darwinism which stated that if concessions were made that allowed women to access education, it would be damaging to the struggle for survival. This remained the Cambridge ideology until 1925 when attitudes towards women altered slightly. Now, women were admitted to university teaching posts and membership on faculty boards that made most decisions on curricula, lectureship, appointments, and examinations. This was a canon event, as women were granted the right to deliver lectures to male students. Despite this, they remained excluded from competitions for fellowships in men's colleges (Aslanbeigui and Oakes, 2009). The shifts in Cambridge tides were gradual, and in 1938, its top economists were still exclusively male.

The challenges faced by female economists due to a lack of access were accelerated by a shift in methodology brought by the neoclassicals. This reformation moved economics away from discursive, deductive methods. Marshall (1920: p.781) asserted that if economic analysis was to adequately represent the phenomena it, then it should adopt scientific methods grounded in empiricism and inductive reasoning; there was "no room in economics for long trains of deductive reasoning". Thus, quantitative methods were transcended as the apotheosis of the neoclassical orthodoxy. This reconfiguration was critical from a gendered perspective. Quantitative reasoning was not inherent in human nature, rather it was a skill that required teaching. To apply quantitative techniques to theoretical discourse, individuals would need exposure to such methods through education or training. Nonetheless, neither were forthcoming to women throughout this period, especially not in the disciplines of mathematics and science, as these were reserved for men. Women were granted little stimulus from which they could thrive, which suited Marshall's mi-

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sogynistic agenda. Marshall sought to associate economics with rationality and objective scientific fact; and if professional status was to be achieved for economics, it certainly could not be associated with femininity (McGourty, 2019).

The prognosis for females desiring a career in economics was overly negative. It was against these conditions that Robinson had to carve her success. As illustrated later, her accolades were held back by the chains of neoclassicals. A failure of the orthodoxy to appreciate a broad range of analytical methods severely undermined contributions that Robinson made and embedded archaic gender norms into contemporary economics. With the neoclassical context considered, this paper presents Robinson's beginnings, and her contributions to economics.

## **Robinson's Beginnings**

Robinson was easily distinguishable from her male counterparts, adopting an unorthodox approach to tackling the big questions. She viewed economics through a multidisciplinary lens, incorporating considerations of politics, society, and morals; aspects she believed were systematically ignored by classical/neoclassical theorists. This allowed Robinson to illuminate long-standing issues facing the discipline. Robinson became well-versed in economics under the wing of Pigou, a loyal Marshallian. Thus, she was armed with a neoclassical analytical lens through which she could view the real world. To Robinson, neoclassical economics was weak at proposing practical solutions to the problems fronting contemporary economies. Over time, she supported the abandonment of the neoclassical edifice. Robinson was above anything, highly critical, not just of existing dogmas, but most significantly of her own. This was most apparent in her internationally recognised work, 'The Economics of Imperfect Competition'.

## **Imperfect Competition**

Robinson's treatise, 'The Economics of Imperfect Competition' was her most defining contribution to the economics world, a master key of sorts - unlocking a series of tools utilised by contemporary economists such as the elasticity of substitution, marginal revenue, and marginal cost of the firm. Thus, it formed a suitable vantage ground from which to analyse the extent to which her theories were valued. To emphasise Robinson's edge, it was a real-world problem

which caused her to develop this theory. She was curious as to why the depressed conditions of the 1920s/1930s did not result in more firms closing in Britain, at least temporarily- an inescapable inference from the Marshallian/Pigouvian theory of the firm (Harcourt, 2001). It became clear that neoclassical theory could not explain firm behaviour in interwar period Britain. As a result, Sraffa and Robinson seceded from the neoclassical dogma of the firm, with the hope of explicating the economy:

*Mr Sraffa, whose article of 1926 took such an important part in the work of emancipating economic analysis from the tyranny of the assumption of perfect competition, was not himself completely aware of the freedom that he was winning for us (Robinson, 1934: 104-105)*

Sraffa's 'pregnant suggestion' was the equivalent of a slow-burning explosive, igniting microeconomics once more. Sraffa asserted that monopoly rather than pure/perfect competition should be the starting point for value theory, considering a world of mini monopolies set in a competitive environment, where falling demand curves rather than rising cost curves were the ultimate constraint on current output and future expansion (Harcourt and Kerr, 2009). With this stimulus given by Sraffa, Robinson created a new model from which firms, industry, and theoretical analysis could be viewed. 'Economics is a Serious Subject' (1932), contained her principal apparatus - marginal revenue and marginal cost curves, and her exposition of the tangency conditions of the average revenue and average cost curves for the long-period equilibrium (Harcourt and Kerr, 2009). The tangency condition where price equals average cost, indicates that average cost is decreasing. Robinson argued that for producers who have the power of altering the prices of their products independently to that of their competitors, they must produce where marginal cost equals marginal revenue. Under imperfect competition, if the demand curve of the firm decreases, so does the marginal revenue curve, so that, beyond a point, sales will bring forth negative marginal revenue. Yet before this, marginal revenue will be lower than marginal cost. An attempt to expand sales reduces the profits of the firm, so that it has no interest of forcing firms out of the market (Screpanti and Zemagni, 2010).

'The Economics of Imperfect Competition' was well-received by the profession and become an international success. It silenced her critics, with some scholars exhibiting adulation towards her; Schumpeter and Nichol (1934: p.251), exclaimed "the book is indeed an admirable performance, both by virtue of its pioneer performance and by the energy and straightforwardness of its exposition". With this publication, Robinson earned the respect of her counterparts. However, it was

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these counterparts that aided her in bringing this theory to completion. She was a self-declared non-mathematician and non-econometrician, and ultimately, ignorant of quantitative methods. With this, 'The Economics of Imperfect Competition' benefited from constant dialogue with other scholars, to the extent that the thesis could not have been a theoretically consistent treatise without its errors being weeded out by the mathematics of Kahn and Pigou (Khatkhate, 2011). Robinson's lack of knowledge of the fundamentals most-prized by the neoclassical orthodoxy, along with being a woman, obstructed her from receiving accolades.

From the profession's perspective, not only did Robinson need the abilities of her male counterparts to produce the treatise, but the treatise she pioneered was not truly novel. There was strong belief among academics that it was not that original when juxtaposed with Chamberlin's monopolistic competition, published a few months prior (Khatkhate, 2011). Chamberlin and Robinson are jointly recognised as the authors of this revolution. Supremely, the model of monopolistic competition that has survived in textbooks is that of Chamberlin, not Robinson (Bellante, 2011). Thus, the model being disseminated to younger generations is commonly associated with Chamberlin, which is likely to neglect the dual discovery of Robinson from young economists' minds. Moreover, Chamberlin's work, though like Robinson's, was far-reaching and attempted a thorough reconstruction of value theory (Landreth and Colander, 1994). Chamberlin possessed the advantage of a long-run dimension in his modelling; this was not explored by Robinson in 1933. Consequently, she repudiated her analysis in totality for this reason - its static nature. Robinson's approach could not handle time, in so far as it differed from space. Referred to as 'shameless fudge', she assumed that the ultimate equilibrium price and quantity would wait, unmoving whilst businesspeople tried by trial and error, to find the equilibrium price to set (Harcourt and Kerr, 2009). Robinson was her own harshest critic, and failing to advocate for her discovery, she dismissed discussion on 'The Economics of Imperfect Competition'. Now, she was instigating another revolution, this time with capital theory.

## Capital Theory

As Robinson's love affair with 'The Economics of Imperfect Competition' ended, a new one emerged, this time with Keynes. She worked closely with Keynes to ensure the coherence of his magnum opus, 'The General Theory' (1937). Once it was published, she moved from theory

construction to theory transition and extension (Aslanbeigui and Oakes, 2009). Robinson acknowledged that Keynes had negated the long-run in his analysis, and thus made it her mission to extend his short-period framework. Her work on the long-period theory draws on classical economics, rather than neoclassical. In the classics, long-run prices and profits reflected the generation of surplus and the accumulation of capital, but in Marshall this was not easily seen. This was due partially to his concentration on relative prices, the fortunes of individual firms and supply and demand of commodities while leaving the main outline into which these details fit extremely hazy (Gram and Walsh, 1983). In her attempt to construct a long-run dimension of 'The General Theory', Robinson discovered that the nature of capital was left unanswered for, and thus Robinson asked, what is the quantity of capital (Gram and Walsh, 1983)?

This was written in 1953, the year of her famous article, 'The Production Function and Theory of Capital'. She made several specific critiques about the state of economic theory and economic theorists, namely the latter-neoclassicals (Harcourt, 1969). Again, Robinson wrote in response to real-world problems in the post-war period, referring to countries at different stages of development, with a focus on advanced industrialist countries. This article marked the beginning of a sustained attack on neoclassical economics, a reflection of her dissatisfaction with the orthodoxy in which she was reared.

A common starting point for the neoclassical perspective on capital is a one commodity Samuelson/ Solow/ Swan aggregate production function model:  $Q = f(K, L)$ , where  $L$  is a quantity of labour,  $K$  a quantity of capital, and  $Q$  a rate of output of commodities (Cohen and Harcourt, 2003). She argued that the aggregate production function, was used by neoclassicals to explain income distribution between profit-earners and wage-earners in capitalist economies, taking as given the labour and capital stocks and the knowledge of substitution, so that their respective marginal productivities were known (Harcourt, 1969). With this perspective, we cannot assess the driving forces contributing to the growth of  $L$  and  $K$ , or how technological progress influences growth - the elements of interest to Robinson. She critiqued this, referring to the production function as a powerful instrument of miseducation via the indistinct nature of the factor,  $K$ . It is challenging to find a unit whereby capital can be denoted as a number; an index which is independent of relative prices and distribution (Harcourt, 1969). To an end where capital can be placed into the aggregate production function, alongside labour, and these in turn can explicate the level of output. Robinson asserted that capital cannot be measured or aggregated. Such that, it is impossible to conceive

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of a quantity of capital in general, the value of which is independent of the rates of interest (interchangeably, profit, given the present assumptions) and wages (Harcourt, 1969). To formulate a unique relationship between output per worker employed and capital per worker employed, this independence is necessary.

By directly attacking neoclassicals in 'The Production Function and Theory of Capital', she thereby birthed the Cambridge controversies - Cambridge, England versus Cambridge, USA - one of the most acrimonious theoretical debates in the history of economic analysis (Aslanbeigui and Oakes, 2009). The neoclassical economists: primarily Robinson and Solow in MIT fought against Robinson's critiques. Although these were not taken too seriously as she did not know mathematics, and henceforth in the eyes of neoclassical economists, she was wrong. Solow recognised that issues measuring aggregate capital could be overcome only in special cases, asserting that the real difficulty of capital comes not from the physical diversity of capital good; it comes from the intertwining of past, present, and future (Cohen and Harcourt, 2003). It is true that capital is entwined with issues of time. However, the neoclassicals approached capital analysis with comparative static exercises, with no regard for dynamic processes. Robinson found herself damning the inability of these writers to distinguish between differences in the parameters of an equilibrium model and effects of a change taking place at a point in time (Cohen and Harcourt, 2003). This is famously known as the history versus equilibrium critique. Whilst subsequent attempts were made to refute these attacks, they were not successful. Robinson had discovered a fundamental flaw in economic theory.

It was not until the mid-to-late 1960s that the neoclassicals accepted defeat gracefully. In 1966, Samuelson wrote that the neoclassical assumptions upholding the aggregate production function cannot be universally valid. Thus, on a theoretical level, the 'English' Cantabrigians won the round over aggregate production functions (Cohen and Harcourt, 2003). They achieved this without ever providing a true alternative set of theoretical tools as opposed to descriptive tools, from which to evaluate capital. Nonetheless, the victory secured by Cambridge, England was pyrrhic, as the neoclassicals continued with economics as if the debate did not occur. Such that, they utilised the same aggregate production function, with no mention of any of the complications surrounding the fuzzy nature of capital or time. As well as this, these assumptions grounded the new growth theory and general equilibrium models produced by neoclassical economists. Thus, the work pioneered by Robinson and her Cambridge fellows was reduced to just a peculiarity;

rather than respected for the fair and fundamental criticism of orthodox modelling it had proved itself to be.

## Conclusion

This discounting of Robinson's achievements, as this paper has demonstrated, was a common theme throughout her life. Most accolades or recognition she received came at the end of her life or posthumously. It was not until her husband retired and she took over his chair that she became a professor at Cambridge. It is hoped that this paper's novel approach will shed light on why her theories were not sufficiently valued during her lifetime. Further research could examine her contributions to the Keynesian revolution and how these were treated by the profession.

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# Economic Nationalism in the 19th Century Poland: Drucki-Lubecki Listian Approach

OLIWIA BOREK

SENIOR SOPHISTER

*“This paper provides a comprehensive analysis of how Prince Ksawery Drucki-Lubecki’s policies in 19th century Poland embodied the principles of economic nationalism as per the Listian tradition. The paper establishes a link between Lubecki’s policies and List’s ideas in four key policy areas. It finds that this connection is most pronounced within the realm of national institution reform and transport infrastructure, while being moderately strong in the areas of trade and education policy. The paper concludes that Lubecki’s policies significantly reflected Listian ideas of economic nationalism, thus making a noteworthy contribution to the existing literature.”*

## Introduction

This paper will evaluate the extent to which the policies of Prince Ksawery Drucki-Lubecki (1778- 1846) embodied the principles of economic nationalism as in the tradition of Friedrich List (1789-1846). Economic nationalists, defined broadly, believe that there exists a fundamental divergence of interests amongst nations and, consequently, emphasise the importance of self-interest and self-sufficiency in national economic matters (Etges, 1997). List is often described as one of the founding fathers of economic nationalism, having built on the works of French protectionists such as Jean-Antoine Chaptal and American thinkers such as Alexander Hamilton (Henderson, 1982; Henderson, 1983). His seminal work, ‘The National System of Political Economy’ (1841), was especially influential in promoting nationalist and protectionist means of achieving economic development. The book puts forward a theory of economic nationalism largely motivated by List’s concern and patriotism

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for his home country of Germany. It posits that in order for economic development to occur, states must prioritise their own national interests by enacting changes in several policy areas, particularly in the realms of industrialisation and external trade (Levi-Faur, 1997a).

List's ideas not only left a lasting imprint on subsequent nationalist economic thinkers, but also translated into concrete changes in government policies (Suesse, 2023). As such, a significant body of literature has been dedicated to exploring List's work. Numerous scholars have delved deep into his ideas, assessing the validity of his arguments and analysing their true meaning (Levi Faur, 1997a; Henderson, 1983). A smaller, but still considerable body of scholars have discussed the effect of List's ideas on national economic policies, for example on the governments of Germany and Russia in the late 19th and early 20th century (Geraci, 2013; Berger, 2019). However, the literature is exceptionally limited regarding the policies of Prince Ksawery Drucki-Lubecki. Although his time as Minister of the Treasury of the Polish Kingdom (1821-1830) predated List's most influential work, Lubecki introduced a wide range of reforms which reflected Listian ideas for economic development (Korys, 2008). As such, this paper constitutes an important addition to the literature on the Listian tradition of economic nationalism.

This paper will make a strong argument in favour of the hypothesis that the policies of Lubecki during his ministership embodied the principles of economic nationalism in the tradition of List. The first section will provide the essential historical context of Poland's national identity and its economic activities at the time of Lubecki's ministership. The second section will analyse two areas in which Lubecki's actions significantly reflect Listian ideas, namely, the role of the state and its national institutions and transport infrastructure. The third section will discuss two policy areas in which there is a tangible but more limited connection between Lubecki's policies and Listian ideas, namely, trade and education policy. The paper will conclude that there is strong evidence to show that Lubecki's policies embodied Listian ideas of economic nationalism and suggest avenues for future research in this area.

## Historical Context

This section will discuss the context of the time period from 1821 to 1830, during which

Lubecki held the position of Minister of the Treasury in the then Kingdom of Poland. It is important to first outline the context within which Lubecki's economic policies were enacted, both with regards to Poland's national identity and the country's economic activities.

The Kingdom of Poland was a constitutional monarchy in the years from 1815-1830. Formed following the fall of the Duchy of Warsaw, the Kingdom was initially granted the status of a semi-autonomous state in a personal union with the Russian Empire. The Kingdom had its own constitution, army and national government. The ultimate authority and rule over the Kingdom, however, rested with the Russian Tsar and monarchy. The level of autonomy given to the Kingdom decreased gradually throughout its 15 years of existence, leading to subsequent tensions between the Polish government and the Russian monarchy (Zarzycka, 2003).

The economic state of the Kingdom prior to Lubecki's appointment as Minister was quite poor. The Duchy of Warsaw faced significant economic problems prior to its collapse, which were subsequently inherited by the Kingdom. In terms of economic policy, the first years of the Kingdom's existence were predominantly focused on the rebuilding of the state budget and addressing debts inherited from the Duchy (Olejniki, 2018). Lubecki was in fact commended for his role in achieving the liquidation of debts in negotiations with Austria and Prussia prior to assuming the role of the Minister of the Treasury (Frankowski, 2008). Upon entering the Ministry, Lubecki's primary aim was to maintain the separate state of the Kingdom and build up its economy through industrial development. At the time, the Kingdom was predominantly an agricultural country, with 80% of its population making its living from agriculture and 70% of its national wealth stemming from natural resources (Karczynski, 2018). As such, Lubecki assumed ministership of an economically troubled state, newly under Russian rule and almost wholly reliant on its agricultural sector.

## **Policy Areas of Major Listian Embodiment**

This section will discuss two areas in which Lubecki's policies as Minister of the Treasury strongly aligned with the economic nationalism principles advocated by List. Firstly, it will consider List's views on the role of the state and its national institutions, which are strongly reflected by Lubecki's own beliefs and his reform of said institutions, most notably seen

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through his creation of the Polish National Bank. Secondly, it will discuss the role of transport infrastructure in List's theory of economic nationalism, linking his ideas to the many reforms Lubecki enacted in this area through ventures such as the construction of the Augustów Canal.

### *Role of the State and National Institutions*

It is no wonder that the nation played a central role in both List's work and the policies of Lubecki. List was a long-time activist, driven by his desire to promote "the welfare, the culture and the power of Germany". 'The National System' alluded greatly to the need of Germany to adopt new policies to reach the commercial and industrial development of more powerful nations (List, 1841; Szorpluk, 1988). Lubecki, on the other hand, was driven by his desire to achieve lasting independence for the Polish state. Having witnessed the fall of the Duchy of Warsaw, he was determined to implement changes which would secure the continuity of the Polish Kingdom. Adding to this determination was a threat from Russian Tsar Nicholas I, who told Lubecki that unless he successfully restored the Kingdom's finances, its independence would have to be dissolved (Szlajfer, 2005).

What is remarkable, however, is the extent to which Lubecki's policies mirrored List's convictions regarding the specific role of the state in safeguarding and fostering its growth. For List, the state's role was that of the protector of national productive powers, which constituted the state's potential to create wealth through its natural, material, and human resources (Levi-Faur, 1997b). He believed that state intervention was essential to the survival of developing nations and emphasised the establishment of a manufacturing industry as a means of safeguarding national independence (Szorpluk, 1988; Suesse, 2023). With regards to the role of national institutions, he stressed the importance of structuring the national economy in a way which promotes its national interests and ensures the effective operation of economic sectors most central to these interests (Levi-Faur, 1997b). There is a strong link between List's ideas and the way in which Lubecki thought about the state and its institutions. State documents from the time of Lubecki's ministership show that the national government adopted exceptionally pro nationalist stances. As outlined by one historian, "the economic radicalism of Drucki-Lubecki was in fact striking" (Szlajfer, 2005). Lubecki shared List's con-

viction that industrialisation was key to the economic development of the nation, prioritising policies which supported the development of industrial plants and settlements in the Polish Kingdom (Kalinski, 2008). He also believed that government intervention was essential for the economic development of industry, strongly favouring a model of top-down industrialisation (Karczynski, 2018).

One key policy development in this area was the establishment of the National Polish Bank by Lubecki in 1828. The bank's creation was part of Lubecki's reform of the national treasury system, through which he increased the efficiency of tax collection and directed state funds towards the industrial sector. As a state institution, the bank had the national treasury funds at its disposal, which it used to grant loans as well as directly investing in the construction of roads and industrial factories. The bank also had the authority to issue banknotes to the amount of its share capital (Kalinski, 2008). These policies not only reflected List's ideas with regards to the role of national institutions, but also specifically mirrored his discussion of banks in 'The National System'. List outlined his conviction that states should promote the establishment of public credit institutions and stressed the importance of increasing the amount of currency in circulation to keep in line with the growth of industry (Henderson, 1983). As such, Lubecki mirrored Listian ideas to a significant extent with regards to the role of the state and the reform of national institutions.

### *Transport Infrastructure*

Economic nationalism in the tradition of List also placed a considerable emphasis on the importance of national transport infrastructure for the nation's industrial and economic development. List considered the provision of transport facilities to be essential for increasing the nation's productive powers and thus argued in favour of greater public investment in infrastructure (Henderson, 1983; Suesse, 2023). He advocated for the construction of road, railway, and canal networks to facilitate the transportation of raw materials to factories and the distribution of manufactured goods to consumers. In 'The National System', he states that "nothing is more important for industrialists than the availability of cheap fuel and also easy, speedy and regular transport at a low cost" (List, 1841; Henderson, 1983). List additionally believed that transport facilities constituted a powerful means of improving the level

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of culture amongst citizens - and especially of those in agricultural communities. He argued that the prosperity of workers in the agricultural sector hinged on their ability to transport and exchange their arable goods, as only this would allow their communities to industrialise and develop in the long-term. As such, the improvement of communications by state governments was an essential element of societal progression for List (Henderson, 1983).

Correspondingly, the development of transport infrastructure was a key priority of Lubecki's policy reforms during his time as Minister of the Treasury. As aforementioned, Lubecki allocated substantial state funds to the improvement of infrastructure. These funds were primarily used for the development of water transports facilities which proved essential to the development of the Kingdom's trade capacities and subsequent industrialisation (Karczynski, 2018). In true Listian fashion, Lubecki used the development of water transport infrastructure to achieve greater independence for the Kingdom's trade industry and thus its capacity to generate revenue. When in 1822 Prussia blocked the export of Polish grain through the ports of Gdansk and Elblag, Lubecki ordered the construction of the Augustów Canal which would allow the export of grain to be re-routed. Though the canal was not complete in Lubecki's lifetime, the commencement of construction was sufficient to prompt concessions from the Prussian government (Kalinski, 2008). As such, the views of List and Lubecki with regards to the role of transport infrastructure proved very much aligned.

## **Policy Areas of Partial Listian Embodiment**

This section will discuss two areas in which economic nationalism in the tradition of List is reflected in Lubecki's policies to a more limited extent. Firstly, the link between the two thinkers is rather blurry with regards to trade policy, with Lubecki adopting some trade policies which clearly aligned with List's theories and some which did not. Secondly, while Lubecki may have shared List's views on education, the scarcity of sources in this area prevents the definite affirmation of this connection.

### *Trade*

By far the most influential element of 'The National System', it is interesting to consider how

Lubecki's trade policies in the 1820s aligned with the later infamous Listian 'infant industry' argument. The argument was based on List's assertion that states experience five stages in their development, ranging from the 'savage stage' (stage 1) to the 'agricultural, manufacturing and commercial stage' (stage 5). In order to progress from the agricultural stage (stage 3) to the final stages, he argued that states must industrialise, emphasising however, that their choice of trade policies is a key determinant in achieving this industrial development. As such, List deemed infant industry protection essential for states in the third stage of their development. This meant that developing states should adopt temporary protectionist measures, specifically in their manufacturing sector (Shafaeddin, 2000). As aforementioned, Lubecki was doubtless aware of the need to industrialise the Polish Kingdom. He believed that the Kingdom would not achieve economic independence while producing solely agricultural products and sought to change that, while at the same time adopting policies to utilise the Kingdom's access to the extensive Russian trade market. Lubecki's trade policies were most compatible with List's infant industry argument in that he supported the export of Polish agricultural goods while adopting strict protections on the Kingdom's manufacturing sector (Karczynski, 2018; Suesse, 2023).

The link between Lubecki and Listian ideas on trade becomes less clear, however, when considering the significant extent to which Lubecki's protectionist measures in the manufacturing sector were adopted. The Kingdom's costly customs war with Prussia in 1822 was a direct result of the hasty protections adopted by Lubecki, who sought to abruptly hinder industrial imports from Prussia through the establishment of an exceptionally high customs barrier on its border (Kalinski, 2018). As per List's ideas on trade policy, protections on manufactured goods should be implemented gradually and selectively to ensure that the development of the national industrial sector can keep up with trade reforms (Shafaeddin, 2000). In addition, while List argued that tariffs should only be adopted when the state's domestic market was large enough to prevent the emergence of monopolies (Suesse, 2023), Lubecki doubtless found no issue with the existence of monopolies within the Kingdom's market. During his time as Minister of the Treasury, Lubecki supported both the existence of state monopolies in the agricultural sector (for example with regards to salt and alcohol production) and large local monopolies in the manufacturing sector (for example with regards to milling) (Leslie, 1952). The connection between Listian views on trade and Lubec-

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ki's policies in this area is therefore to some extent limited.

### *Education*

The importance of education was another key component of the Listian tradition of economic nationalism. As aforementioned, List emphasised that the creation of wealth stemmed from three types of capital – namely natural, material and mind capital. He considered the latter, encompassing human attributes such as skills, training, enterprise, and governmental power to be the most supreme form of capital for economic development. He argued that economic policies which aimed to develop capital of the mind resulted in better outcomes rather than those focusing solely on the development of natural and material types, and as such, strongly emphasised the importance of education. He argued that states must develop their educational system in line with economic progress and attributed the superiority of the British state in the industrial and trade sectors to the British educational system (Levi-Faur, 1997b).

There is some evidence to suggest that Lubecki shared List's vision regarding the role of education in national development. As per his most famous saying, Lubecki believed that “weapons, factories, education and wealth” were of greatest importance for securing lasting independence for the Polish Kingdom. Given his well-documented commitment to the other three elements, one could reasonably infer that Lubecki was also likely an advocate for bettered education (Karczynski, 2018). In addition, state documents do show that social reform was a key priority of the general national government at the time, and there are accounts of Lubecki allocating state funds for the development of education as well as the training of students and officials abroad (Białous & Sadowski, 2013; Olejnik, 2018). Ultimately however, educational policy was likely not one of the major responsibilities of Lubecki as Minister of the Treasury and there is insufficient evidence to conclude that he embodied Listian views in this area.

## Conclusion

In conclusion, there is strong evidence to show that the policies of Prince Ksawery Drucki-Lubecki during his time as Minister of the Treasury for the Kingdom of Poland embodied the ideas of economic nationalism as in the tradition of Friedrich List. This paper gave an extensive account of the existing links between List's ideas and Lubecki's policies, be they strong – as in the case of national institutions and transport infrastructure - or somewhat limited – as in the case of trade and education. The extensiveness of issues covered by this discussion is particularly remarkable given the relative lack of studies making the connection between Listian ideas and Lubecki's reforms to date.

This connection is doubtless an area that merits further exploration, particularly within the domains of trade and educational policy where evidence is notably scarcer. Further studies should also evaluate Lubecki's policies following the collapse of the Polish Kingdom, after which he worked first in the Russian-controlled Polish National Council and later in the State Council of Imperial Russia (Szłajfer, 2005). The exploration of his work in the latter would be particularly interesting given the nationalistic nature of Lubecki's policies up until that point, as well as the fact that Lubecki may have plausibly been exposed to List's 'The National System' during his time in this position. Nevertheless, this study constitutes an important initial addition to the confined literature in this area and makes a strong case for Lubecki's embodiment of Listian ideas in the early 19th century.

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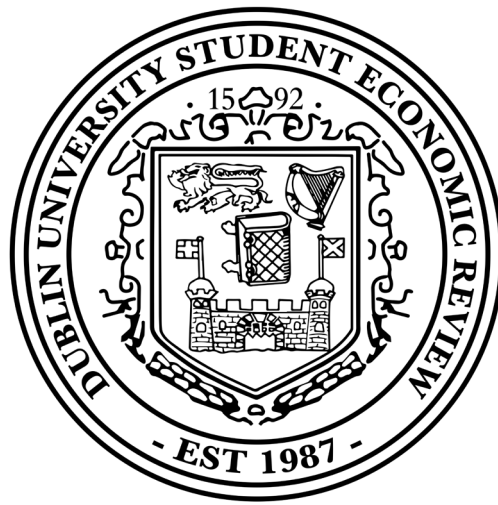
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# ECONOMIC POLICY



# A War Economy: Sinking or Swimming

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*“This essay critically examines the impact of U.S. military expenditure on the well-being of its citizens. Despite being a nation of relative peace, the United States allocates a sizable portion of its federal budget to military spending. While proponents argue that this investment stimulates the economy and provides employment opportunities for millions of Americans, detractors point to the opportunity costs, particularly in essential areas such as healthcare, education, and infrastructure. This essay evaluates both perspectives, analyzing the economic and social implications of military spending and its role in supporting domestic industries. Furthermore, it explores broader aspects of the contemporary U.S. economy to provide context to these findings. The essay seeks to propose a balanced solution for optimizing resources and ensuring the well-being of American citizens in the future.”*

## Introduction

Is the U.S Military harming the well-being of its citizens or is it keeping them afloat? U.S military spending constitutes 13.39% of the total US federal budget and 46% of its discretionary expenses even during a period of relative peace (U.S Treasury Fiscal Data, 2023). This expenditure has a steep opportunity cost with the key concerns of American citizens taking the brunt of these, particularly in the areas of healthcare, education, and infrastructure. However, the military argues that its spending is a direct injection into the economy through employing just under 2.52 million Americans. Similarly, and more impactfully, the argument has been put forth of the military’s role in allowing US industry to operate. In this essay both factors will be weighed up in the hopes of attaining an understanding of the costs and benefits of both sides. Subsequently other facets of the modern U.S economy will be explored in the hope of contextualizing our findings. Finally, a solution for the future will be derived and analysed.

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## Facilitation of the economy

The United States of America's economy is the largest in the world. Within this economy the industries of finance, insurance, real estate, rental & leasing constitute the largest factor of GDP by both value added and gross output. On average since 2021, these industries have accounted for 18.52% of gross output and 20.82% of value added each year (U.S Bureau of Economic Analysis, 2023). There were 6,715,100 people employed in the Finance and insurance industry in Q4 2023, as well as 1,859,600 people employed in real estate in December 2023 (U.S Bureau of Labour Statistics, 2023).

These industries have been cornerstones to the development of the largest free market type economy in the world. The creation of credit and the efficient allocation of capital being two vital duties that the financial markets have been fulfilling efficiently. However, this trend is slowing down.

The U.S.A is the most advanced large economy in the world, and this brings a new set of challenges to many economic fundamentals. The proposition that finance can continue to drive growth in an economy through the allocation of capital to facilitate economies of scale and efficient expansion is increasingly dubitable. It is now understood that once countries have 'achieved a certain level of financial development, there is no reason to expect that credit expansion leads to more long-term growth'. After a certain point the 'primary driver of finance growth nexus is the allocation of capital' in an efficient manner (Phillipon, 2016: 4).

However, this advice was not heeded, and the leveraging of the US economy has reached previously unimaginable heights. Inflation adjusted US national debt stands at 33.17 trillion dollars. That is a 231% increase from the turn of the millennia and a 33% increase from when the research I cited earlier was published (U.S Treasury Fiscal Data, 2023).

Figure 1: U.S debt over time

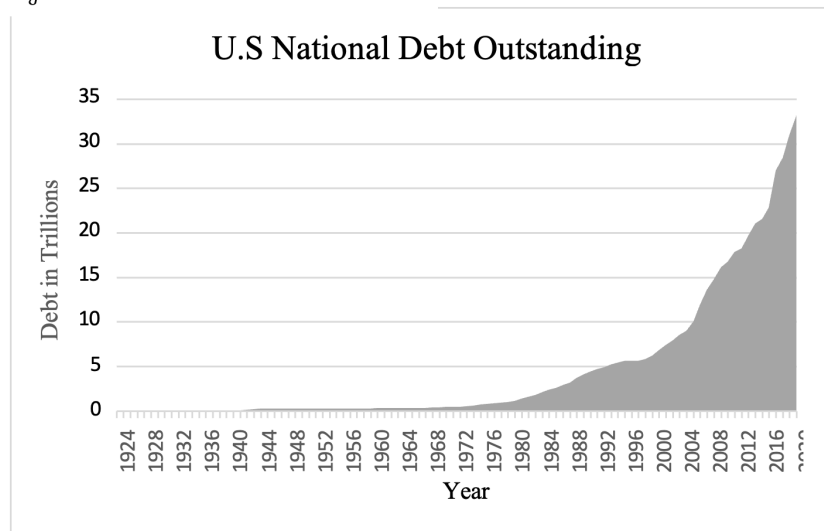


Figure 1: US National Debt (Source: U.S. Treasury)

Simultaneously, asset values in the United States have risen to historic highs. This has been caused by a few major factors; the influx of household debt which has increased real estate values artificially, the growth of retail investing into the general stock market, and the concentration of American industry in conjunction with the increase in the amount of money in the economy. Thus, staple asset values [like home prices] and the stock market have taken off to new heights. The median selling price of homes in the U.S has increased to \$417,700 in Q4 of 2023, up 62% from the peak of the property bubble in 2007 while the S&P 500 has risen roughly 230% in same period as the time of writing (U.S Census Bureau, 2023).

Finance, insurance, and real estate sectors are each highly leveraged and dependent on asset values. Thus, they are more susceptible to fluctuations in the business cycle as debts default and as valuations return to the mean (Nasdaq, 2023). These fluctuations are caused by anything from a loss of confidence, general economic woes, or geo-political tensions. However, the one area that I feel is of key importance and the one in which I will be proposing a solution to is the latter and the escalation of such tensions to conflict and the subsequent military responses following this. With this, there are two sides, the impact of attacks on the U.S and the results of U.S retaliation.

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## A game of two sides

The impact of attacks on the U.S financial system is clear, exemplified by its most simplistic indicator, the stock market. Each time there have been attacks on the U.S and its close allies, confidence has shaken, and financial firms have jumped for safety. On the week of the 9/11 attacks, the S&P 500 fell 11.6%. From October 1939 to June 1940, and then again from November 1940 to April 1942, there were two separate 30% plus bear markets in the Dow Jones Industrial Average as the impact of the world wars and the shock of the Pearl Harbour attacks weighed on U.S investors (Biggs, 2008). The pattern emerges that when the U.S is struck hard, the financial industry runs for cover and waits for the military to strike back before getting back to work.

What about when the military plays offense? ‘The want of a Navy to protect our external commerce, as long as it shall Continue, must render it a peculiarly precarious reliance, for the supply of essential articles, and must serve to strengthen prodigiously the arguments in favour of manufactures’ (Hamilton, 1791: 2). Alexander Hamilton, in the 18th century, already foresaw the dominant role the United States would later play in the global economy, envisioning it as one built off its military capabilities. The founding father of the American state believed that having a powerful navy boosted economic growth as its projection of military might allow it to gain advantages in international trade, foreshadowing America’s imperial future.

Yet it still took ninety-six years before his theory was put to the test, with that still being unwillingly, as the U.S.A defeated the Spanish empire, ensured Cuban independence, and obtained the foreign lands of the Philippines, Guam, and Puerto Rico. The U.S.A became a global empire and benefitted as such (Office of the Historian, 2018). 46 years later, and the US led allied armies were racing across western Europe, in a race to Berlin. The United States was the most powerful country in the world, industrially and militarily. This gave the dollar perfect placement, on the back of an era changing conflict to complete its take over from the pound Sterling as the global reserve currency of the future (Mehl, Mlikota, 2023). It did this through the creation of organisations and agreements based off the United States systems for stability. The subsequent Bretton Wood conference established the IMF and made the Dollar the reserve currency of the world, based on gold until 1971 when

gold was replaced by the value of the reputation of the U.S government. The United States, through the Marshall plan and Truman doctrine, provided billions in aid to the destroyed western powers, firstly, to help them rebuild their economies and stave off communism, and secondly, to pull them close to the United States, politically and financially. The United States manufactured trading partners to buy US manufactured goods and to use and invest in the dollar (Office of the Historian, 2018).

This has resulted in dollar dominance, benefitting trade, flooding capital markets, and boosting asset values. In 2022, 90% of foreign exchange transactions included the US Dollar as one of the currencies involved (Gerding and Hartley, 2023). Similarly, between 40 and 45% of all global debt contracts are held in dollars and between 47% and 54% of exports have been conducted through the USD through 2016 to 2022. With this dominance of the U.S Dollar within foreign exchange trading, export and import trading as well as debt raising, the U.S financial system has benefitted all the way from the small, localised lenders to the federal reserve. If the dollar were not in this position then the US would have less access to capital; it would experience increased borrowing costs and key asset values like home prices and stock values would be lower.

## Continuity

This pattern of the past works well when the military is strong and the production and borrowing capacity of the country is vast, such as it was during World War two and even as recently as the Iraq wars. In 2023/2024, the U.S military is undoubtably strong and well equipped. However, the ability of the U.S to borrow and to manufacture is not what it once was and its production ability, in particular, lags compared to other major powers (Morgan, 1994).

American manufacturing has seen a steady decline since its peaks in the post-world war era. Data from the World Bank shows that even since 2000 the % of U.S GDP made up by American manufacturing has dropped from 15.2% to 11% (The World Bank, 2022).

Figure.2: U.S.A manufacturing as a percentage of GDP

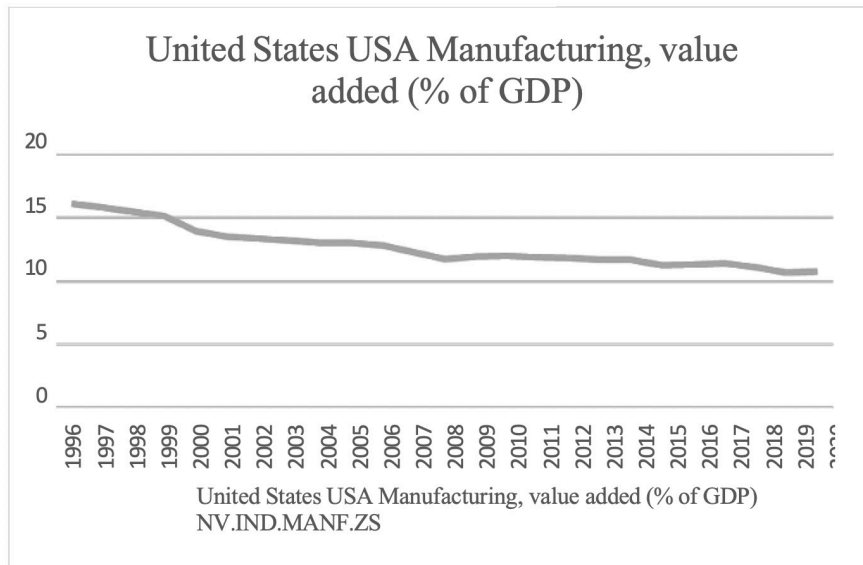


Figure 2: Declining manufacturing (Source:World Bank)

This decline is attributable to the off shoring of manufacturing to China, India, Vietnam, and other countries with cheaper labour. Initially, this was celebrated as U.S consumers paid less for goods from these countries. Soon however, there were growing concerns within the U.S that this setup was a threat to U.S national security (The Select committee on the strategic competition between the United States and the Chinese Communist Party, 2023). With China's rise as a global superpower and proportional increase in its propensity to throw its weight around, fears arose that the supply of key commodities and technologies could become restricted or under threat which would significantly dampen the U.S economy and its military operations.

This creates concerns over the U.S economy's ability to respond in the situation where war breaks out with a major economy like China and in the situation where this does occur 'the world's military-power balances' follow 'alterations in the productive balances' such as the one's we see now during peacetime (Kennedy, P. 2017: 439).

Considerable academic thought has been put into what factors determine victory during conflict between two nations. These include the civil tensions existing within a nation, their values towards government, their labour productivity, and even their political systems. Yet, the dominant factor in deciding who wins a war is economic development, specifically, productive capacities within an economy (Beckley, 2010).

Then there is the other key element of the hypothetical war factors, debt. The U.S national

debt is out of reach. It will never be paid back. The best the U.S government can do is to stop its growth and attempt to minimise interest payments on said debt whilst maintaining a high international credit score. This is achievable through budget surpluses [making more than you spend]. Federal surpluses are not common, happening only four times since 1970. Similarly, the largest deficits have come from the mid 2000's through to today, coinciding with the fall in the role of manufacturing, the major bailouts of the dot com crash, property crash, financial crisis, and Covid-19 pandemic.

This has recently come to a head as the U.S government has faced shutdowns over consistently raising the debt ceiling, coming closer to the civil service including the army halting operations (Lopez, 2023). Service members would not be paid, equipment orders would not be paid, new orders would not be authorised, exercise drills would be postponed and aid to allies would be cut. These issues have been raised in the past with the chairman of the Joint Chiefs of Staff, Admiral Michael G. Mullen, famously stating that he believes U.S Debt is 'the greatest threat' to U.S national security as the country's ability to respond to emergencies and 'sustain influence' will dwindle if the required resources are not in place to back up the forces (Mullen, 2010).

The US economy is largely made up by the financial, insurance and real estate industries due to their benefitting from global economic agreements created by the successes of the U.S military. These industries grow through increasing borrowing even though research has indicated this does not actually create much economic value. This borrowing increases risks that can unfold in several ways. Either from geo-political issues whereby military support is required to stabilise things or whereby the US federal government borrows to stabilise the industry. In both cases, these interventions are required due to the domineering effect of these industries on total economic performance and, thus, well-being and power. These interventions demand federal deficits and increased national borrowing which then limits the government's ability to effectively borrow either due to debt ceilings or currency altering implications which would hinder U.S military operations. Meanwhile, U.S manufacturing, an integral part of ensuring long term economic and military safety and viability, has declined.

As currently constructed, the U.S economy benefits hugely from the U.S military and its continued operations. However, as we have seen, this operation is susceptible to deep fluc-

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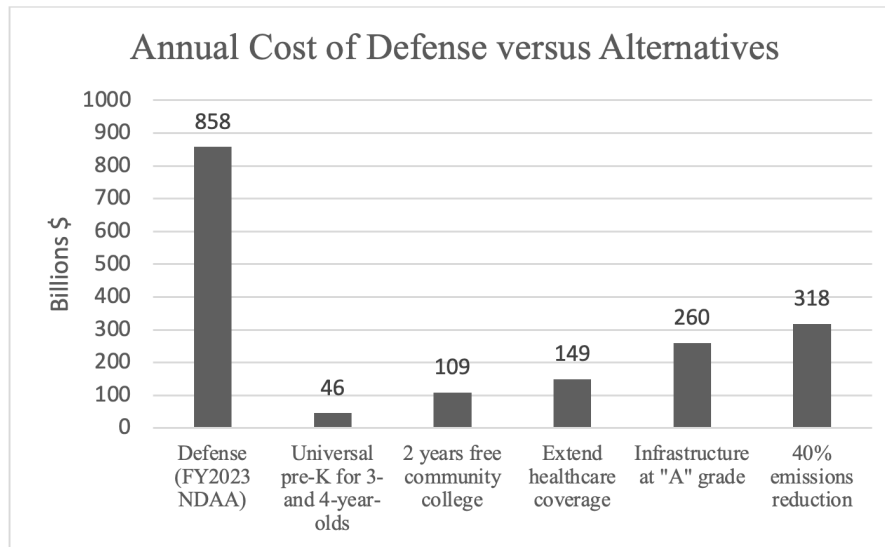
tuations and is not a stable foundation on which one would expect long-term sustainability. Similarly, the opportunity costs of this setup are steep.

## Well-being costs

Within these opportunity costs exists significant political potential as voters' key issues are the most impacted. These include healthcare costs and availability, education standards and facilities, as well as public infrastructure quality. Firstly, the most divisive and commonly touted alternative to military spending is the creation of a universal healthcare system. Estimates of the cost of a U.S universal healthcare system range from between 32 to 44 trillion dollars across the next 10 years (Zieff, Kerr, Moore, Stoner, 2020). This universal healthcare system would be created with the idea that it would improve healthcare access to those who cannot afford it and decrease health disparities by allowing patients to access preventative care for diseases and disorders like obesity which would then reduce the implicative costs in productivity and morality. Although having a steep up-front cost, the universal health-care systems proponents argue that these will be 'eventually offset by a healthier populace whose health is less economically burdensome'. Be this through increased discretionary income, higher labour productivity or by lower, long run healthcare costs. When considering the universal healthcare proposition in the more conflict driven world of the 2020's, it is important to consider the importance of this obesity issue on a grander scale. The U.S military has been struggling to find new troops for years due to obesity and drug use with only 23% of 17–21-year-old American being eligible to join the armed service without being granted a waiver (Thomas, 2022).

Among other things, education subsidies, limited yet impactful healthcare expansion, sustainability targets and infrastructure upgrades are all important civic aspects and investments forgone due to the current military spending all throughout technical peacetime.

Figure. 3: Alternatives to Defense (Source(s): UPenn, Lancet, ASCE, PERI)



The U.S economy is hooked on the military. This is unsustainable financially and geo-politically. Similarly, it comes with great costs to well-being in the present and in the future. However, the change may be happening through the bipartisan ideals of American re-industrialising.

## Re-industrialising

Through re-industrialising, the U.S economy may diversify its portfolio, reducing its dependence on volatile sectors, as well as re-creating its manufacturing base of the past. This should bolster U.S economic conditions and confidence whilst reinforcing military capabilities in the circumstance that they are needed to the degree that the entire economy becomes mobilised just as it did during World War two. With this change, the U.S can tackle many key issues like climate change without the impact being a net negative but rather a large employer and sparkplug into the economy.

These policies have been popular for quite some time and the success of former President of the United States, Donald Trump, in gaining office can largely be attributed to the essence of these ideals. However, recently, they have jumped to new levels, starting with the CHIPS act which aimed to curtail U.S dependence on Chinese manufacturers within its supply chain of the now vital semi-conductors used in computer systems (U.S Government, 2022). Then there was the Inflation Reduction Act which was largely made up of subsidies and

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tax-exemptions created to incentivise green manufacturing in America. This is a boost to the climate effort and holds implications for energy security and independence. Following this, there have been a string of further general manufacturing subsidies, tax-exemptions and infrastructure investment like the ‘Buy American’ rules for government procurement and the infrastructure bill. These look to make American manufacturing more competitive and to promote the continued establishment of manufacturing industries in the United States over global competitors. These policies are not perfect and will not in a single brush stroke fix this issue, but it does indicate a strong step in the right direction from the U.S point of view (The White House, 2023).

With continued Re-industrialising, the hope is that America may recreate the economic conditions of the late 1950’s and early 1960’s to achieve a growth level that transforms the economy driven by the creation of things. In this way, the growth in government debt or at least bad government debt may slow, U.S innovation may continue, and the middle class may expand. If this were to occur, then the argument for streamlining the military during a peacetime would spark up again and thus alternative investments may be pursued.

## **Conclusion**

The U.S military currently aids an unsustainable sector, but the key issue is not the existence of such a system but rather its prevalence. The finance, insurance and real estate’s sectors should continue to operate in a more rational manner; however, they cannot be the driving force of the U.S economy and their growth cannot come at the expense of U.S manufacturing. Production must be incentivised to lead the U.S.A into a more economically stable, foundationally strong and societally supportive future.

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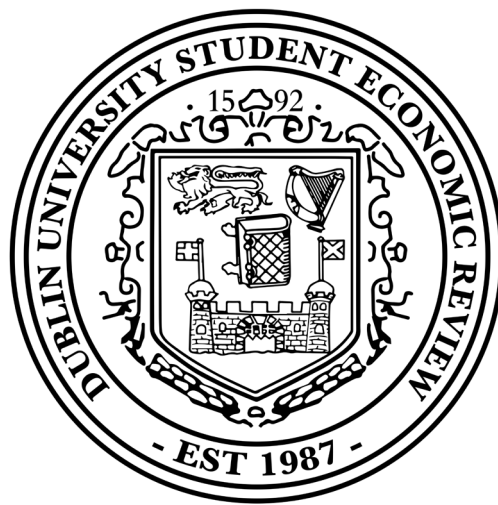
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# DEVELOPMENT ECONOMICS



# Why Do We Often Observe Political Resistance to Free-Trade Policies?

DAVID COSGRAVE

SENIOR SOPHISTER

*“This essay explores the paradox of political resistance to free trade policies, despite the widespread consensus among economists on its benefits. It critically examines the traditional economic self-interest argument and introduces the concept of sociotropic influence, loss aversion, and issue framing. These concepts reveal how collective perceptions and cultural factors play a crucial role in shaping trade policy preferences. Through empirical evidence and theoretical analysis, the essay concludes that current economic models are too basic for explaining the opposition to free trade and a more integrated approach considering other social, cultural, and psychological factors must be considered. It concludes by offering policymakers insights on reducing political opposition to free trade policies.”*

## Introduction

Despite the widespread economic consensus on the benefits associated with openness to trade, a clear paradox exists within global economics, namely, the consistent political resistance to free trade policies. The paradox challenges the international consensus on the benefits of free trade highlighting the complex relationships between economic theories, political realities, and public opinion. This essay argues that a multifaceted approach, incorporating sociotropic considerations alongside economic factors, is essential to fully understand and address this resistance.

Free trade, defined as the unrestricted buying and selling of goods and services between international parties, is fundamental to the global economy (Bhagwati, 2002). Economists like

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Krugman (1995) and Kalirajan (2007) highlight the role of trade liberalisation in promoting efficiency, stimulating competition, and enhancing growth. However, this theoretical perspective often fails to align with public sentiment as outright opposition to trade liberalisation remains strong despite the proven benefits (Krueger, 2004).

## **Political Resistance to Free Trade Policies**

Resistance to free trade is not just a modern-day problem; it has deep roots in society, stretching back over 200 years. Historical examples like the British Corn Laws of 1815 and the Smoot-Hawley Tariff Act of 1930, reflecting contemporary issues, demonstrate a longstanding pattern where job security and national sovereignty continue to be the major issues raised in resistance to free trade. This historical continuity, as outlined by Krueger, highlights a constant gap between the changing global economic environment and persistent public concerns about free trade (2004). Recent challenges, such as the stalled Trans-Pacific Partnership and Transatlantic Trade and Investment Partnership negotiations, alongside the Brexit referendum, have highlighted the difficulty in encouraging global trade amongst rising nationalist attitudes (Shaffer & Spilker, 2016; Colantone & Stanig, 2016).

Since the 1990s, public opinion in developed economies to open trade has lent more towards protectionism. A 1992 US National Election survey showed that two-thirds of respondents liked the idea of imposing limits on imports (Kemp, 2007). Donald Trump's presidency exacerbated the modern narrative surrounding free trade and globalisation. Trump's campaign unveiled a deep-rooted scepticism about trade deficits and the perceived losses in national advantage they would bring about (Blinder, 2019). This phenomenon is also seen in Europe, where regions like France and Germany, more exposed to trade with lower-wage countries, showed heightened anti-trade sentiment. These findings display a growing ideological split on global trade, where extreme views, for or against trade, are becoming more common (Autor et al., 2016).

## Theoretical Frameworks in International Trade

To gain a better understanding of the rationale behind the political opposition to free trade policies, it is important to assess the theoretical frameworks that support the argument for increased international trade. This section examines the factor-endowments model (Heckscher-Ohlin) and the specific-factors model (Ricardo-Viner), addressing their short-coming in dealing with the modern-day resistance to trade.

The Heckscher-Ohlin (HO) model outlines that a country's trade preferences are shaped by its factor endowment. One of its many assumptions is that there is frictionless, costless inter-sector mobility of production factors within a country. Under these assumptions, Stopper and Samuelson (1941) showed how a country's abundance or scarcity of different factors of production will shape its stance on trade. In a country full of skilled labour, higher-skilled workers are more likely to support free trade. The opposite is true in countries where low-skill labour is more prevalent and there is increased resistance to free trade policies (Rho and Tomz, 2017).

The Ricardo-Viner model, on the other hand, takes the opposing view, that factors of production, in the short run, cannot seamlessly move between sectors. As a result, worker's trade preferences will be determined by the industry they work in. For example, individuals employed in industries that compete with imports will likely resist open trade due to the potential negative impact on their income and job security from foreign competition while those working in industries oriented towards exports will prefer it (O'Rourke & Sinnott, 2001).

The HO and Ricardian models clearly outline the economic benefits of free trade in a simple world. Under the HO model, countries will trade to make use of their natural abundance in factor endowments, whereas, under the Ricardian model, countries will specialise where they have a comparative advantage. Both models theoretically support the idea that international trade improves efficiency and economic standards by encouraging specialisation where a country has a comparative advantage (Davidson & Matusz, 2004).

Mayda and Rodrik (2005) assert that the above models are effective in assessing behaviours and views on trade to the "extent that individuals are motivated by material self-interest." Mansfield and Mutz's (2009) findings challenge this assumption, revealing these models'

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limitations in accurately predicting individual trade preferences. This discrepancy raises meaningful issues with the prevailing belief that personal economic gains are the predominant factor in shaping attitudes toward trade. My essay will challenge this notion, demonstrating that the reality of trade policy preferences is more complex and cannot be solely explained by economic self-interest.

## **The Economic Self-Interest Argument: A Critical Analysis**

While traditional economic models emphasise self-interest as the driving force behind trade policy preferences, recent academic work challenges this argument, questioning its ability to explain the complexities of political resistance to free trade.

In their influential research, Mansfield and Mutz (2009) argue that the direct financial impact of trade policies on individuals or specific industries is not as influential when affecting policy preferences as was once thought. Their findings indicate that an individual's economic circumstances, such as skill level or industry of employment, do not have a statistically significant impact on views towards trade, challenging the notion that self-interest is a primary driver of attitudes toward free trade.

This view aligns with increased pushback towards the 'homo economicus' model. Many scholars have shown that humans often fail to act as perfectly rational and logical individuals (Colombo, 2009; Thaler, 2000; Tversky & Kahneman, 1981). Rho and Tomz (2017) also reinforce this perspective, noting that most voters do not fully understand the economic impacts of protectionism. Their research indicates that most of the public does not understand how protectionist policies will affect them. Rho and Tomz's findings are supported by the work of Hainmueller and Hiscox (2006) who argue that fears over the distributional impacts of trade openness are more pronounced among less-educated, blue-collar workers.

In response to these critiques, Mansfield and Mutz (2009) propose the concept of 'sociotropic influence' as a more accurate predictor of trade policy preferences. This approach shifts the focus from individual to collective concerns, suggesting that individuals base their trade policy preferences on the perceived impact on their nation's economy rather than personal economic gains. The influence of collective-level information rather than individual economic circumstances determining trade policy preferences challenges the conventional

wisdom regarding economic self-interest, highlighting the need for a more nuanced understanding of the dynamics shaping trade policy preferences.

## **Sociotropic Influence and Collective Perceptions in Trade Preferences**

In this section, I explore the alternative explanations for the resistance to free trade, moving beyond the basic economic self-interest argument. The combination of factors like loss aversion, societal empathy, framing, cultural implications, and the gap between public perception and economic reality contributes to a sociotropic understanding of the resistance to free trade policies.

### *Loss Aversion & Societal Empathy*

Central to the resistance to free trade is the fear and desire to protect current conditions, a phenomenon known as ‘loss aversion’. Individuals in sectors like manufacturing or agriculture, which are more vulnerable to international competitors often prioritise immediate job security over potential long-term economic gains. This is a key consideration for the opposition to trade liberalisation reflecting a preference for maintaining the status quo over facing the risks of open markets (Krueger, 2004). Building on this, Naoi and Kume’s (2011) study demonstrates how labour market concerns can substantially influence public opinion on trade liberalisation. The ‘projection hypothesis’ taken from social psychology, is introduced, which illustrates how individuals project their own job insecurities onto another sector. This results in increased support for protectionist measures, even among individuals who may be adversely affected by such policies.

### *Cultural Threat of Free Trade*

Understanding the role of cultural perceptions in influencing trade preferences is another core component overlooked by the economic self-interest argument. Margalit (2012) conducted a cross-national survey, which revealed that cultural values and identity significantly

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influence opposition to free trade. This resistance often arises as a defensive response to perceived cultural threats to traditional cultural practices and national identity which often come from increased global integration. It demonstrates how trade policies go beyond simple economic concerns, impacting larger social and cultural themes.

### *Framing*

Issue framing is another critical aspect to consider when assessing public perception of trade policy. Research shows that narratives that frame trade as a threat to jobs have a more significant impact than those that emphasise the benefits it can have for consumers. Hiscox (2006) showed that framing trade in terms of potential job losses led to a 17% decrease in trade support, whereas framing the potential benefits had no impact on support for free trade. Participants cared more about the risks associated with trade than the potential benefits. This highlights the need to address societal concerns about national employment over individual economic incentives.

### *Limited Understanding of Economic Realities*

Davidson and Matusz (2004) support this view, by noting how public opinion on trade is often misaligned with the actual economic impact of free trade policies. They discovered, that despite the evidence of increased employment growth, 45% of survey respondents believed that trade loses more jobs, while only 24% thought it would increase employment. This implies that trade's real effects on individual economic circumstances may not always be as significant as the perception of its effects on the nation. Blinder (2019) also shows how simply switching the word 'globalisation' to 'free trade' in questions results in more negative responses from survey participants. This backs up the argument of a general misunderstanding and scepticism towards trade liberalisation, suggesting that public opinion on trade is often based on limited information, leading to decisions that may not align with economic rationality.

*The Sociotropic Perspective*

The groundbreaking work by Mansfield and Mutz represents a substantial shift from previously held assumptions that individuals' perceived changes in economic welfare would influence public opinion on trade. Empirical evidence also supports the move towards sociotropic reasoning. Hainmueller and Hiscox (2006) demonstrate that public opinion on trade policy often reflects worries about national employment patterns and the broader economic impact of globalisation, rather than the direct economic gains or losses for an individual. Their findings indicate that the public's apprehension about trade liberalisation stems from perceived national economic vulnerabilities rather than individual self-interest. Recognising the diverse factors that make up the sociotropic anti-free trade sentiment allows for the opportunity to create more effective and impactful policy interventions. It is essential to consider the concerns of various stakeholders including cultural, sociological, and psychological aspects which may influence their behaviour.

The sociotropic framework offers a more comprehensive method for assessing the trade policy preferences of individuals challenging the traditional economic models. In the next section, I will outline potential approaches for policymakers to address the resistance to free trade. These strategies will focus on easing concerns over employment and cultural loss, adjusting the frames used in trade narratives and closing the gap between public perception and economic reality for trade. This is essential to promote a more informed and impartial understanding of the effects of trade policy.

## **Policy Implications & Considerations: A Sociotropic Perspective**

International trade and policies need a fundamental revaluation to address the resistance from public opinion. An over-reliance on traditional thought patterns, focusing on efficient production and increasing individual economic gains, is not aligned with the public's general concerns, which are more focused on sociotropic considerations. This is backed up by Blindler (2019), who suggests that the public may value the welfare of producers and the quality of jobs over cheaper goods. Additionally, as Krueger (2004) outlines, policymakers must move beyond the traditional economic framework to consider the interplay between framing, loss

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aversion, and sociotropic concerns. This section highlights the policy implications of this change in view, offering insights into more effective trade formulation.

### *Responding to Nationalism and The Globalisation Sceptics*

Growing scepticism towards globalisation is evident in the rise of nationalism and radical-right parties, as seen in the Brexit referendum, Donald Trump's election (Colantone & Stanig, 2016), and Geert Wilders' success in the Netherlands (Shengnan, 2023). Policymakers must recognise this trend and address the underlying fears and concerns associated with globalisation by developing effective strategies and safety nets to protect those negatively impacted by trade openness.

While the immediate losers of free trade policies are easy to identify, the broader, indirect winners tend to get overlooked. Policymakers need to overcome the identity bias by highlighting the more significant, but less obvious, benefits of free trade (Krueger, 2004). As suggested by Shaffer and Spilker (2016), such mechanisms should be highly visible and well-communicated to the public. This involves crafting trade policies that are not only economically sound but also socially and politically sensitive, aiming for a more inclusive model of globalisation that addresses the losers from trade.

### *Rethinking Compensation Programs*

The current compensation programs in the United States, for example, such as Trade Adjustment Assistance (TAA) have been criticised for their inadequacy in addressing real economic struggles faced by workers who suffer from job losses or wage cuts due to open trade policies. These programs, described as “burial insurance,” highlight the need for more robust and effective support systems (Blinder, 2019). Policymakers could consider ‘borrowing’ from the future benefits that will be received from trade to help finance more programs like the TAA to ensure industries at risk that they will be appropriately taken care of.

A more nuanced and empathetic approach to policy formation is required to deal with the complex interplay of individual, sociotropic, and nationalistic factors in shaping trade policy preferences. By acknowledging and addressing these influences, policymakers can work towards trade policies that are not only economically beneficial but also politically and socially

sustainable. This approach can help bridge the gap between public perception and the realities of trade, creating a more informed and supportive environment for free trade policies.

#### *Enhancing Public Education & Awareness*

A final area for policy consideration is to enhance public education and awareness regarding the benefits of international trade. Davidson and Matusz's (2004) work show that a significant element responsible for the resistance to free trade is the lack of understanding of how international trade generally has a net positive impact on a country. Anti-trade sentiment can be fueled by distorted views and anxieties resulting from misconceptions about the effects of openness to trade. Public attitudes may be greatly impacted by engaging in public dialogues, launching media campaigns, and adding trade education into the curriculum of schools. Rodrik (2018) stresses the importance of open communication with the public during trade negotiations and clearly outlines the impacts of their conclusion.

In addition, governments could work with academic institutions and think tanks to carry out studies and publish results that simplify and clarify the effects of trade regulations. This would help in providing access to salient and understandable information on the benefits associated with trade or address concerns that people hold. This is in line with Baldwin's (2016) suggestions which state more balanced opinions on trade policy can result from increased awareness of the benefits of globalisation.

These educational campaigns should not only focus on economic aspects but also address the sociotropic concerns outlined above. By incorporating different viewpoints, decision-makers may encourage a wider public understanding and reduce the resistance and anxiety stemming from incomplete or inaccurate information regarding free trade.

## **Conclusion**

In conclusion, this essay has investigated the multifaceted reasons behind the growing political resistance to free trade, highlighting the need for a more sophisticated methodology for understanding trade policy preferences. It is evident that the traditional self-interest model falls short in explaining the complex realities of attitudes towards free trade policies. This exploration underscores the importance of adopting a diverse approach in analysing trade

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preferences, including psychological, social, and cultural factors.

The rise of right-wing nationalism and the evolving economic landscape makes it crucial for policymakers to adopt this sociotropic method that provides a more accurate framework as it recognises the interaction between social ideas, cultural influences, and collective economic perceptions. This work offers a framework for developing new trade policies that are economically beneficial as well as politically viable by catering to the broader public concerns surrounding free trade. It aims to help by creating more impactful trade policies that have increased public acceptance and long-term sustainability.

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# LET'S CHATGDP: AI AND ITS IMPLICATIONS REGARDING EU GROWTH, INTEGRATION, AND REGULATIONS

SOPHIE MAWHOOD

JUNIOR SOPHISTER

*"This essay outlines the EU's pioneering role regarding the future of AI and AI regulatory standards, as well as the possible ramifications of AI for European growth, integration, and policies. Despite current AI geography and recent EU reproval, this essay argues that AI can enhance EU growth and that the EU remains relevant as a prominent forger of global democratic values."*

## Introduction

The genesis and rapid development of Artificial Intelligence (AI) presents wicked and far-reaching opportunities and threats for global economies, nations, and individuals. This is true for the EU; however, AI also renders a new and salient opportunity for the creation of EU led global AI regulatory standards. This essay will expound the potential implications of AI regarding European growth, integration, and policies while also delineating the role of the EU as a pioneer apropos of the future of AI and AI regulatory standards. This essay argues that AI can augment EU growth and that the EU remains relevant as a salient forger of global democratic standards despite current AI geography and recent EU reproval placing the EU in a unique and dynamic position on the AI frontier.

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# What is Artificial Intelligence?

AI is a concept that is misunderstood. Consequently, opinions and discourse surrounding the topic can be skewed and harmful (De Spiegeleire, et al., 2017). The difficulty regarding the derivation of an explicit definition of AI is in many ways conducive to the fact that it describes a plethora of technological phenomena and is therefore interpreted on a contextual basis. Moreover, definitions rely on somewhat arbitrary concepts such as ‘intelligence’ which is a term that can be interpreted in a limiting manner as human intelligence is often used as a benchmark while the potential for intelligence dissimilar and greater than human can be neglected. Therefore, before the implications of AI can be understood one must consider whether artificial intelligence refers to human-like capabilities and is therefore measured against human success or if it refers to a different and completely rational form of intelligence that is goal-based and separate to the concept of sentience (De Spiegeleire, et al., 2017). The EU defines AI as “machines performing human-like cognitive processes such as learning, understanding, reasoning, and interacting.” (ERPS, 2019). This definition frames AI as systems that think like humans, however, the literature concurs that the framing of AI as systems that act rationally may be more accurate and less limiting (De Spiegeleire, et al., 2017). In this essay, I will refer to AI in a fluid and all-encompassing manner that considers the full breadth of AI capabilities. Such a definition unequivocally links AI with the economy and human rights.

## AI and The Potential for Growth

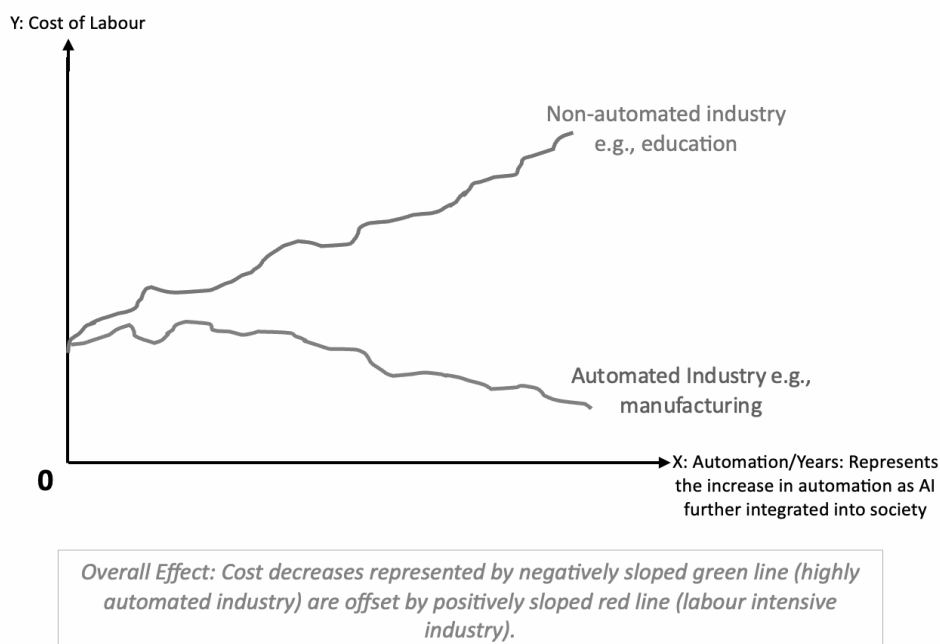
AI could introduce the opportunity for major economic growth with the Harvard Business Review stating that Generative AI could see annual revenue at about \$4.4 trillion (Chakravorti, et al., 2023) and the consultancy group, McKinsey & Company, estimating that it could increase annual productivity by up to “3.3 percentage points” (McKinsey and Company, 2023). Other financial consultancy firms have made upward predictions regarding the economic impacts of AI with particular emphasis on generative AI, such as ChatGPT. Goldman Sachs predicts an increase in global GDP up to about 7% (Goldman Sachs, 2023) while PwC predicts an increase in GDP as high as 14% (ERPS, 2019). These upward predictions are partially based upon the increased potential for automation that

AI presents, which, in theory, could reduce labour costs and allow for the reallocation of funding to capital, leading to an overall increase in output and consequent economic growth (Agrawal, et al., 2019). This would also allow for the reallocation of time and resources to those projects considered to be of higher consequence (ERPS, 2019). AI presents the opportunity for improved decision-making at a lower cost through the reduction of human error and increased labour productivity. Finally, the rapid growth of AI industries may eventuate in the genesis of new markets, increased demand, and consequent upturns in revenue (ERPS, 2019). Overall, the sentiment regarding AI's potential impact on economic growth is positive yet varied, some predict gargantuan levels of growth while others make more conservative estimates.

The potential benefits of AI regarding increases in GDP and overall economic growth should be at the forefront of future EU economic policy, especially given the recent decision to “revise down” expectations of GDP growth in the most recent European Economic Forecast (European Commission, 2023). This will require the EU to increase and foster technological investment and innovation that will afford the EU the chance to become a global leader regarding AI or at least to maintain up-to-date AI practices. This may require further EU integration regarding digital strategy and data governance, the adoption of regulations and policy that incentivises investment in European technology start-ups, and strong alliances with like-minded nations to strengthen domestic digital markets and buttress EU values.

# AI's impact on Labour Markets: A Focus on Baumol's Cost Disease Effect

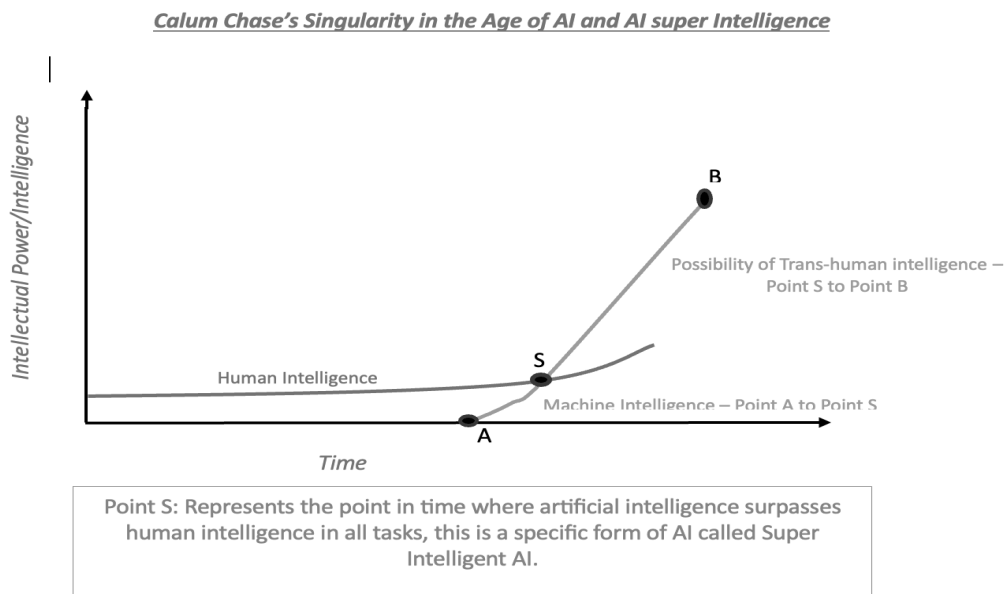
## Baumol's Cost Disease and Increased Automation



However, one must note that there is not necessarily a direct correlation between increased capital share and increased GDP. Baumol's 'cost disease' may cause an increase in the costs of labour associated with other essential industries that have not experienced explosive growth, thereby offsetting any growth in GDP caused by AI (Aghion, et al., 2017). If AI causes the rapid production of certain goods through automation, the price of these goods may see a decline. Furthermore, the share of GDP that these goods make-up may also shrink (Aghion, et al., 2017). This will cause automation-related increases in GDP to be offset by the high price of labour in industries that cannot be automated. Yet, this can be balanced-out by an increase in the overall automation of the economy (Aghion, et al., 2017). Consequently, there remains the potential for overall steady long-term growth.

Other labour market effects come in the form of negative externalities due to increased unemployment following intensified automation, with some pointing to the possible arrival of Chase's singularity. A diminution in employment would cause a decrease in consumer demand and consumption levels leading to the decrease of tax revenues (ERPS, 2019). The effect would be far-reaching as consumption, welfare benefits, and government funding would face negative shocks. Moreover, the arrival of a singularity would upturn eco-

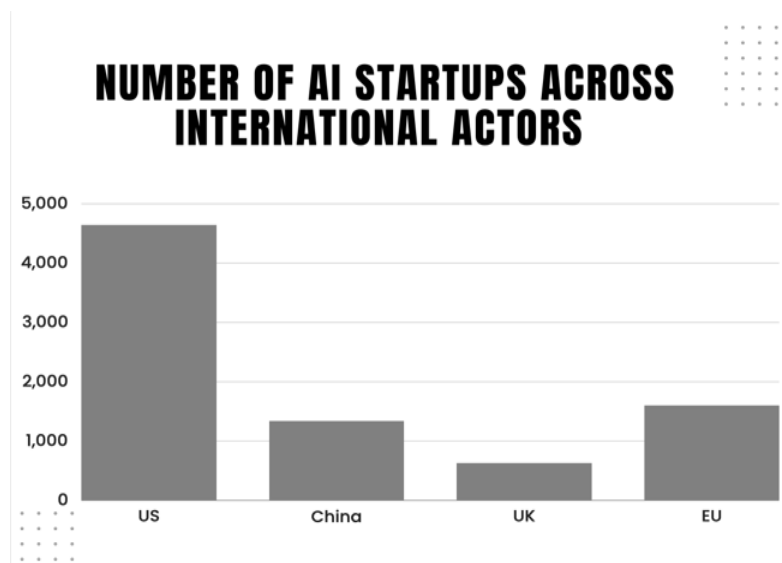
economic and labour market models, however the literature concurs that a singularity is not near (Nordhaus, 2015).



One must also note that the possibility of new emerging markets could engender new employment opportunities which would likely require a highly skilled labour force. This could exacerbate existing inequalities (Cataleta, 2020) within the labour market, as those occupying low-skilled jobs in society may face redundancy and economic austerity owing to automation, while populations occupying highly skilled jobs could experience wage increases (ERPS, 2019). This may lead to the higher concentration of wealth amongst a specific set of highly skilled individuals (ERPS, 2019). In the long-term, this inequality may even-out as AI is further integrated into society (ERPS, 2019). However, during the early stages of AI implementation there will most likely be an increase in overall economic inequality, despite the likelihood of blanket improvements in GDP performance (ERPS, 2019).

This analysis of the interactions between AI and labour markets accentuates the imperative nature of an integrated EU regulatory standard regarding the use of AI and the protection of human rights amid its implementations. Such technology, and AI related EU policy, has come to fruition through regarding the democratic use of AI. This will be discussed later but regarding labour markets, it must be noted that these acts should aim to offset the hoarding of wealth by specific groups in society and to reduce economic inequality result-

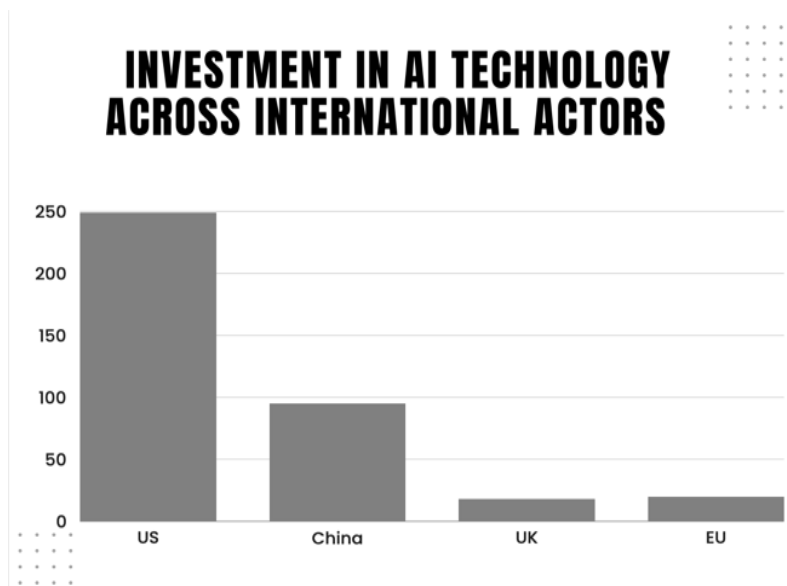
ing from AI practices. This may be achieved through subsidies on education, specific bans on AI, taxes on AI, and strict AI regulations. Moreover, the possibility of negative shocks and externalities in the short- to medium-term is apparent. The EU should remain aware of this possibility, despite overall upward predictions regarding GDP, and implement economic policy accordingly. This is especially important for the EU which has a relatively convoluted decision-making structure relative to other international actors, and will therefore, for stability's sake, need to be prepared for such economic phenomena in advance.



## Implications for The EU: A focus on AI Geography

The implications of AI are far reaching and profound regarding the future of the EU. The economic benefits to be reaped are potentially gargantuan and are currently unrivalled by any other industry. The race to become a frontrunner regarding AI development and implementation has already begun with China and the US in the lead (Chakravorti, et al., 2023). This is largely attributable to the data rich environment in which the US and China operate and their respective commitments to become the primary global leaders regarding AI (Chakravorti, et al., 2023). However, the EU does not benefit from the existence of a cohesive national strategy to drive technological and AI related innovation (Chakravorti, et al., 2023). This may present a need for increased European integration regarding data governance and policies. This has been demonstrated already by Germany and France through an integrated approach to AI innovation and research (Chakravorti, et al., 2023) which has allowed them to remain competitive within the field. This should be an aspect of future EU integration and economic policy that is explored as increased cooperation amongst EU

member states regarding data collection and AI development could see the EU rival competitors such as the US and China through the collective power of the EU single market.



## AI Regulatory Standards

The European Union has been subject to increased scepticism in recent years following events such as Brexit and a perceived decline in relative global power (Rachman, 2023). However, the EU remains capable of influencing global standards through market mechanisms. This EU capability is described as the “Brussels Effect”, a term introduced by Bradford in 2012 in her article “The Brussels Effect” which demarcated the EU as a primary and predominant authority for global standards across a multitude of policy areas (Bradford, 2012).

The fast-paced nature of current AI innovation has engendered the need for new AI regulatory standards. This is apparent around the globe with the US executive order for the protection against AI, Canada’s artificial intelligence and data act, and China’s new set of AI regulatory policies. However, the EU remains an unrivalled frontrunner regarding the development of global democratic standards, this remains true regarding AI following the EU Digital Services and Digital Markets Acts which are undergoing implementation. The decision by the EU regarding a new EU AI Act is significant but currently not definitive as the details of the act are not yet public. However, it is reasonable to assume that the act builds upon those transparency and safety standards set out by its predecessors.

The act will unequivocally play a significant role in the creation of AI related democratic

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and global standards as it is the first legislation of its kind, and the first to rival legislation from other undemocratic nations such as China. The act will likely seek to protect human rights from AI practices and tackle security related concerns. However, there is a balance to be struck as AI could serve to buttress security and provide new opportunities for economic growth. The act should seek to reach an equilibrium that does not hinder growth or securitisation related to AI but protects citizens' rights and safety. Yet, there does remain a fear amongst some member states that the new regulations could damage AI innovation due to labyrinthine regulatory processes that may hinder development, with German and French leaders expressing concerns regarding the acts' impact on innovation (Amnesty International, 2023).

The challenge for the EU will come in the form of striking that all-important equilibrium while also setting out direct and strict standards. This will be an issue of concern in the future as the implementation of the act will require full EU member adoption and increased funding. Despite these future challenges, the EU has been successful in creating a cohesive and primary democratic response to the threats and opportunities posed by AI through the establishment of a set of EU/global AI standards. In this manner, the EU will play a momentous role in the shaping of AI policies and the adoption of AI practices around the world.

## Conclusion

The EU remains a global democratic authority with the power to shape the policies and regulations that will provide the framework within which AI will operate. The EU also has the potential to experience increases in AI related economic growth, but this will require increased member state cooperation, the combined strength of an EU single market, and a clear EU initiative for the fostering of European AI innovation. Moreover, the EU must remain aware of the potential threats of AI regarding labour market shocks, negative externalities, and exacerbated inequalities. Overall, the EU should seek to strike a clear and vigorously maintained balance that accounts for the brevity of AI, protects its citizens, wards off monopolistic practices, and that allows for AI related innovation and growth.

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# Treasure Trove or Daylight Robbery: An Analysis of the Development Effects of the 2010 World Cup in South Africa

BRYONY HOYLE

SENIOR SOPHISTER

*“This essay scrutinizes the persistent ramifications of Apartheid in South Africa and evaluates the government’s efforts to address its socioeconomic legacies. Central to this analysis is the unconventional strategy of hosting mega sporting events, exemplified by the 2010 FIFA World Cup, to stimulate economic development and social cohesion. However, this essay contends that the World Cup failed to deliver sustainable benefits, with any short-term successes dissipating rapidly. By dissecting the economic and social impacts of the event, it argues for prioritizing policies that directly address societal needs over investing in high-profile sporting spectacles. Integral to understanding the motivations behind the World Cup bid is a nuanced appreciation of South Africa’s complex historical context, particularly the enduring legacy of Apartheid.”*

## Introduction

South Africa (SA) was and arguably still is constrained by the chains of Apartheid. Many of the issues that characterise SA today can be traced back to the Apartheid of 1948-1994, with those aspects of society becoming dogmatic over time. Apartheid left many lasting legacies that plague the economy and society. A multitude of decisions were taken by the government in the post-Apartheid era to mitigate its effects, propel the long walk to freedom, and enact a new domestic order for the state. Yet, they encountered the challenge of reconstructing and developing the economy in the wake of SA’s decade long experience of

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stagnation. Since the struggle against Apartheid was intrinsically linked to grievances regarding economic deprivation, the new democratic order needed to generate broad-based affluence to remain legitimate and popular.

The South African government faced a myriad of policy options which could have alleviated the pressures imposed by Apartheid, and most importantly married a deeply divided nation into one, where diversity is celebrated rather than punished. This essay will assess the unconventional development policy of hosting a mega sporting event, namely, the FIFA World Cup (WC). The 2010 WC was championed as SA's saviour; with expectations to foster a sense of nationhood, narrow inequality, bolster its international reputation, and spur the economy into prosperity in the new decade following the Great Recession. This essay aims to disentangle the truths from the myths in economic discourse, with a view to extol the genuine virtues of hosting a mega event in a less-developed country. Its original contribution rests in its recognition that the WC in SA was not a success in any regard. Any success achieved during the WC, dissipated in the following months. Thus, by bifurcating the consequences of the WC into economic development and social development, it will postulate that developing countries should adopt policies that address societal needs accordingly instead of investing in prestigious sporting events. To understand the motivations behind the 2010 WC bid, one must be apprised of the complex historical legacies of SA.

## **Abridged History**

On 26th April 1994, South Africans voted in the first universal suffrage election and elected Nelson Mandela as president. The election culminated decades of popular struggle against Apartheid, a system of racial domination whose hallmarks were violence and privilege (Chazan, 1999). Before Apartheid, two parties, namely the African National Congress (ANC) and the National Party (NP) dominated the political realm. Founded in 1912, the ANC is the oldest political party in SA, maintaining a broad base, inclusive to the interests of all citizens. Whereas the NP was founded in 1914 to defend the interests of Afrikaners (descendants of 17th and 18th century Dutch, German, and French colonists), thus, maintaining a very exclusive ideology (Furlong, 2010). Apartheid, established in 1948 by the NP, was differentiated from earlier economic, political, and legal domination by white people over black

people by the completeness with which racial separation was sought, and in the locus within the state of racial control (Chazan, 1999). In essence, it cemented political supremacy and its resulting privileges firmly in the hands of the whites in SA. The NP were draconian in ensuring their domination, impeding on rights such as freedom of expression, political association, and physical integrity.

Between 1948 and 1970, SA became the second-fastest growing economy globally, which significantly increased the living standards of Afrikaners. The apotheosis of Apartheid measures bolstering growth was short-lived. The very success of Apartheid, lifting Afrikaners into affluence, induced divisions in their ranks concerning the need for political change and created a movement (Chazan, 1999). This separatist movement urged for basic reforms from the government, leading to the emergence of the security driven agenda in 1978. Whilst this agenda under P.W. Botha's government still guaranteed economic and political supremacy of white people, it welcomed a supportive alliance with 'useful blacks'. The government recognised that granting concessions to black people was the most effective way to manage the community, whilst still being reluctant to do so. Despite these efforts, Botha was met with much criticism as this black-white alliance was disingenuous and not wholly inclusive. This criticism was advanced in the mid-1980s with calls for severe sanctions to be imposed by the EU and the US as punishment for the repression suffered by black people. Consequently, many countries introduced partial sanctions in 1985-86 which compounded SA's international isolation and exacerbated its long-standing, precarious economic situation (Chazan, 1999).

In the years that followed, burgeoning economic and political tensions plunged the state further under water. Gasping for air under pressure from the citizens of SA, the NP took the decision to unbanned the ANC in 1990. Yet the first democratic election did not occur until 1994. However, this first period of gradual transition is understandable as it is unlikely that this new-born non-racial society could change the conditioned consciousness of black and white people overnight.

This historical context produces policy objectives from which the decision to host the 2010 WC can be qualified from. Apartheid as an economic system produced a distribution conflict, with great disparities between white people and black people in wealth, income, health, education, housing, and land (Chazan, 1999). The Gini Coefficient showcases the level of in-

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equality, with 0 being absolute equality and 1 being absolute inequality. At the official Apartheid end, the Gini Coefficient was 0.62, with this rising to 0.70 in 2008 (Hundenborn, 2018). This is one of the most pertinent and pervasive challenges SA faces, and so the success of the WC should be measured by its ability to mitigate growing inequalities. The government also endures a struggle in birthing a united political community that transcends racial and ethnic awareness as a mechanism to eradicate the apartheid racism legacies (Moodley and Adam, 2000). Thus, the WC should have served as a nation-building tool. Considering these aims, the following sections will elucidate the significance of the WC to SA and evaluate the truths of hosting this event.

## Hosting the World Cup

Following the transition away from Apartheid and towards democracy, SA was no stranger to hosting huge sporting events. Post-Apartheid, it hosted the 1995 Rugby WC, the 1996 African Cup of Nations, the 1999 All African Games, and the 2003 Cricket WC. Next for SA was the FIFA WC which is so grand a spectacle that the bidding process takes place up to a decade before and the host is awarded the rights six to eight years prior (van Kampen, 2008). Consequently, in 2004, SA were awarded the right to host the 2010 WC, the first on African soil, prevailing over Egypt, Morocco, Tunisia, and Libya.

The rugby and cricket WCs advanced predominantly white sports, whereas the 2010 WC marked a transition towards investing heavily in football, common among black people. This signalled the government's commitment to liberation from apartheid measures that were still deeply entrenched in the system. It was a symbol of a united nation; a single community in which collective interest transcended social differences (Chappel, 2003). SA's development through sport process was endorsed by the UN. It pronounced the WC an opportunity to support existing and new projects that addressed the Millennium Development Goals (MDGs) and bolster development on the African continent (Cornelissen, 2011). Thus, expectations were high prior to the tournament regarding the economic gains and the possibility of a lasting social legacy, that would enfranchise the disadvantaged masses.

## Economics

Hosting such a spectacle comes with significant financial outlay on part of the government. These high costs are often masked by the touted economic benefits. Such justifications included economic growth, infrastructure development, job creation across construction, security, increased FDI, and a wealth of tourism. Whilst scholars such as Preuss (2000) and Darkey and Horn (2009) argue there are economic benefits to be accrued from hosting a mega event, one refutes their assertion, and rather theorises that the perception of accrued economic gains is mismatched with the observed reality. To dissect the truths from the myths, this essay will adopt a multi-pronged approach, assessing infrastructure development, tourism, and local businesses.

### *Infrastructure Development*

Infrastructure development remains one of the most quarrelsome areas when bidding for and hosting a WC. Less-developed countries often lack the substantial infrastructure required to host so governments sacrifice valuable resources in concessions made to FIFA and in the diversion of resources from the needs of the country's most impoverished citizens (Tayob, 2012). Due to FIFA's hosting criteria, SA needed ten major stadiums, each with an airport and four hotels nearby, as well as base camp hotels for national teams. The exigencies of FIFA were particularly demanding given the Great Recession. Nonetheless, the government committed ZAR 84.6 billion over three years to meet these requirements. However, post-event figures show direct infrastructure expenditure on the WC was between ZAR 30 billion and ZAR33 billion (Tayob, 2012). This consisted of significant investments on state-of-the-art stadiums and world-class accommodation, as the somewhat powerless South African state succumbed to the desires of FIFA.

Amongst all the WC wonder, the South African government invested heavily in security and policing. This investment was imperative as SA was notorious for crime at the time. In the years and months preceding the WC, it maintained one of the highest crime rates in the world with roughly fifty murders each day (Rohrer, 2010). This trepidation over crime emerged as a key concern for the South African government and its ability to host a successful tournament. So, to dampen concerns and foster a safer environment, the government invested in

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the long-term training and employment of 40,000 police officers. This investment achieved lasting effects as following the WC, South Africa recorded its lowest crime rate since Apartheid (Dugger, 2010). Whilst it is challenging to causally link the specific event investment with a reduced crime rate, one can attribute this reduction in part to the increased presence and visibility of police officers. Unfortunately, this is one of the only investments that could be enjoyed by all of society as even the trickle-down effect of transport investment was not felt by ordinary citizens.

As part of the WC project, national roads and city public rail systems underwent substantial improvement. This is best exemplified by the Gautrain project, an urban high-speed metro-rail network, constructed to facilitate easy access to stadiums (Fihlani, 2010). However, there were two stand-out issues with this project. Firstly, the pricing of a ticket for this train was out of the reach of many ordinary citizens (Kuper and Szymanski, 2018); additionally, the routes and areas that the Gautrain operated were geared towards a specific demographic of the population. Many of the routes did not touch the poorer communities and only catered the urban hubs of the WC. So, despite the ZAR 13 billion invested by the government in new transport infrastructure, much of the investment failed to serve the populations' basic needs. Many of these investments were elite-oriented and only exacerbated issues of inequality further.

An archetype of these elite-oriented investments is the Cape Town Stadium at Green Point. Traditionally, Athlone Stadium, rooted at the heart of a black community, has been regarded as the home of football in Cape Town. Thus, it was only natural that this stadium was advanced as a suitable option, with the caveat that upgrades would be needed. This idea was vetoed as the poverty and economic eyesores in the township would besmirch SA's international reputation with tourists and possible future investors (Tayob, 2012). Instead, FIFA preferred the construction of a new stadium in Green Point, a picturesque, upper-white class suburb as its aesthetics concealed the economic hardship crippling SA. By choosing Green Point, FIFA and the government acted in their own self-interests. Cape Town Stadium cost the government ZAR 4.51 billion, far exceeding the estimates. This a tangible example of the immense sacrifices incurred by the government and the significant losses incurred by the taxpayers to succumb to the whims of FIFA to meet the requirements of staging a marketable event (Tayob, 2012). It also directly contradicts the South African development

agenda regarding the MDGs and their commitment to constructing facilities in disadvantaged areas and the periphery.

Through these investments, the South African government demonstrated that it had the necessary resources and capabilities to prioritise chronic poverty and the service non-delivery endemic to most parts of the country, it just lacked the desire to equalise their position (Pillay and Salo, 2010). When the euphoria faded, the cameras disappeared, and the less glamorous reality became embedded, a dark cloud loomed over SA. The crux being that the sporting infrastructure erected in SA possesses limited uses post-event, and thus cannot generate economic flows in the long run. The redirection of funds towards the tournament and away from measures that could have directly targeted the pressing needs was contentious. The event involved a large collective sacrifice of public and private resources in favour of millennial profits for a select few (Tayob, 2012). Whilst infrastructure investment seemingly conflicted with post-Apartheid objectives and diverged SA away from their development agenda, one will evaluate whether tourism ensured lasting positive effects for the country.

### *Tourism*

Internationally recognised hallmark tourism events such as the FIFA WC have the potential to create substantial enduring impacts on the growth of international tourism in the host region (Hall, 1989). Thus, SA hoped that hosting the most prestigious sporting event would further enrich its reputation as an international tourist destination. Early forecasts made by Grant Thornton predicted that there would be an influx of 450,000 tourists for the sole purpose of the WC. These estimations were overshoot, considering the previous overestimation of tourists visiting Germany and Japan/ South Korea for the 2006 and 2002 WCs, and the poor economic climate following the recession. As a consequence of the recession, many possible tourists were not in a financial position to spend their savings on lavish trips to SA to enjoy the spectacle. Post-WC estimates showcase that only 309,000 visitors came for the primary purpose of the WC, with this representing 4% of total 2010 arrivals in South Africa (van Schalkwyk, 2011). SA's formal tourism economy only enjoyed momentary gains, as exemplified by hotel occupancy rates. Whilst hotels were fully booked for the duration of the event, within two days they returned to 2009 levels (du Plessis and Maennig, 2011). This

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reflects visitors' desires to experience the WC, rather than experience the entirety of SA, negating the opportunity for far-extending success as envisioned by the government.

Moreover, one cannot dismiss the opportunity cost of welcoming visitors for the WC. One opportunity cost associated with the bolstering of tourists in one sector is the crowding out of 'regular' tourists in other sectors due to the noise, traffic jams, and other disturbances (du Plessis and Maennig, 2011). This serves to dampen SA's appeal as a breath-taking and tranquil location for tourists. Further, SA has also cultivated a reputation as a hunting hotspot. However, in 2010, there was considerable crowding out in the hunting sector, a market whose peak season is typically June. Overseas hunters found that flights were more expensive than usual or fully booked, and transport facilities were primarily catering for the tournament (The Star, 2010). So, whilst SA may have enjoyed affluence across its sporting world, other sectors drowned at the feet of the WC. The loss of returns in other aspects of the economy could nullify some of the gains accrued in the sports industry.

In the long run, only the expenditure solely made by non-residents visiting the event region caused an increase in government revenue (du Plessis and Maennig, 2011). Consequently, whilst many domestic residents expend much of their finances travelling from their hometown to the urban tournament hubs, the short-term gains associated with this are offset in the long run. The event affects the timing of domestic residents' consumption decisions rather than the overall level of consumption and savings (du Plessis and Maennig, 2011). Ergo, the greater demand by domestic residents during the period of the World Cup (time  $t$ ), will subsequently result in a counterbalancing effect in the following months (time  $t+1$ ,  $t+n$ ), and other sectors of the economy may suffer. While the formal tourism economy boasted short-run returns from the WC, with some equalising in the long-run, the informal economy did not experience much fortune at all.

### *Local Businesses*

One crucial idiosyncrasy of countries in the Global South as opposed to the Global North, is the significance of the informal economy. This integral part of the South African economy was neglected by the policies of FIFA. FIFA maintained a monopoly on what may or may not be advertised and marketed in football spaces and what products may be sold in stadi-

ums and surroundings (Venter, 2012; Tayob, 2012). In doing so, FIFA effectively crowded out authentic African companies in favour of their own affiliates, dwindling any chance for the locals to thrive. For example, SA was home to SAB Miller, the world's largest brewery at the time of the WC. However, FIFA's associate was and still is Budweiser so not only did SAB Miller miss the opportunity for a slice of the WC pie, but they endured greater losses as their products could not be sold in areas where they had traditionally operated such as stadiums, fan parks, taverns, and any other establishment within FIFA demarcated areas (SAFLII, 2010). Similarly, the presence of McDonalds as the official food affiliate, crowded out the array of authentic African cuisine that could have been sold by vendors and street traders. These monopolist policies discouraged grassroots entrepreneurship and eradicated much potential for an authentic African cultural experience to be displayed on the most prestigious stage of all. As well as eliminating any prospects of profit for the informal sector, which in turn negatively affected the income of many impoverished and/or black workers. Again, further diverging from SA's development objectives. The paradox is that such attempts at creating wealth must inevitably acquiesce to the demands of global capital, thereby serving to entrench its power and maximise profits whilst deepening the levels of inequality that the nation state seeks to eliminate (Tayob, 2012).

SA is observed as one of the most deeply divided and unequal polities in terms of material conditions, with white people still in the higher echelons economically, and black people at the bottom (Ndlovu-Gatsheni, 2011). The government's choice to appease FIFA, rather than fulfilling the basic needs of its citizens, only further entrenched the existing economic inequalities and injustices within society.

## **Social Development**

Hosting such a millennial event in SA rested on the perceptions of overcoming global marginality and realising identity-building benefits. Echoed by Mandela, the WC will help to unify people, if there is one thing in this planet that has the power to bind people, it is football (Sharife, 2010). This unification and reconciliation are instrumental in healing the psychological and material injuries of the South African community caused by Apartheid. Post-Apartheid SA was named the 'Rainbow Nation', as an emblem of hope and unity. It

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symbolised the demographic and social structure of contemporary SA, where 79.4 percent are African, 9.3 percent are White, 2.5 percent is of Asian or Indian origin; and 8.8 percent are Black (Murray and Simeon, 2007). Despite this advancement of the Rainbow Nation by the government, at the turn of the millennium it had not succeeded in transcending the stereotypical and dualistic societal current or racial differences. Thus, South Africans continued to identify themselves firstly through different racial categories, all this fortified continued exclusion rather than unity (Norris, 2008). With a weak sense of nationhood, the government rooted the 2010 WC at the centre of their nation-building project.

## **Nation-Building**

Banal nationalism manifested itself through blowing vuvuzelas, waving, and displaying of the national flag on vehicles, as well as the wearing of sports regalia by the people across racial, ethnic, and class divisions (Ndlovu-Gatsheni, 2011). The joy, elation, and fervour of the moment seemed to be epitomised in the effervescent, omnipresent buzz of the vuvuzela (Pillay and Salo, 2010). A significant number of ordinary South African citizens engaged in these activities, which showcased the broader commitment to nation-building instilled across society. Black people and white people also joined and rejoiced together in FIFA designed fan parks and the nation would coalesce as one over their shared love of football. The prayers for the millennial hopes of nation-building appeared to ring true as 300,000 people alone watched the opening day celebrations at the fan parks, and by midway through the tournament this number had escalated to a total attendance of 1.7 million people (Tayob, 2012). This large-scale racial mixing signified feelings of tolerance and understanding within the nation, yet these feelings dissipated as quickly as they emerged.

The 2010 WC laid the foundation for nation-building but post-tournament, these foundations were poorly capitalised on by the South African government. The WC could not exclusively or spontaneously heal the racial and ethnic tensions that long divided SA. So, whilst the whites may have been flying the flag of South Africa on their cars, they were also flying a European one – their head sensibly in SA, where they enjoy a first world lifestyle at a cut-rate developing world price, and their hearts firmly in the land of their ancestors (Ndlovu-Gatsheni, 2011). Here, one showcases that whilst the WC served to ignite passions of

patriotism and positive nationalism, this sense of nationhood was a month-long rather than a lifelong commitment. Whilst one does not dismiss the possibility to forge a sense of lasting nationhood from sporting events, it recognises that it is difficult to achieve any sense of nationhood when issues of human rights and democracy are left unaddressed and improvements in the nation do not translate into improvement of the material conditions of the poor (Ndlovu-Gatsheni, 2011).

## Conclusion

This essay has delineated that the 2010 WC failed to produce the desired economic or social development effects. The government were too concerned with external perceptions and boosting SA's hegemonic inclinations, rather than utilising the tournament to resolve internal oppressions. Post-WC, SA still faced the challenge of economic grievances and, if anything, cleavages were further entrenched in society. They were also confronted with a growing debt burden and white elephant infrastructure left languishing. Governments in less-developed countries need to subscribe to this observed reality, and only when the pressing needs of the impoverished have been addressed should they consider sport as a development policy. There are less grandiose policies that can transcend social cleavages, engender nation-building, and birth a nation that promotes equality with each stride forward.

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# DECIPHERING CHINA'S HOUSING CRISIS: THE SUSTAINABILITY OF GROWTH UNDER EXTRACTIVE INSTITUTIONS

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*“China’s property sector, representing a significant portion of the nation’s GDP, has long been a key driver of economic growth and prosperity. However, recent events, signal a looming crisis in the housing market, with potential repercussions for the broader economy. This essay employs Acemoglu and Robinson’s framework of inclusive and extractive institutions to analyse the underlying issues contributing to China’s housing market crisis. The essay assesses the inclusiveness of China’s institutions and evaluates their impact on the property sector’s sustainability.”*

## Introduction

The property sector accounts for a staggering 25-30% of China’s GDP (Li, 2022), playing an outsized role in both national and global economic growth. It also spearheads a dozen affiliated industries: internal ornament, home appliance, furniture, property dealership and agency, to name a few. In past decades, the long booming property market has driven prices so high that, frequently, young couples must take the lifetime savings of three families – their own savings, plus that of the parents of the husband and the wife, to buy an average flat in a major Chinese city.

However, as the Chinese saying puts it, every feast has its end. Be it black swan or grey rhino, a wide consensus is that an overall crisis is imminent. In December 2021, the default of Evergrande, one of the world’s biggest property developers, caused widespread concerns over the health of China’s property sector, inducing fears of a potential economic slowdown if it were to crumble (Stevenson and Li, 2021). Demand for housing dropped sharp-

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ly and sales plummeted. Consequently, prices fell which had a critical knock-on effect on homeowners, developers, local governments, and the overall economy (Huld, 2022).

This essay will evaluate the long-standing problems behind China's housing market crisis based on Daron Acemoglu and James Robinson's (2012) theory of inclusive and extractive institutions. According to their work, inclusive institutions can achieve long term economic growth through the participation of the population in economic activities that best utilise their skills and talents (Andersen, 2018). They state that "to be inclusive, economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract" (Acemoglu and Robinson, 2012: 74). It is believed that growth may be achieved under extractive institutions for a short period of time as the country catches up with developed countries; yet the process does not necessarily involve the features mentioned above, indicating that growth may not be sustained under extractive institutions. Using Acemoglu and Robinson's definition of inclusive institution as a criterion, the following sections will analyse the inclusiveness of Chinese institutions in the housing market and how it affects the sustainability of the sector.

## **Institutional Background of China's Housing Market**

Previous works by economists have established that China's housing market, fuelled largely by rural-urban land conversion, is the main driving force of China's economic growth over the past 30 years (He, 2012; Bai, 2011; Wakabayashi and Dong, 2022). Using built-up areas as an indicator, Bai et al. (2011) found that there is a bidirectional causal relationship between urbanisation and economic growth in China; that urban land expansion is not only the result but also very much the driver of such growth. According to the China Land and Resource Almanack (Man, 2011), the quantity of rural land transferred to urban land use increased by an average annual rate of 23% between 1999 and 2007. The increase in land supply has led to the rapid growth of housing supply. However, this growth model faces unsustainability in the long term for various reasons.

*urity of Land Rights*

The Chinese housing market is characterised by the insecurity of land rights due to the governments' right to rural-urban land conversion. The prominent feature of dual land ownership in China, enshrined by article ten of the Chinese constitution, states that urban land is owned by the state while rural land is owned by collective ownership. The most important characteristic of dual land ownership is the dominance of the state landowner over the collective landowner (Qiao, 2019). Moreover, the Regulations on the Requisition of Land by the State for Construction 1982 grants the government, particularly the city and county level local governments, the prerogative to convert collectively owned land to state owned land (Qiao, 2019). The converted land is then put on the market and sold for construction. Villagers have been building their own housing on collectively owned land in rural areas for decades. Land requisition is essentially an extractive behaviour, as the land rights of rural households are rendered insecure due to state land takings (Whiting, 2022). Furthermore, maintaining housing market growth and wider economic growth by increasing land supply is unsustainable because land is fundamentally a finite resource.

On the demand side, home ownership in China is already one of the highest in the world, with more than 90% of households owning homes (Huang et al., 2021). Moreover, as China's population continues to age and family sizes continue to shrink, the demand for housing will not remain at the same level for long either. Thus, maintaining land supply through the extractive practice of land requisition for a declining demand jeopardises rural households' ownership of private property and is unsustainable in the long term.

*Over Reliance on Land Finance*

Over-reliance of local governments on land finance to collect fiscal revenue is unstable and prone to risks. Land revenue made up an estimated 37.6% of local governments' fiscal revenue in 2020 (Huld, 2022). China's local governments have a substantial imbalance in fiscal revenue and fiscal expenditure (Hu et al., 2021). This can be traced back to the 1994 reform of the tax-sharing system, which consolidated control over fiscal revenue without changing expenditure responsibilities, resulting in a fiscal gap for local governments (Whiting, 2022). It should be noted that Chinese local governments are prohibited from directly issuing bonds to fund projects (Ambrose et al., 2015). Through land finance, the

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local government mainly gains income by collecting land transfer fees; obtaining rural land at a low price and selling it to the market at a high price through bidding, auction, and listing (Hu et al., 2021; Whiting, 2022). As the market price of rural land is much lower than that of urban land, this price difference has generated sizable incomes for local governments (Hu et al., 2021), which they utilise to fill the fiscal gap. The pressure to meet economic growth targets incentivises local governments to maximise their fiscal revenue. As the proportion of land revenue to local finance continues to increase, local governments' dependence on land revenue is amplified, giving them little incentive to bring down housing prices, as a drop in housing or land prices would have a significant impact on local government debt levels (Huang, 2022). This intertwined relationship between local governments and the housing market contributes to an extractive process as high land prices are passed down to households in the form of high housing prices. In addition, local governments' incentive to maximise revenue has led to the misallocation of resources. Housing prices in China surged by 295% between 2003 and 2019 (Fan et al., 2021). A quasi-natural experiment conducted by Fan et al. (2021) found that local governments tend to increase the supply of industrial land and reduce that of residential land to attract more investment, which has in turn led to an increase in residential land prices and a further rise in housing prices. In summary, the structural weakness of local governments' source of income has created extractive exploitations in the form of high housing prices.

Aside from the reason discussed above, it is also worthwhile to note that housing is used as a primary investment vehicle due to China's restrictive capital controls and a relatively small stock market (Fang et al., 2015). At the same time, property developers are overly dependent upon credits and presales to meet their liquidity needs (Huld, 2022). As of June 2021, property developers in China had accumulated 5.2 trillion US dollars in debt (Shen et al., 2021). This over reliance is another manifestation of the systemic imbalance and extractive nature of Chinese institutions.

### *Monopoly and Inefficiency*

Finally, the monopoly over the primary land market by the government in China leads to inefficiency as the land quota system fails to effectively sort out supply and demand. The quota system set by China's Land Use Master Plan restricts the amount of rural land that

the local government can convert to urban use annually. This essentially command and control approach in managing urban land supply does not necessarily respond to local demand (Xiao and Zhao, 2015). Over the past decades, the general trend has been a ceiling on local development owing to limited land supply permitted by the quota. For example, the city of Rui'an in Zhejiang province, with its booming private sector and economic growth, is faced with a demand for land ten times higher than that of the assigned quotas, while other cities in Zhejiang of slower economic growth are assigned the same quotas (Xiao and Zhao, 2015). Moreover, the central government's allocation of land quotas has been biased towards the central and western regions, most of which are areas of population outflow. While most of the eastern cities are areas of population inflow, the allocated land quota there is decreasing (Fan et al., 2021). As a result, housing prices in the eastern cities and cities like Rui'an experience skyrocketing rises as supply is artificially limited despite growing demand while western and central regions experience high vacancy rates. Again, the structural weakness of the governments' approach to allocate land has created exploitations in the form of high prices and mismatched supply.

Additionally, the governments' association of Hukou status, or household registration, with social benefits have incentivised migrant workers to purchase properties in popular cities, further heightening the demand in these areas. The hukou system is extractive as it prevents migrant workers and their children from gaining equal access to state services at their place of work (The Economist Group, 2021).

The governments' monopoly of land supply, coupled with the structural components of rural-urban land conversion, land public finance and the land quota system, has given rise to both explicit and implicit forms of exploitation, which manifests as insecure land rights and high housing prices, as fuelled by the extractive nature of Chinese institutions. These reasons lead us to conclude that Chinese institutions involved in the housing market are indeed extractive and can be blamed for the housing crash in late 2023.

## **Recommendation and Conclusion**

Developers mired in debt fail to deliver pre-sold homes, discouraging sales further. Investment in property slumped by 9.6% year-on-year in 2023, representing approximately 10% of China's GDP (Kwan, 2023). This has led to a 0.96% reduction in China's GDP

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during this period, further impeding the country's recovery from the COVID-19 pandemic and raising concerns over macroeconomic spill over. China's GDP grew by only 5.2% in 2023 and is expected to fall further to 4.6% in 2024 and 4.5% in 2025 (Yao, 2024). According to the World Economic Forum, every one percent decrease in China's GDP is equivalent to a 0.3 percent decrease in global GDP (Bay, 2023). It is evident that China's economic health is not just a domestic concern, but an issue of global importance.

To mitigate the crisis and prevent further damage, a structural reform of China's housing market is needed. In terms of supply and demand of housing, instead of issuing long term plans based on forecasts, the government should respond to current market signals. Land supply should be increased in areas of population inflow and vice versa (Sheng, 2021) to tackle supply-demand imbalance. As the population inflow in eastern cities mainly consists of migrant workers, the government should develop rental housing markets in these cities to ease the high demand. The government should grant non-Hukou renters the same social benefits as local homeowners to encourage renting. On the other hand, governments in the western and central regions should develop better facilities, infrastructure, social welfare and other industries to accompany the expansion of housing to attract more people to these regions. In the long term, however, China would need to develop more inclusive institutions to ensure the sustainable development of the housing sector (Acemoglu and Robinson, 2012). As income growth begins to slow and as China enters a new phase of development, it would be inevitable that the housing market would start to cool, leading to a corresponding slowdown of economic growth. China would need to make a transition from its reliance on the housing sector over the last 30 years; to achieve long term growth, China would need to develop alternative industries and invest more into research and development and encourage innovation, as only through the process of creative destruction can long term economic development be sustained.

It can be concluded that the problem with China's housing market is manifold; all of which has its roots tied to the monopoly of land supply in China, contributing to the unsustainability of the housing sector. In the long term, its dominant role in China's economic growth model is also unsustainable. To alleviate itself from the plight of today's housing market, China would need to develop more inclusive institutions, with a focus on alternative industries and innovation to achieve long term growth.

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