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How Close Can You Go
"The Finish Line"

WASTED:
Food Loss and Food Waste

The Scramble for the Arctic

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Questions? rostra@sefa.nl

Editor's Note

Dear reader,

As you might already know: Rationality within the science of economics is an assumption that is quite often debated. If we assume that everyone acts rationally, how come that losses loom twice as large as gains, asset bubbles on bitcoins and houses in Amsterdam occur, and we can end up in crises such as the financial one in 2008?

With the rise of behavioural economics, this kind of irrational behaviour is getting increasingly well explained and thus our economic predictions might become more trustworthy once these behavioural aspects will be implemented in the models we use. After the Nobel Prize for Economics was awarded to the behavioural economist Richard Thaler, I consider it a fact that the science of economics is subject to change.

And a change is needed. If we want to explain reality in a proper way, the models should adhere to our humane and irrational behaviour. We do not only act out of self-interest, and we also do not have all information at hand. If we did, we would for example not bother to look back on what happened during the year, and we would not share nostalgic feelings while doing so. Moreover, our predictions for the next year would be accurate, and there would have been less uncertainty concerning unemployment or trade relations, etc.

In this paper edition, we will look back on some developments in 2017, but also touch upon some developments that might occur in 2018. Not so rational, right? But still, very economically relevant.

Let our editors provide you with some nice insights in the fields of development economics, YouTube advertisement, the huge power of only a small number of technology firms, and many more interesting topics. Enjoy!

I wish you nice holidays and of course a very happy new year!

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WASTED: Food Loss and Food Waste

Cutting food waste is a delicious way of saving money, helping to feed the world and protect the planet

As Christmas approaches, our society is focusing more and more on stocking their fridges up with food. And it is totally understandable, as you are planning on gathering the whole family at a celebration table, or maybe have some friends over, and you don't want to run short on food. However, a rich Christmas table in each and every house could lead to consequences that might have a significant effect on our environment. Where is the connection? Have you ever wondered what happens to food stock?

Food waste is an issue of importance to global food security and good environmental governance, directly linked with environmental, economic and social impacts. Roughly 1.3 millions tonnes of food, which is almost a third of food produced in the world for human consumption, is lost to waste. According to the figures from 2012, the Netherlands contributes to the biggest share of the EU food waste, throwing away around 547 kg per person each year. However, in the past years, the Dutch government has collaborated with the EU Commission and United Nations to reduce this number and to educate consumers on how they could help to decrease the number of food being wasted. One of the Sustainable Development goals of the UN is to cut down global food waste by 50% by the year of 2030.

So who is responsible for the excessive food waste? The consumers? The producers? The problem lies within the entire food chain. In developed countries, a significant amount of food is wasted at the end of the food chain, i.e. the consumption stage, meaning that the food is being discarded despite the fact of still being suitable for consumption. Individual food wastage in the EU contributes to 53% of the whole food chain in Europe, while primary production only makes up 11% and retail wholesales account for 5%. In developing countries, on the contrary, food is lost mostly at the production level and much less food is thrown away by households. This could also be a result of the EU's heavy regulations on producers and retailers and weak regulations on household's habits of food disposal.

Another cause could be the lack of consumers' knowledge in terms of product labeling. Best-before dates, sell-by dates, use-by dates: Do you know the difference between them? Statistics show almost 80% of us don't. This is the moment of revelation.

"Best before date" (TGT is the Dutch equivalent) labeling indicates the date after which the item of food can still be eaten, but may not be at its best in terms of quality. "Use before" (THT is the Dutch equivalent) labeling, on the other hand, indicates the date after the product is no longer safe to eat. What many of us don't know, however, is that use-by dates are really the only numbers to which we need to pay attention. All the other dates are simply the supermarket's guess as to when food will be past its best. This doesn't mean they'll make you ill or they'll taste bad, they're just a marker of quality that supermarkets use to rotate their stock. The problem arises not only when we throw too much food away, but also when we treat all printed dates as though they were use-by dates, and bin perfectly edible food because the numbers tell us to.

There are numerous ways to fight food waste. Recycling is definitely one example. However, there are more opportunities. Let's take a case study of France. France has become the first country in the world to address the problem of food waste at the level of retailers by banning supermarkets from throwing away good-quality food, approaching its best before date as well as destroying unsold food, forcing them instead to donate it to charities and food banks. The introduced law also makes it easier for food industries to give out their excess products directly to food banks. Furthermore, supermarkets are obliged to sign a donation deal with charities. After the law was passed, out of 100,000 tonnes of donated goods, 35,000 came from the supermarkets. Jacques Bailet, head of Banques Alimentaires, says that even a 15% increase in donations coming from supermarkets would mean 10 million more meals being handed out each year.

The problem of food waste becomes particularly concerning once being tackled in the light of hunger around the world, which is the world's number one cause of death, killing more people every day than AIDS, malaria and other serious diseases. Food is essential to life. Yet, there are nearly 1 billion malnourished people in the world. Paradox? Real life, sadly. Most of us believe that the existence of hunger across the world is because there is not enough food. However, it is usually the lesser problem. In reality, it is about getting food to the people who need it. As simple as it is. To provide you with some statistics, consumers in rich countries waste almost as much food as the entire net food production of Sub-Saharan Africa each year. A simple solution is to improve food management by making food distribution systems more efficient. The progress is being made in developed countries and the problem is on both their political and environmental agendas.

Food waste is not only a social cost, but it contributes to growing environmental problems like climate change with the production of food consuming vast quantities of water, fertilizer, and land. The fuel that is burned to process, refrigerate and transport it also adds to the environmental cost. Another concerning consequence of the excessive food production and waste is an increasing level of CO2 emissions. Studies have shown that if a food waste were to be a country, it would be the third global greenhouse gas emitter, the UN says, being next on the list after China and the US. With every kilo of food being wasted, 4.5 kilos of CO2 are released into the atmosphere. Basically, food waste that ends up in landfills produces a large amount of methane – a much more powerful greenhouse gas than even CO2. Such emissions cause the heats in the earth's atmosphere leading to global warming and climate change. If you look at the land usage, this is around 1.4 billion hectares of land, which is about one third of the total agricultural land area. Globally, it creates 3.3 billion metric tons of greenhouse gases annually, about 7% of the total emissions, according to the UN report.

What can we do as consumers? I would say, firstly: Do your research. There is an enormous number of articles and reports online with regard to the food waste issue. Secondly, be aware of the dates on the labelling and make sure to distinguish best before dates from used before dates. Also, take restaurant leftovers home and use them up throughout the next couple of days, and freeze or preserve foods that are still of a good quality before they go back, so that you can use them later. Furthermore, store food in accordance with the instructions, and do not only buy nicely shaped fruits and vegetables – they taste just the same. Lastly, look for recipes that use the ingredients you already have.

Food waste is an extremely important and worrying issue that requires actions. And actions are needed on national, international, but most importantly, individual level. It is crucial to start with ourselves. So while setting resolutions for the year 2018 maybe we all should add contributing to the fight against food waste on the list?

Anastasiya Kovalenko
Third year Economics student from Ukraine. In particular, I enjoy writing about political issues. I love travelling and exploring new cultures and cuisines. Absolutely crazy about cooking.

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The Scramble for the Arctic

When the American explorer Elisha Kane passed through the Kennedy Channel on the Second Grinnell Expedition in 1853 to be the very first to reach the Arctic Ocean, he named one of the rocky knolls they encountered after his Greenlandic helper Hans Hendrik. Nowadays, tiny Hans Island is subject to a territorial dispute between the two Arctic coastal states of Canada and Denmark (on behalf of Greenland), which both claim the rock. The dispute has received much media attention as representatives of both NATO partners approach it with a refreshing sense of humor, leaving bottles of their national whiskeys for the other to drink on their respective expeditions to plant flags and claim sovereignty.

The "Whiskey War" on the Hans issue, however, is not the only territorial conflict in the Arctic, though probably the most benign of its kind. The polar region of the Arctic is peculiar in many ways. Most of it consists of the Arctic Sea, while the rest is land belonging to Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden, and the United States. These countries form the Arctic Council to address environmental issues regarding the indigenous peoples of the region, but also geopolitical and security concerns. As most of the Arctic is covered by permanent ice, the area has not drawn overmuch attention by most countries in the region in the past. But much is changing: As the current change in the climate progresses and the ice retreats further northward, the playing field transforms. Many littoral states of the region are trying to extend their influence and territory to gain access to the vast natural resources of the Arctic, mostly natural gas and oil, that had been inaccessible and too expensive to exploit in the past.

According to the United Nations Convention on the Law of the Sea (UNCLOS), countries can make claims to an extended continental shelf off their coast up to ten years after ratification for exclusive resource exploitation rights beyond their respective exclusive economic zones (EEZs). Apart from the United States, all coastal states of the Arctic have submitted such claims, leaving little of the Polar Sea as international waters. The legal implications of these territorial claims are not always clear-cut. Although the countries need to present scientific evidence of their shelf claims to the UN body of the Commission on the Limits of the Continental Shelf, the claims made often overlap considerably. Although up until now, border disputes have been either resolved judicially (such as between Russia and Norway in 2010) or left open (such as between Canada and the US in the Beaufort Sea), conflict appears to be looming in the North Pole region.

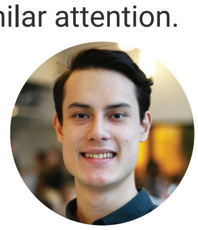
In 2007, Russia launched the first ever crewed descent to the seafloor underneath the North Pole, where a Russian flag was planted. The Arktika 2007 expedition's aim was to assert Russia's continental shelf claim and to show its spread up to the North Pole. Denmark, however, declared in 2014 the Lomonosov ridge in the center of the Arctic Ocean an extension of Greenland, thus asserting a claim that stretches beyond the Russian claim. It is not surprising that both claims, incidentally, overlap not only with each other, but also with claims made by Canada.

The reason why the littoral states of the Arctic are vying for territory in the region is its tremendous potential regarding natural resources. Estimates assume that about an eighth of the world's oil reserves and a quarter of its gas deposits lie in the Arctic. The Russian regret of selling off Alaska to the United States shows the increasing importance of the region. Now, temperatures there are rising twice as fast as the global average. With the ice melting, exploiting these resources becomes more feasible and also profitable, but so does proclaiming sovereignty. Arktika 2007 was made possible only by the decline in the Arctic sea ice. On top of that, new sea routes are becoming viable for shipping, promising high profit potential from increasing trade and tourism.

The ice age mankind has experienced up to now is coming to an end. With the climate changing, the world is on the move and so is the Arctic. The conflict potential from the economic prospects of a warming Arctic is further increased by geopolitical tensions in the rest of the world. Russia has increased its military presence in the region and other countries are following suit. The scramble for the Arctic has begun, and it will not be long before the South Pole will receive similar attention.

Daniel Haerle

Economics student with interests in history, politics, geography, and language



YouTube's "AdPocalypse"

The video sharing website YouTube has been a part of our lives ever since its launch in 2005. The platform provides a wide range of available visual media to its users, and it has been completely free of charge from the beginning. YouTube is owned by Google, and has been subsidized by the web giant since it's acquisition in 2006.

So how does it profit? YouTube's income is mainly generated through Google's "AdSense" advertising system. Even though the ads can be frustrating at times, it seems like a decent price to pay to receive the wide range of services that YouTube provides to its users for free. The system works together with the uploaders in a partnership relation. After giving users who draw views to their videos partnership deals, YouTube lets the users implement certain ads throughout their uploaded videos. Companies strike huge deals with YouTube to feature their ads in videos, and YouTube pays their "partners" a sum that depends on the number of views.

With this system, a new profession has emerged for users to pursue: Becoming a "YouTuber", a full time content creator with fan bases that constantly draw traffic to the website.

However, in the first quarter of 2017, more than 250 brands have decided to pull their advertisements from YouTube, after a newspaper article stated that an investigation has pointed out that their ads were being showcased in videos with vulgar and extremist content. Having lost a significant amount of advertisement revenues, YouTube management decided to tighten the ropes for their community guidelines, and implemented an algorithm, programmed to flag harmful videos for not being advertisment friendly.

The algorithm and the new guidelines have helped YouTube to prove to their advertisers that they are taking their brand safety seriously, as many advertisers have decided to co-operate with YouTube again in the second quarter of 2017. YouTube also made a strategic move to prioritize video snippets from popular television shows (Jimmy Kimmel, The Ellen Show, etc.) that were uploaded by the media teams of the shows for heavy ad placements.

All of this really seems like a great business move that was done by an industry giant. Of course, like most major changes, this one took its toll on the platform as well. Last year, there have been accusations about the website from both the regular users and the well-known YouTubers regarding how restricting and biased the new system is.

YouTube's intention has always been to showcase the creativity of its users. The website's main appeal is the accessibility and originality of its content, and this was provided by the incentives one could have towards becoming a "YouTuber". While many channels played it safe and stayed family-friendly, there were countless channels that pushed the envelope for visual entertainment, and have received universal appeal and following from millions of people around the world.

Many YouTubers have decided to leave YouTube, and have called them out for their abandonment of their own users, while transforming themselves into a sister website for television giants to profit of. This was caused by the flawed algorithm that YouTube has implemented, as many creators have found videos that they have spent hours preparing being flagged as inappropriate for their mild usage of curse words or offensive jokes. While this may be a sensible move, YouTube was more lenient on factors as such in the past, and their motto has always been to praise how entertaining and versatile their content creators could be.

YouTube's response to these accusations and its content creators' departure was passive, and they still do not feel inclined to tackle the issue. Instead, the website has taken steps into transforming the platform into one that is more professional, caters to broader audiences while co-operating with media giants to attract more traffic to the website, therefore receiving safer and more desirable ad revenue.

After all the drama had unfolded, I was left confused. A part of me thought about how smart it was of YouTube to solidify their position as a giant in the visual media industry with such a strategy, and a part of me was disappointed about how YouTube has smothered the expressionist and colorful nature of the platform, limiting its users and upsetting its community. Here's to hoping that YouTube can find a way to protect the creative core it has developed for years, as clashes between business decisions and creative freedom keep on happening more and more every year.

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How Close Can You Go – "The Finish Line"

An empirical research into the success of top executives

During the How Close Can You Go series, I had the chance to meet very inspiring executives. They hold corporate positions only to dream of as a student. They are big players in the Dutch financial markets. I talked about their student life, career path, market circumstances, and their vision on current students.

The interviewed executives are Mark Schilstra (former Managing Director at KAS Bank), Dennis Dijkstra (Co-CEO at Flow Traders), Lukas Daalder (Chief Investment Officer at Robeco Investment Solutions), and Jelle Ritzerveld (former Chief Risk Officer at Delta Lloyd Asset Management).

After several interviews, it became clearer and clearer why these people are so successful. It was a huge insight for me in what determines a successful career. Of course, there is no such thing as the key to success, but there are very similar patterns between all of them. In this final article of the How Close Can You Go series, I want to share my insights in the road to success.

There has been a lot of research into the key determinants of success, not only in corporate success, but also in sport performance. Angela Lee Duckworth is a Professor of Psychology at the University of Pennsylvania and has researched what has constituted towards success. She began her career at McKinsey, after which she left to teach math at a public school in New York. During her time as a teacher, she noticed that IQ is not the sole determinant to success in people's lives. Surprisingly, her best math student did not even score high on IQ tests. She also noticed that doing well in school and in life depends on much more than your ability to learn quickly and easily.

She left the school and started an academic career in psychology studying success in all different settings: Sports, sales, teaching, and so on. At the end of her research, she concluded that there is one characteristic in common: passion and perseverance for very long-term goals.

This is summarized in a GRIT score. The score is from 0 to 5, where 5 would indicate the most passionate person you will ever meet. Notice that talent is a totally different thing with respect to GRIT. You can be as talented as you are, but when you do not follow your goals, you will never be successful. With this in mind, we can analyze our previous interviewed executives. I have asked the executives to do the GRIT test, and, not very surprisingly, their average score is 4.24. This is higher than about 80% of American adults in a recent study of Angela Lee Duckworth.

During my interviews, I have discovered four similar patterns between all of them. I will summarize them in four success factors:

- Education;
- Environment;
- Individual;
- Opportunity.

Education

Jelle Ritzerveld, former Chief Risk Officer at Delta Lloyd Asset Management, always has the desire to learn new things. According to Jelle Ritzerveld, one of the most important things is to keep learning. Especially in such a fast-moving world, it is crucial to stay tuned. With his academic background (PhD in Astrophysics), this is not very surprising. Another important aspect is to learn to deal with constant responsibility when climbing up the ladder. *"As an executive, you have to stay reachable all the time. It is important that you can deal with this constant sense of responsibility."*

Header photo, from left to right: Mark Schilstra, Dennis Dijkstra, Lukas Daalder and Jelle Ritzerveld.

Also, according to Mark Schilstra and Jelle Ritzerveld, reflecting on yourself on a daily basis is very important to keep moving forward. *"See more than only your own job"* says Mark Schilstra. *"Ask yourself the question: What do my actions mean to the company? How can I influence the company's operations by my own actions? Can it be more efficient? If you are asking these questions to yourself, you are on good track."*

Environment

Not only you as a person determine your success, but the environment where you are in also has a huge impact on your success. During the student life of Dennis Dijkstra, he was a member of the A.S.C., the biggest student association in Amsterdam. *"At A.S.C. I came in contact with a lot of diverse people. I played hockey at a high level and surrounded myself with inspiring and motivated people. I think this is a really important factor in your student life. Your motivation needs to come from inside, but if this is ensured, you need to surround yourself with motivated and inspiring people to keep this motivation running."*

Also, when you are in a leadership position, inspire the people around you, and take on the leadership role in an authentic way. This is very important to keep the train rolling, according to Jelle Ritzerveld.

Individual

The most important, but also challenging factor of success is you as an individual. Both Jelle Ritzerveld and Lukas Daalder agree upon the statement that a different perspective on the world is not necessarily a bad thing. *"Try to see yourself as an employee of yourself. Before you start, set specific goals, the quality of your work for example, and make them more ambitious than the goals set by your employer"* says Lukas Daalder. *"And also, don't be afraid to express yourself even though you are not perfect"* Jelle Ritzerveld says.

Dennis Dijkstra states that you should leave your comfort zone and constantly push yourself to the limit. *"Push hard and get the best feeling in the world: the feeling that you worked insanely hard to achieve something. Focus on what you do and do not be scared to think differently."* The focus part matches with the view of Mark Schilstra.

He finds it very important to focus on the thing you are doing and finish it. He finds it terrible to see people trying everything, but who do not finish any of it. *"This translates itself to the work floor where employees try to take on every project, but do not finish any of them."* Also, Jelle Ritzerveld mentioned that you should not make yourself comfortable in life. You should always look for a challenge to go forward.

Also, according to Mark Schilstra, you should be willing to sacrifice in order to achieve a goal. Think about sports, where you have to sacrifice a lot of free time in order to achieve the best possible result. *"Back in the days when I was fifteen years old, I worked my socks off to buy a new stereo system. Every Thursday, every weekend, every holiday I worked at the local supermarket for three-and-a-half years to finally get the stereo system. This does not show that I did the most spectacular job, but it shows that I was willing to sacrifice to get something! Because of this, I know the value of money. You cannot work with money – relating to the financial services sector – when you do not know how valuable it is."*

"Ensure that you are a trustable partner to work with who knows (or want to know) what he or she is talking about" Jelle Ritzerveld says. Thereby, when pursuing a leadership role, you have to ensure that your communication skills are on point. *"You can train this with several courses, but you can also do this yourself. Firstly, you have to listen very carefully to the other, so that you really hear what the question is. Secondly, explain it as you would like to get it explained. These are two key points to remember when communicating with others."*

Opportunity

At last, there is such a thing as opportunity. It is not the most important thing, but when there exists an opportunity, take it according to Jelle Ritzerveld. You should not let it slip away. Thereby, remember that the path with the most resistance is often the one that leads to the best results.

These four categories were most often mentioned by the executives. They all have different stories and backgrounds, from economics to astrophysics, but I found the four categories in every person's answers to my questions. I think this is a pattern between them, which helps to explain their success.

This has been a huge opportunity for me to meet such inspiring people. With "the finish line", this is the last article of the How Close Can You Go series. Thanks to Mark Schilstra, Dennis Dijkstra, Lukas Daalder, and Jelle Ritzerveld for taking some time in between their extremely busy schedule to have a chat with me. It was a pleasure.

Nando Slijkerman
Ambitious third year bachelor student Economics & Business at UvA. Very interested in investment banking, private equity, and passionate about rowing.

New Year's Resolutions

I am happy to say that the list of my phobias is quite a short one. Besides the obvious fear of spiders (how could you not?), there are not a lot of things that fill me with fear. Lately though, I began to feel the walls closing in on me. Not the actual walls of my small Amsterdam room, but rather the virtual walls confining me until I almost couldn't breathe. Simply put, I feel smothered by technology.

It is not just social media, although it has a big role in my newfound phobia: It is the feeling that every action, like buying a carton of milk, or paying the bill at a pub, or just reading my emails on the street, requires me to leave a traceable digital footprint that may never go away. We are so dependent on so many digital platforms that we do not realize how our privacy is completely taken away and how decisions that we think we are making are made for us; the way we communicate with each other has changed entirely. In the early 19th century, a group of English textile workers smashed automated looms as a form of protest against new kinds of weaving technology. They were called luddites, and today we use the term to describe those who protest against new technologies. But this is not one of those articles. I do not intend to bash technology in the name of good old-fashioned values, but rather to express some concern. Concern, because there is something scary in our absolute dependency on the goodwill of technological corporations that accumulate gargantuan amounts of private information about us and about everyone we know. Advancement and progress are exciting, but we must strive to preserve our voices in the process.

Therefore, I decided to gather a few New Year's resolutions in order to retrieve some of my lost independence.

1. Use social media less

I enjoy spending some time scrolling down my Facebook feed, or taking a nice photo for my Instagram account; I am definitely not the only one. As of June 2017, Facebook had 2 billion monthly users and Youtube had 1.5 billion. As of February 2017, Whatsapp had 1.2 billion users. Giant corporations are connecting the world one million users at a time; they also face some sociological problems as they expand to every society on the planet. These problems include alienation, the spread of fake news, and harassment by internet bullies. In 2017, both Google and Facebook captured approximately 60% of the digital advertising market, with ads being customized to the preferences of each and every user. The spread of the tech giants is so wide that government can no longer contain them. In early November, a series of US congressional hearings were held regarding alleged Russian attempts to spread misinformation during the 2016 American elections via social media platforms. Representatives of Facebook, Google and Twitter were invited to explain and defend their companies' positions regarding alleged activities of Russian hackers. The hearings seemed more like roasts than congressional gatherings, and this is quite understandable: governments have lost their monopoly on information and can no longer control the tech giants. Who is, then, to take responsibility for the spread of misinformation on the internet? On the one hand, tech giants claim they advocate freedom of expression as they strive to make the world a well-connected place; on the other hand, freedom on the internet, or at least on the big social media platforms, is an illusion. That being said, the grip on our privacy and personal information is enabled very much by our own willingness. Responsible usage of social media platforms is still possible.

2. Buy less things online

A while ago I read an article online saying that Amazon couriers, with the help of a special lock and a camera, can now unlock your door and deliver your package to the foot of your bed, literally. I recalled that Amazon customers can receive their package two hours after ordering, and drones can drop your orders into your own hands. I've written a while ago about the magnificent surge of Amazon and the influence it exerts on world economies, the American economy in particular; for every dollar spent online, half of it goes into Amazon hands. E-commerce giants are replacing "real-life" retail stores and shopping centers, changing the very basis of our day-to-day consumption to the extent that we are willing to let Amazon couriers into our homes. Amazon's servers are the technological backbone of many other companies and agencies, including the CIA. More generally, in 2016, 53% of all global internet users shopped online. There are many good things to say about Amazon and other e-commerce giants: their approachable platforms provide a comfortable, diverse and personalized shopping experience. E-commerce will continue its fast-paced growth in 2018, and yet, we should continue to discuss its captivating effects on our lives. Just think of the number of online stores that know your name, address, phone number and your credit card details.

3. Have more cash on me

Last year I was sitting in a restaurant when a man came in and started playing the guitar. He played beautifully, and only when he was done I realized I had no cash to give him. I found that intriguing, so I went and checked whether cash did in fact vanish from our lives. Declaring the disappearance of cash may be a bit premature, but there is definitely a change in the way we carry out transactions. Fiat money has been in use for hundreds of years, and for a good reason: it is reliable, easy to carry, and most importantly - it is (presumably) anonymous - as long as you are not required to report a certain amount for tax reasons. Cash allows both parties engaged in a small transaction to remain unidentified and to leave minimal traces behind. In recent years, however, we have been carrying out many simple transactions via digital platforms, including services offered by our own banks. Some supermarkets in Amsterdam no longer accept cash as a way of payment(!), and making a transfer with your smartphone is easier than drawing money from the bank. All of this is very convenient, but the disappearance of cash means that there are no more transactions "under the radar". I find this quite frightening. This has given rise to the development of anonymous internet cash and other methods of unidentified payment online. It is definitely not reserved only to the dark side of the internet…

4. Turn off my smartphone every now and then

We hear on a regular basis about hacks and security breaches of online companies, tech giants and even government agencies storing private information. I, for one, am attached to my smartphone; it has almost become an extension of my hand. I wondered about the fact that smartphones have become indispensable, which is exactly why we should be more concerned with confidentiality and privacy when using them. For almost any smartphone you own, it is very possible that Google, Apple and the like are tracking you. Information about the apps you used, your search queries, and even your physical location, is harvested and utilized. Preference can be tracked to serve up relevant advertisements. Once again, we face a trade-off - do we allow Google to track down our location if it means it can find us a faster way to get home? It seems that private information is the price you must pay in order to receive digital services. The decision whether to pay such a price is personal, but discussions about these daily trade-offs need to be held more often. There are also some measures you can take to limit the collection of personal information via your smartphone or laptop (check out privacy policies and terms).

Writing this, I realize that I will probably break most or all of these resolutions in a matter of days. Nevertheless, the concern is still there - that with many comforts of our digital era comes a substantial loss of anonymity and confidentiality. Our behavior online and via apps and other digital platforms is constantly being documented and analyzed by corporations for a variety of objectives, some of which are for profit. Our daily lives are reshaped by the digital era, but it is necessary that we do not lose control of our own participation in digital platforms and in new exciting technologies. A number of relatively-simple actions can retrieve a sense of control, even though we are only individuals acting against the will of giant corporations. We can also spend some time, every now and then, thinking about the various interests involved in the digital revolution. Awareness is the first and probably the most important step in combating one's technological distress

Alma Rottem
An Israeli Economics and Philosophy student at Amsterdam University College. I enjoy finding obscure connections between things.

The Netherlands, A Tax Haven

On the 5th of November chaos erupted, caused by the leak of 13.4 million documents. These documents are also known as the Paradise Papers. Many celebrities and multinationals were exposed. These companies and celebrities used complex constructions and creative bookkeeping methods to avoid millions of taxes. The Netherlands turned out to be a tax haven for many multinationals, such as Nike, Starbucks, and Procter & Gamble. How is this possible, and are there any initiatives from the Dutch government to avoid this in the future?

Especially the tax rulings used in the Dutch tax system receive much criticism. *Tax rulings* are secret agreements between multinationals and the Dutch tax authorities. In these rulings, agreements are made about the amount of taxes the company has to pay.

The reason why this is done is to give the multinational company certainty about the amount of taxes to be paid. These are rather creative agreements, as there is no discussion about the tax rate the multinational has to pay. It is the part of the profit on which taxes need to be paid that is negotiable.

For example, some multinationals create *letterbox-entities* in tax havens like Bermuda or the Cayman Islands. A letterbox-entity is a subsidiary of the company, which only has an address and registration. Although these subsidiaries do not exist physically, they play an important role in avoiding taxes. Profits transferred to these letterbox-entities are often not taxed. The reason for this are participation exemptions. This means that subsidiaries of the holding company are excluded from taxes. Rulings are under discussion due to the exposure of the ruling made in 2008 between Procter & Gamble (P&G) and the Dutch tax authorities. In this ruling, permission is given by one tax inspector to transfer 676 million dollars to a letterbox-entity on the Cayman Islands without paying taxes. P&G avoided $169 million worth of taxes.

There are six requirements to make a ruling, and they include a description of the company structure, a second autograph of a tax inspector, and the ruling has to be presented to a team of ruling specialists. These requirements were not met in the ruling of P&G. There was only one tax inspector, no description of the company structure, and no presentation to a team of ruling-specialists. Because this is the first ruling ever to be made public, many questions arose. What if this is not the only ruling that does not meet all the requirements? How many taxes have already been avoided?

Another multinational company that benefited from the Dutch tax system is Nike. Nike's headquarters is located in Hilversum and the company also has subsidiaries in Bermuda in the form of a CV. A *CV* is a limited partnership (in Dutch: *commanditaire vennootschap*). These CVs are owned by partners outside the Netherlands. The profits made by these CVs are considered to be profits made by the partners themselves. Therefore the

Dutch tax authorities consider these profits as made abroad and not taxable by the Netherlands, whereas other countries recognize CVs as regular companies. Consequently, they regard these CVs to be taxed by the Netherlands. As a result, these profits remain untaxed. In Nike's example, 4 billion dollars remained untaxed from 2010 until 2014. By making smart use of the Dutch taxation laws Nike, and many other multinationals, like Apple, Google, and Starbucks, were able to avoid vast amounts of taxes.

But why would the Dutch government establish and maintain these laws and opportunities? There should be a good reason as to why these multinationals pay considerably less taxes in comparison with Dutch citizens and small companies like sole proprietorships. As an explanation the Dutch government states that the attractive tax situation is very important for international competition. More companies have positioned their headquarters in the Netherlands due to the advantageous tax climate. These companies benefit the Dutch economy, mostly by creating more employment opportunities.

Furthermore, when there are more multinational companies, this boosts international trade with the Netherlands. In addition, it becomes more attractive for investors to invest in Dutch start-ups and projects. These advantages are doubtful when we look at letterbox-entities. Even though a lot of companies really have their headquarters situated in the Netherlands, some only use a letterbox-entity, so they enjoy the tax advantages, but contribute nothing to the Dutch economy.
The benefits of multinational headquarters in the Netherlands do not outweigh the costs. Over the years multinationals paid less and less taxes, whereas the Dutch government still has to pay all its costs. Therefore the tax burden for the inhabitants of the Netherlands keeps rising. Now the Dutch government, under pressure from the European Union, wants to change the current situation.

Firstly, a letterbox-entity has to pay withholding taxes on royalties and interest. Secondly, the tax authorities will get more money and time to increase their detection capacity. Thirdly, the European Union and the Organisation for Economic Cooperation and Development will exchange information about rulings, so these agreements become more transparent. Lastly, from 2020 onwards, CVs that do not pay taxes will be prohibited. The establishment of these measures will hopefully change the current situation, creating more equality between the tax burden on inhabitants, small companies and the multinationals.

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I love to explore new cities and countries, and like to write about business and topics that affect students directly.

The Repercussions of Corruption Prosecutions in Latin America

It can be easily stated that Latin America has never been the most transparent of regions. Corruption has been a constant component of its history, and in many countries, it has become a feature pretty much expected of government officials. This trait was highlighted throughout last year, after multiple corruption scandals broke out. The most prominent one is probably the Odebrecht case, which now involves executives and officials of about ten South American countries, who are being accused of accepting bribes in exchange for government contracts.

In much of this region, corruption affairs are usually forgotten without much repercussions within a couple of weeks. And although they do incite some dissatisfaction and protests among citizens, more often than not the stories die down after the prosecutors are rewarded to look the other way. However, ever since the Odebrecht affair broke out, the public has been bombarded with constant updates about the case, which has now claimed over 50 names in the political field, with bribes estimated to sum up to approximately 8 billion US dollars: A number that's expected to go up as the investigation proceeds.

Beyond the magnitude of the affair, what has really been making noise lately is the fact that those responsible are finally being held accountable for their actions. For instance, this year the former president of Peru, Ollanta Humala, and the current vice-president of Ecuador, Jorge Glas, were put in pre-trial detention for their association with the company. This expresses a growing intolerance towards corruption; which is, of course, something extremely beneficial, that if endured, could result in more reliable and transparent institutions, able to reduce the palpable barriers to economic growth that corruption brings to these nations.

However, recent surveys reported that this increased awareness of the issue has also provoked Latin Americans to associate corruption with democracy. About 60 percent of the people surveyed thought corruption had risen over the past year when as a matter of fact, multiple smaller cases constantly emerged on the years prior the Odebrecht scandals, but few paid attention to them, and the investigations were rarely consistent. Consequently, the support of democracy decreased by 8 percent, reaching a historic low of 58 percent in the region. This suggests that the citizens are perceiving corruption as solely a bureaucratic and structural affair instead of a cultural one, deeply immersed in the values and daily activities of societies. To be precise, a study done by Transparency International reported that last year, one third of the population had to pay a bribe to access a public service. Now, these illicit transactions were made between citizens and ordinary workers, looking to make some money on the side. Something that isn't the least frowned upon. Therefore, it would be inaccurate to state that this is only an affliction of high government officials.

Nevertheless, this perspective is currently providing a pathway for a new wave of populist leaders to incite nationalist feelings among the citizens and falsely point towards restructuring as a solution to corruption. A matter that becomes even more severe when we take into account that 38 percent of the population also stated that they'd be willing to support a coup d'etat if that would reduce the levels of corruption and crime. Furthermore, economic growth as a result of a spike in the prices of petroleum, followed by a huge downturn on the worth of an oil barrel, citizens are also looking for someone to blame for the recession that is sweeping through many of these countries, and as Ecuadorean pollster Paulina Recalde stated "People are increasingly associating the slowdown of the economic cycle with corruption, they believe that if there's no money today it's because someone in the government stole it". Additionally, Brazil, Chile, Colombia, and Mexico have elections coming up next year, all of which have their own populist candidate doing very well on the polls.

It is impossible to predict what the outcome of these elections will be. However, Latin Americans are looking for someone to blame for the current plunge in their economies, and populist leaders are more than willing to point them towards democracy and the previous governmental model. Even when as a matter of fact populist governments tend to be more corrupt. All in all, the real question is whether or not frustrated voters will fall for their schemes and make a choice based on resentment and idealistic expectations.

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How China is Opening Up Its Financial Market to the World

On November 10, 2017, a day after U.S. President Donald Trump called for better access to Chinese markets in a meeting with Chinese President Xi Jinping, the Chinese government announced that it would further open the country's financial markets. The Wall Street Journal declared that after much foot-dragging, China has agreed to let foreign banks take charge of local brokerage and insurance joint ventures, and removed caps on their stakes in domestic lenders. It marks an important milestone and sends a signal that authorities are confident that Chinese domestic financial institutions are now strong enough to compete directly with foreign rivals.

This decision seems to be one of the biggest concessions by China since the country entered the World Trade Organization (WTO) in 2001. The economic liberalization required by the WTO rules weakened the position of its domestic Chinese companies. In response, the Chinese government used different restrictive measures against foreign investment and capped the participation of foreign capital as a protective measure. As time passed, Zhu Guangyao, the Chinese Deputy Finance Minister, said that a lack of foreign competition had made Chinese domestic financial institutions "lazy". Therefore, on November 10, 2017, Mr. Zhu said China would allow full foreign ownership of local securities companies in 2020 and of insurance companies in 2022. Currently, China does not allow foreign majority ownership of companies in these sectors. Under new rules, foreign companies can operate securities or life insurance services only through joint ventures, with foreign ownership capped at 49% for securities services, and 50% for life insurance services. The limit will be raised to 51% as early as this year and removed entirely in 2020. For life insurance services, the cap will be raised to 51% in 2020 and removed entirely in 2022. Banks are already allowed to operate wholly owned subsidiaries in China. Under the new rules, the cap will be raised on foreign ownership of local banks. All the changes mentioned above mean that China will fully open up its financial sector to foreign investors.

Why did China decide to further open its financial market right now?

Some analysts attribute it to Trump's administration, which is quite disputable, because such a measure usually takes a long time to roll out. The Chinese government pays much attention to financial stability, and this is why over the past two years there has been a series of restricting measures concerning shadow banking, off-balance-sheet transactions, and financial markets. In fact, the need for reforms and greater financial liberalization was already discussed at the previous party congress. But it is only during this year's congress that the Chinese president underlined the importance of reforms and called for making the financial sector more open.

However, economists wondered whether foreign investors are ready to increasingly participate in the Chinese financial market. They were also concerned about the debt issue, the ambiguity of the regulator's role, and the possibility of state control over capital movements. In addition, it is not entirely clear whether the liberalization will actually result in the creation of new industries that are now completely owned by foreign western companies. Moreover, some industry analysts say that the changes are too little too late.

Despite the challenges it faces, most analysts are positive about the new measure. They generally believe that further opening will bring new vigor and vitality into the Chinese economy and even the world economy as much as China entering the WTO did. IMF chief Christine Lagarde described the move as a "very positive development". For the Chinese public, financial market liberalization enables them to choose among a more diverse range of service companies. During quite a long time, lacking proper investment opportunities led Chinese investors to put all of their money into the real estate market, which in turn drove housing prices sky high. With the opening of financial markets, the public will get access to overseas investment and other services that were out of reach to them before. Markets reacted positively to the news, with insurers and futures-related firms rallying strongly.

Another anticipated effect is the increase in employment opportunities in China, for both Chinese residents and foreigners. Officially, if the application of this measure succeeds, the financial markets in China will reach a level comparable to that of most other developed financial markets. Therefore, since the number of qualified financial experts is already insufficient, we can expect an increasing demand in the near future.

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Climate Change Denial

Why climate change remains a controversy and how the chaos began

2017 is the year that politics has radically changed in many different ways with increasing support for radical and extremist perspectives. Luckily, even with the upsurge of right-wing politics all around the world, the idea of climate change skepticism has not been too prominent, well, except for the United States. In fact, its Congress is probably the only place in the world where a debate about climate change is allowed to happen. With such overwhelming scientific evidence and increasing media coverage that are in favor of climate change, how is this still a thing?

History of climate change deniers

As historical evidence suggests, the origin of the deniers stems from the anthropological view of the nature that natural resources are created for human use as stated in the Book of Genesis, a part of the Christian Bible. The scientific and technological revolution of the 18th century somewhat reflected that ideology, as represented by the unprecedented level of growth that was sustained for decades. This period also marked a transition of the political belief, in which the capitalist system prevailed over all other thoughts, and power and prestige are strongly attached to individual rights and private property without having great attention to concern of other groups of people. The environment, as such, suffered during the period, with growing signs of pollution that continued to exist for centuries. Having enjoyed the abundant wealth from the extraction of natural resources, the industrial owners and their interest groups, which include conservative politicians, their think-tank groups would try to obstruct anything that got in their way.

After the breakdown of Communism, the event that was marked by the infamous breakdown of the Berlin Wall, many were jubilated with the victory of the capitalist, non-interventionist system that echoed all over the world. At the same time, with the United Nations convention Earth Summit of 1992, more than 170 nations joined together to agree upon a mutual commitment which attempted to reduce the anthropological impacts towards the environment (this eventually led to the succeeding foundations of the Kyoto Protocol and the Paris Climate Accord). The interest groups realized that agreeing to this commitment would curb the embrace of global capitalism, which was against the foundation of freedom and liberty that they tried to advocate for so long. With the help from the associated media, not only did they try to lobby against the implementation of climate-friendly policies, but they also tried to weaken the narrative of climate change to the public. At times, they called it a “junk science” and published books that strongly opposed climate change - which amounted to more than one hundred books from 1990 to 2005. With the recent publications of extensive literature on the impact of humans on climate change during this period, the debates over the legitimacy of climate change was promptly won by the advocates, but interest groups remained challenged.

What do the scientists say?

Up until now, 97% of all surveyed scientists have asserted that it is extremely likely that recent change in climate activities are attributed to human causes, as reflected by the measurement of excessive greenhouse gases level.

However, the overall effect is not exactly as straightforward as it initially looks. Because of rising temperatures, territories that are close to the Arctic regions actually gain from the related effects. For example, snowmelt in the Northern Arctic creates shorter inter-continental routes for container ships, which reduces transportation costs for companies. Warmer temperatures also make farming, and agriculture as an industry, more diversified and developed as a whole. However, countries that are closer to the equator suffer greatly with the global impacts of climate change - to name a few, the rising temperature makes cultivated land less arable, which hurts agriculture production; rising sea level forces people to dislocate themselves from their shelter; and rising frequency of natural catastrophes damages people's property and halts economic activities. In combination, the net effects of climate change are negative.

Still, why is there so much resistance and distrust from the public?

The primary problem, whether you believe or not, should be attributed to the role of science as well. Although scientists are doing extremely well in consistently creating new innovations with their inspiring discoveries that have reformed the lives of many, they have largely failed to communicate effectively with the public. More importantly, they also fail to convince the right politicians who could dictate the agenda towards its way which could alleviate the ongoing concern of a worsening climate.

For example, before the Fifth Assessment of IPCC was published in 2014, only synthetic reports consisting of thousands of pages was published. In addition to that, the extensive use of high-sounding technical language in the report did make the report too incomprehensible for a politician without the necessary background to understand. When climate change is now considered as both a scientific and political issue, such complexity would make it difficult for any politician to strengthen their viewpoint in their combat against the naysayers. Furthermore, people tend to overlook the notion of ongoing environmental problems and are more focused on what is relevant to their daily lives. This does not only happen to issues regarding climate change, but also to some other instances, like persuading parents to vaccinate their children.

Although there is wide scientific evidence and much awareness regarding the problem of climate change around the world, its consequences are in fact extremely difficult to be quantified. For example, take the calculation of the provisional carbon tax. Calculations derived from numerous scientific papers concluded that the reasonable social cost of carbon tax should be at \$43/tCO2, with an astounding standard deviation of \$82/tCO2.

These results suggest two additional inferences - one is that there is still a lot of uncertainty in predicting the adverse consequences of climate change, and the other one is that there is still a reasonable chance that emitting greenhouse gases is actually socially beneficial, even in the long run! Although the averages of the estimates are positive (inferring that emitting carbon is harmful to the lives of humans), we could clearly see that there is not enough power of legitimacy to outright reject the damaging effects of increasing global carbon emissions. However, the calculations might differ depending on the discount rate that is applied and that reflects how each scientist values intergenerational consequences and fairness. The model and the technology is not that well developed either to capture the comprehensive magnitude of climate change, which is extremely complex - even if the effects can be identified, its repercussions may only be felt after a few decades.

"What if science is wrong?" is such a ridiculous question to ask considering how ignorant it sounds, but that has long been the powerful weapon of the naysayers in rejecting the scientific evidence of human-induced climate change. In principle, science is not wrong, and it is not supposed to be wrong either. However, the distrust from the public towards science recently has been about the belief that science can be privately motivated and will not attempt to solve for the common good.

For example, when Scott Pruitt was appointed the EPA Administrator, he blocked any research that supports climate change, because he feared that the researchers could be (privately)-motivated by the previous EPA council to conduct such researches (and how ironic it is that he replaced the subsequent EPA council by industrial owners!). Further allegations of fraud and other wrongdoings of climate scientists on the Fourth Assessment of IPCC (2007) promptly besmirched the credibility of the report in the eyes of the public. However, the case was later dropped, but its consequences have created further opportunities for politicians to undermine the reputation of climate scientists and the IPCC reports.

It is going to be extremely challenging to alter the perspective of the deniers, either because they are financially motivated to do so, or the reason for their constant rejection is deeply rooted in their religious belief. What can be done to mitigate the influence of climate change skepticism is somehow to raise awareness among the younger generation since their long-term influence would be much more important. Other countries have taken giant steps to minimize the impact of climate change, especially countries within the European Union and China who are commensurable to the United States.

So hey, it is supposed to be "America First", right?

Hải Đăng Vũ
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Paradigms in Development Studies

Development Studies is a nascent social science, which has been developed in the past seventy years, and is still developing. After the disastrous effects of World War II, reconstruction was the priority for countries and organizations all over the world, which shaped policy and international relations in the post-World War II globe. More importantly, this led to the inception of many international organizations such as the World Bank (WB) and International Bank for Reconstruction and Development (IBRD), which have helped shape (and destroy) the economies of many countries over the last decades. As with any other social science, development studies is subjective, has its dominant players and opposing factions. This article takes a look at how development studies has evolved over time, and what it did lead to, along with contextualization with regards to the actors who impacted it.

It would be remiss to say that development is not biased. The very phrase, “underdeveloped countries” suggests there is a corollary, “developed countries”. And what are these developed countries? Western nations such as the United States of America, Germany and the Netherlands fall under this category. This begs the question, what makes them developed? Is there an international body, which ascribed them this label? On the other hand, countries such as Ghana and Afghanistan are “underdeveloped”. Although it makes sense in various aspects that these Western countries have better economies and better technology, it is a step too far to be labeled as the epitome of human civilization. The condescending tone of this nomenclature, coupled with the idea that all nations should aspire to be “developed” a.k.a mirror these Western countries, makes it very biased.

Walt Rostow, an American economist, developed one of the first models in development theory. Termed as “Rostow’s growth model”, this was widely considered to be the holy grail in this field. It consists of five stages, namely:

1. *Traditional society*
2. *Preconditions for take-off*
3. *Take-off*
4. *Drive to maturity*
5. *Age of high mass consumption*

It is hard not to notice the influence of capitalism on his model. Developed in 1960, at the height of the Cold War, it pushed for exponential economic growth and high mass consumerism. Countries that would have applied this model were usually then-recent post-colonial sovereign states. To achieve high economic growth would mean closing down international trade, developing the national labor force and market, and mass provision of services by the public sector. Consequently, this would mirror a socialist state, and the USA with its policy of containment, was not keen on that. So this was marketed as the ultimate cure for poverty to the poor countries of the world.

This brings to light another question: what exactly is the goal of development? And why is poverty the biggest problem that is being tackled? Native Americans did not have many goods and were not interested in material goods. However, they led very peaceful lives. Monks share the same outlook. They do not have any worldly attachments or material commodities, yet they are very content with the way they live. So why is poverty such a big deal in development? And it is not just development studies that deals with poverty. Students of economics also learn about tackling poverty and creating employment. Poverty is portrayed as the manifestation of rural and traditional cultures. Being "backward" causes poverty. However, is it true?

Again, what does it mean to be "backward"? Who is "forward"? The origins of this nomenclature can be attributed to neo-liberalism. Neo-liberal principles visualize a world without any trade barriers and zero government control over the market mechanisms. In other words, it is a global market that is accessible to all. Due to World Bank, International Monetary Fund and other institutions pushing for neo-liberal agendas in countries they were operating in, market penetration became easier than ever. And more often than not, market penetration is mostly enjoyed by big corporate companies, who reap exponential profits out of this. In turn, this results in the local industries being isolated, with all their former consumers flocking to the sophisticated international companies. This makes the local economy weak, and very likely causes a recession. So, as a manipulation maneuver, the terms "backward" and "traditional" were used for these local markets, so that the peoples would get a sense of redundancy and would join the global market.

Coming back to the goal of poverty alleviation in development: Is that really what development is about? Economic growth and high-consumption societies? The most fundamental law of economics states that goods have a diminishing returns. So, high levels of consumption will also have diminishing returns. What is the next phase? The paradigm of Alternative Development takes a look at the central issues in development and offers different, fresh perspectives in this field. Alternative development focuses on the development of humans, as living, breathing entities. It incorporates the local peoples, involves heavy contextualization in the process of making policy and offers a grass-roots level view to development. Compare this with mainstream development. Some of the biggest differences are that mainstream thinking is predominantly top-down in almost every aspect. Alternative development suggests that the people who face the problem should be contacted first, and then policy should be made based on this information, which is a bottom-up approach. However, it is easier said than done. Countries have vast populations, and it is very difficult, almost impossible, to involve all local communities in the policy-making process. But alternative development practitioners have scored major wins, and have merged into mainstream development in the last few decades. Amartya Sen's "Development as Freedom" is a shining example of the impact of alternative development. In his works, he emphasizes that "freedoms" are the key to development, and the end goal is to lead a fulfilling life. These "freedoms" cover different aspects of socio-economic life, such as freedom of expression, freedom of employment, freedom of social infrastructure and so on and so forth.

There are many other paradigms and schools of thought in the field of development studies, but this article will not do justice to them if they are explained very briefly. Theories such as post-development and neo-classical development theories address different aspects using different models and mechanisms. However, it is important to understand and acknowledge the fact that development studies is a subjective science, and there is no single answer to what is correct or what is wrong. Scholars can't even agree on the main goal of this field, let alone the various models which should be used. The content in this article mentions only some of the models and theories we know. Maybe in the future, there will be better, more efficient models which are more comprehensive.

However, one thing is for certain: The world can be a better place. And it can happen through many different channels, be it by economic growth, high mass consumption, or grass roots movement. As students of economics, we should strive towards understanding the dynamics of human interaction better. It is easy to get carried away by numbers, policies and growth rates. At the same time, putting a face on everything is all sweet talk and no action. However, it is up to us how we deal with the problems of the world, and what solutions we come up with.

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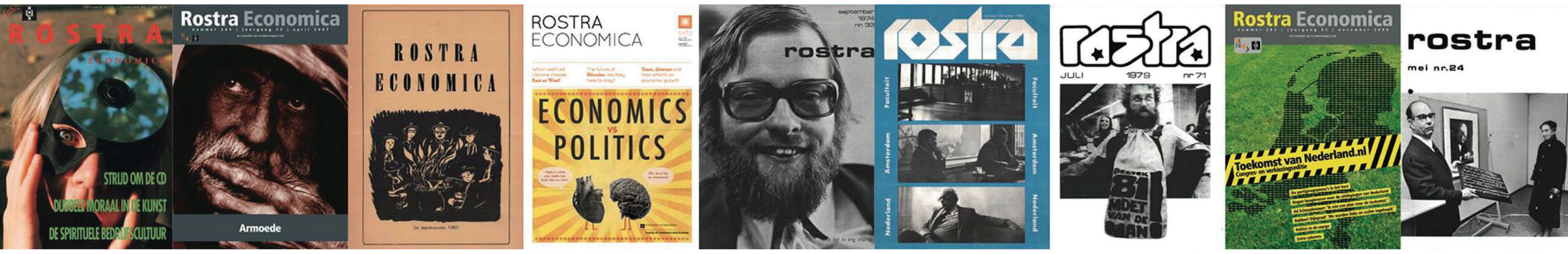

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