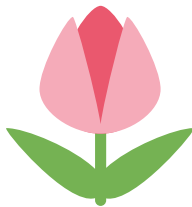
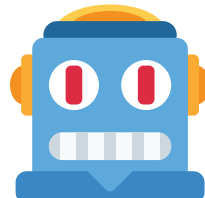


rostra



The Hype Around Blockchain and Cryptocurrency in a Nutshell

Music from Another Dimension

The Internet, the Economics and the Expectations

Economics & Business

Questions? rostra@sefa.nl

June 2017

Editor's Note

Dear reader,

Summer is coming and the end of this academic year is near. It is always a struggle to keep up the good work while the sun is shining outside and you prefer having a drink with your friends over studying in the library. But once you have finished—and hopefully passed—your last exams, thesis, or resits, I bet it was worth it.

Apart from studying, I hope that you have been following the news as well. The last few months have been extremely eventful, and it has been difficult to catch up with all current affairs. I keep wondering if there really is more happening than ever, or if it is just the fact that due to internet we now much faster get to know more. Some of my friends even decided to boycott news as a whole, since they thought of it as an exhausting and never ending source of information that brings us nothing besides worries. I do agree with them that lately there has been a lot to worry about—tensions between the U.S. and North Korea; the ongoing war on terrorism; Manchester; the Middle East; Brexit; American, Dutch, French, Iranian, British, and German elections; cyberattacks; the Turkish referendum; etc.—but I also think that it is even more important to stay informed.

If we do not exactly know what is going on, or only read the headlines on news websites, how can we form our own opinions on all of this? Well, the answer is simple: we cannot. Last year at Rostra I have noticed that all of our editors, that originate from all over the world, have got their very own perspective on these current affairs. Each one of them can tell me more about the things happening in their home and its surrounding countries than I read about it in the Dutch papers. I have learned a lot from them, and what I am trying to say is this: understanding every kind of conflict in the world is impossible, but it is possible to understand the people that have to deal with it, as long as you take different perspectives into account.

For now, this paper edition of Rostra is definitely a good read during your study break. We are not discussing the tiresome current affairs or conflicts, but are just providing you with some nice insights in economics, business, and politics. As usual.

Good luck with the last bits of this moving academic year, and enjoy the summer!

On behalf of Rostra Economica's editorial team,

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Editor-in-Chief



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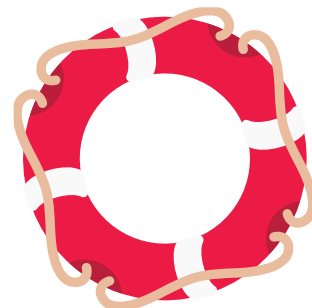
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The Hype Around Blockchain and Cryptocurrency in a Nutshell

Ever since the implementation of the blockchain as the underlying technology for the bitcoin, people have been very creative with the applications of the blockchain technology. If you did not already know, the bitcoin is a digital currency and a peer-to-peer electronic payment system that is not issued by any central authority. A blockchain is a decentralised digital ledger that records transactions across many computers in such a way that the registered transactions cannot be altered retroactively. The use of blockchain can thus facilitate secure online transactions, prevent corruption and minimise malicious manipulation of the system. Some of the most discussed applications of blockchain include smart contracts, facilitation of the efficiency of supply chain and banks settlement service, etc.

Blockchain technology is said to be a huge threat to the financial intermediary such as the commercial and investment banks since it allows the execution of transactions and contracts without the middleman. Bankers are aware of the challenges and they are hoping to turn threats into opportunities, which explains why blockchain is such a popular topic in the financial industry at the moment. In fact, around 80% of the financial institutions around the globe have already taken part in developing solutions to incorporate blockchain or other financial technology into their IT systems.

For example, a wide range of interested parties has announced to form a global alliance in February 2017, named the Enterprise Ethereum Alliance (EEA). The EEA involved thirty Fortune 500 companies ranged from investment banks, technology companies, consulting and technology service firm to several Fintech startups. The primary goal of this corporations is to develop Ethereum into an enterprise grade blockchain that makes it easier for enterprises to achieve higher yield by improving the efficiency on the speed and the volume of transactions, and comply with the regulations at the same time. Be-

sides, the alliances are going to test on new governmental models that are able to decentralise power but still create corresponding accountabilities for the agents that are involved the management structure. This is one type of application of the smart contract. If the plan turn out to be successful, that will have major effects surely not limited to technological and financial industries.

Another important application of the blockchain is that it is the underlying distributed ledger technology of some cryptocurrencies such as Bitcoin and Ether (the virtual currency transacted through Ethereum platform). Bitcoin currently has more than 19 billion US dollars market capitalisations and is the highest among all existing cryptocurrencies. The value determination of bitcoin is purely driven by supply and demand; therefore, with a limited amount of bitcoin in circulation, the price of bitcoin is very volatile. Bitcoin has already been used in various real-life situations, from exchanging currency though bitcoin to exploit profits from its extreme volatility. On top of that, there has been a longstanding discussion on the idea of creating bitcoin ETFs. The first filing of bitcoin ETF, Winklevoss bitcoin trust, was disapproved by SEC in early March 2017 due to the fact that the bitcoin market is easy to manipulate, and thus make it an unstable and inefficient market. And most importantly, the bitcoin is just a digital currency that is still fairly unregulated and the underlying value is impossible to determine. With the regulatory risks and the complexity of trading bitcoins like other securities, it is rather unlikely that bitcoin will become a standard international currency in the near future.

Tsz-Tian Lu

21 years old, Taiwanese, 2nd year BSc student of Finance and Organisation at the University of Amsterdam. Believes that good journalism can make the world a better place.



Become an EU Resident for Just a Hundred Euros

Sounds ridiculous, right? However, this is indeed the case in Estonia. This small Baltic country is in need of a new population and more particularly a new workforce. As a solution, a digital option of residence was invented.

How does this all work?

You will be surprised at how easy it is. First of all, you just need to fill in an online form which asks for the most important personal information. Next, your application is reviewed by the police in order to check whether you had any problems with law and whether everything is fine with your financial situation. If everything is alright, then the last step is to receive your own Estonian ID card. Most amazingly, you don't even need to visit Estonia, the ID can be picked up at the local Estonian council.

What does the e-residency entitle you?

The main thing to understand is that becoming an e-resident is not the same as receiving a citizenship. This residency can be better described as a tool for running businesses in a more easy way for people not situated in the EU. When becoming an e-resident, one can establish a company and run it fully online, including declaring the taxes, and signing and transmitting the documents securely. It gives an opportunity to enlarge your business by situating it in the European Union.

Why does Estonia want e-residents?

One of the main reasons for launching such a program is to increase the number of businesses and overall population in Estonia. This country has only 60 thousand businesses, and the aim of the project is to considerably increase this number. One of the other goals is to have 1 million e-residents.

Another reason is that this program allows European countries to get access to the internet based entrepreneurs all over the world easily, as they will have access

to an official online payment provider once they become e-residents. It will help Estonia to expand their international network. One of the other advantages seen by the Estonian government is that this program allows start-ups from countries that lack financial governmental support to receive it overseas, which will be beneficial for both the start-up company and the country it is based in.

At first, the e-residence was said to be an effect of the Panama papers, as people became in need of more transparency in offshore businesses. However, an owner of such businesses still has to pay the taxes of his/hers home country, unless most of the business is operated in Estonia. The Estonian government also expects a boost in e-residency after the UK announced itself leaving the EU.

Is this program indeed working?

It looks like it. After just several months into the program, more than 12,000 people became e-residents. Some of them did it for the main reason (business), whereas others are just supporters of the idea, which is completely fine; says Kaspar Korjus (the program director of e-residency).

Moreover, during the first months, 1,000 new businesses were launched in Estonia, which is an increase of 2% compared to the amount before the program. The program provides non-residents of the EU with a great opportunity to legally establish their business there, and is another example of how technology is stepping in into all fields of people's lives.

Yana Chernysh

19 years old, 2nd year BSc student in Economics. I love reading, am keen on politics and economics.

I want to explore all the opportunities I have, and I am always trying to expand my hobbies and skills.





Are We Sustainable? ...and Looking Forward

Yes, or maybe we are getting ahead of ourselves.

In recent years, sustainability issues have been taking the centre stage of the business world. Green technology has also achieved tremendous progress: not only are they beneficial to the environment, but also profitable investments as well. In spite of such success, people tend to be over-reliant on it. As counter-intuitive as it may seem, some measures that are taken to tackle the problem have allowed people to be less conscious in their own behavior to environmental issues. In recent months, I have been extremely fortunate enough to team up with three other enthusiastic students as we work on a project that aims to improve behaviors of students at the VU towards being more sustainable. In the meantime, we have also encountered certain obstacles in finishing our project as there is such limited academic contribution into the investigation of human behavior, although behavioral sciences has been around for several decades. Being faced with such challenges, is there any prospect for sustainable behavior in the future?

Restructuring our habits, our way of thinking and our actions in parts of our everyday life is indeed a challenging task for anybody. We are programmed a certain way just like a computer program, and it certainly takes time for any adjustment in our behavior to incorporate into our daily routine. Although the history of human evolutionary progress has spanned over millions of years, the iconic breakthrough that shaped our society as we are now only came 11,000 years ago. The Neolithic Revolution (or first Agricultural Revolution) marked an important transformation in terms of daily rituals and

lifestyles of human—from hunting rituals to peaceful settlement with communal agricultural practices. However, as van Vugt, Griskevicius, and Schultz assert, this period only constitutes less than 1 percent of the existence of our species on Earth. Judging by such amazing achievements that humans have made throughout the past 11,000 years, the expectation is that there would be an evolutionary mismatch between human minds and its surrounding environment; or phrased differently, “humans are navigating the modern world with Stone Age minds”. However, it is not improbable for human minds to not develop a sustainable-oriented mindset. The most effective approach to do it is to adopt educational or other practical methods to increase awareness of people towards building sustained environmental behavior. If successful, individuals will start to experience a cultural shift that creates long-term change in their own habits. The authors identify that these problems can be tackled by measures focused on tackling on our psychological biases on sustainable behavior, which consists of self-interest, shortsightedness, status, imitation and sensing.

How can we be more sustainable?

Recently, technological advancement has allowed us to be more energy-efficient than ever. Large corporations and new startups have been increasingly active in the realm of corporate social responsibility, with considerable marketing efforts to polish themselves as a “green” brand. Despite allegations to the misuse of this strategy (often referred to as greenwashing), businesses have done a relatively phenomenal job in terms of keeping

themselves and their customers engaged with environmental behavior. From the perspective of the consumers, in Europe, the adoption of standardized energy label has triggered end-users not only into selecting the best available product for them, but also implicitly choosing the best alternative for the environment.

However, behavioral changes of individuals are of equal importance as well. It does not necessarily have to be sophisticated, but rather the modest habitual changes to our daily activities. Now let's take a look at how we, as students, have taken good care of our electronic devices. Let's be honest here, nowadays we cannot live a modern life without looking at your phones or working with your laptops everyday, so the daily uses of these appliances directly affect our energy consumption everyday (or carbon footprint, if you really want to get technical). To analyze how sustainable humans are, we conducted a survey that questions the daily routines of each individual with respect to charging their devices. Our own survey on Amsterdam students showed that a surprising 68% of respondents does not always acknowledge their overcharging behaviors. Even more problematic, approximately half of the surveyed students does not take immediate actions when we realize our devices are being overcharged. This result may not be representative of any specific individual as I do realize that different students will have distinctive habits towards the use of their devices. However, as sustainable as we claim ourselves to be, we have not yet delivered the desirable actions towards protecting our environment, that is if we are not motivated to do so.

The appropriate measure used to take care of your laptops will prolong the lifespan of your devices. The loss in lifespan greatly varies with the models and the actual gadget (phones/laptops) you are using. However, only for the newest models of electronic devices (mostly only for laptops) is it possible for the internal system to isolate electronic current from going into the devices in the states of "charging" and "fully charged". For the devices that are not equipped with this technology, overcharging reduces the maximum charge capability and capacity of the electronic devices, hence it negatively

affects the lifespan of any device. In the long run, the battery on your electronic device starts to deteriorate and that ultimately boils down to higher replacement cost. You might have started to feel concerned reading through here. Well, if you do, that is exactly why it is much more effective to approach with their private concerns before introducing ourselves to other direct environmental benefits. And reasonably fortunate for us, these so-called "nudges" are surprisingly effective. As indicated from the results of our survey, on average, three out of four surveyed students, having realized the adverse effects of overcharging, shows their willingness to react differently in their daily use of their devices.

Although the private (economic) benefits of energy-saving behavior might be insignificant for each individual, the social externalities gained are considerably more important. As mentioned before, behavioral changes are "baby steps" that do not immediately transform a behavioral pattern, but it usually takes time to adopt changes to have a long-lasting effect. One thing that is good about sustainable behavior is that, if one is done successfully, other effects can be easily translated into a defined set of sustainable actions as well. It is totally not impossible to do it—initiatives of these similar projects can be found anywhere, as the European Commission has been putting a lot of effort to finance these projects in the future. In the Netherlands, academic institutions are also increasingly aware of sustainability and have established themselves their own "Green Office", a student-run organization that focuses on building collaborative sustainable project for each university. The future is indeed looking bright.

So my answer to the question is "yes", we totally can be.

Hải Đăng Vũ

Vietnamese 2nd year BSc Economics and Finance student. My focus is on Macroeconomics and Behavioral Economics. At Rostra, I am inspired to inspire my audience through my stories and analysis.



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Machiavelli's Resurrection

Deception. Cunningness. Manipulation. These divide the world into two kinds of people. The first half likes, and practices these skills. The second half is appalled by the very idea of misleading another person or an institution. The first half is called Machiavellian, whereas the second half is called innocent. So why is it that a 16th century Italian state official's book has caused an uproar resounding through the centuries, to this date? What exactly is Niccolò Machiavelli's book "The Prince" about, and why is he called the father of modern political science? And more importantly, are its learnings applicable to this day and age of global conflict and fragile international relations?

Niccolò Machiavelli was born in Florence, Italy in the late 15th century. His father was a lawyer, and his family was very influential in general throughout Italy. It is important to know that Italy, especially Florence, was constantly forming new allies and making new enemies. Under the pretext of defending Christian values, the popes waged wars. To add to that, foreign powers such as France, Spain and Switzerland also battled for regional influence. These were times of fear and distrust, since cities could go to war with a new adversary every single day of the week.

1494 was the year when Florence became a republic again, removing the tyrannical Medici family that had ruled Florence for over half a century. This is when Machiavelli started with his diplomatic missions. These helped him see the actual condition of political warfare, and the tactics used by different leaders throughout the

state. In his works, he pays great emphasis to Cesare Borgia and his father, Pope Alexander VI. They tried to rule most of Central Italy, and their brutal techniques to control power fascinated and shocked Machiavelli. The Medici took control of Florence in 1512, and Machiavelli was labeled as a conspirator. He was tortured and eventually shunned from society. Sitting in his home, overlooking a vineyard, he started writing "The Prince", which he meant to offer to the ruling king then, Lorenzo Medici. He hoped this would bring him in the good books of the king, arguing that the knowledge on how to retain power was the most important thing for a ruler to know. Unfortunately, the king did not even read it, and the book was only published five years after Machiavelli's demise.

Fast forward five centuries, and we see some of the world's greatest and some absolutely terrifying leaders worship the book. Napoleon Bonaparte and Joseph Stalin read the book. The founder of Italian Fascism, Benito Mussolini did his dissertation on Machiavelli's work. The Iron Lady's tenure, especially towards the end, has been often compared to the political turmoil in early 16th century Florence.

In line with the very (in)famous saying "If an injury has to be done to a man, it should be so severe that his vengeance need not be feared", Margaret Thatcher implemented swift and radical policy changes as she stepped into 10 Downing Street. It is said of her that she wasn't really liked by her colleagues, as was apparent from their disagreement on her views of the European

community. But again, as Machiavelli said, it is better to be feared, than to be loved. And the Iron Lady, indeed, was feared.

More recently, Vladimir Putin has been dubbed as a shining example of the Modern Machiavellian man, or a "Prince". It is no secret that his cunning and shrewdness has allowed him to hold office for almost two decades now. Putin is infamous for abusing his power and making extravagant financial gains. Voices of opposition have been brutally murdered, and he and his friends are rich beyond imagination.

Internationally, he is considered to be a dictator and violator of human rights, yet, the people of Russia love him. Why is that? In short, he has exercised three Machiavellian principles, which I have abridged. Firstly, he absolutely crushes his enemies. There can be no possibility of a retaliation. Secondly, he is never caught doing the dirty work himself. Henchmen and fallguys work as his invisible hand. The trail never leads to him.

Thirdly, and what I think is most intriguing, is that he makes sure he has a good image in the eyes of the public, and this is directly related to the second technique. When the Obama administration was being criticized for considering to launch airstrikes in Syria, Putin wrote a scathing op-ed New York Times article, delineating the horrible humanitarian and political consequences of this. The irony is that Russia itself has attacked Syrian camps. This was a ploy to get regional dominance, by Russia, veiled in the guise of humanitarian appeal and political instability.

We have seen that Machiavellian strategies are full of shrewdness and deceit. But is it fair to call it evil? Is "Anti-Christ", which was used as a label for Machiavelli for centuries, justified? In his world, there was no love, and absolutely no trust. He saw the world, after the fragile curtain of humanitarian emotions was removed. Thus, his works speak of controlling power, and exercising it. It was the only way in which a ruler could keep his citizens under control, and be ready to fight opposition. Otherwise, they would be crushed to death by their adversaries.

Maybe we live in a similar world. Maybe we don't. Everyday, we hear terror attacks killing innocent people. We are currently on the verge of nuclear war. International relations are tumultuous. But, we also have people supporting refugees. We have people fighting to end global poverty and hunger. We have people that we love, and who love us.

It is up to you to decide. It is up to you, to choose your brain over your heart, or otherwise. Do you want to annihilate your enemy? Is it better to be feared, than to be loved? Finally, if you believe you're Machiavellian, ask yourself this, does the end justify the means?

Atma Jyoti Mahapatra

Indian student in Amsterdam studying Economics, with a passionate love for experiencing new things and meeting new people.





How Does Facebook Make So Much Money Anyway?

Last summer, right after the 15 July coup attempt in Turkey, I deleted my Facebook account. The idea of deleting my account was something I had in mind for a while, long before that summer. Yet the problem was that I had a huge amount of friends and contacts on the platform; so initially, I really did not want to disappear out of the blue. The tipping point, however, was not the coup itself after all, but what I learned about Facebook afterwards...

Of course, Facebook is a business like any other. Their platform brings people together and makes it very easy to communicate with others. That's the core of social media—connecting people. But the thing is that simply connecting people wouldn't really make money, it'd just cost you money. Just the electricity bill required to power all the computers that run Facebook's code must be astronomical. Additionally, their army of software engineers, support staff, and corporate managers must be paid too. Add to all of that the marketing expenses and R&D project costs.

Well, seeing that Facebook is not going bankrupt, we know that they are making at least as much money as their expenses. I went on and checked their latest annual earnings report. In millions, except percentages and per share amounts, the first table begins, and I can already see some figures in thousands.

What instantly drew my attention were the figures related to revenues. There are two entries under it for 2016: 'Advertising,' which was 26.885 billion dollars, and 'Payments and other fees,' which was 753 million dollars.

Let's start with the smaller one, payments and other fees. The name is a bit vague, as there was no clear defi-

inition what this figure consisted of. Digging into their 2015 annual report, I found two relevant sentences.

"We have mandated the use of our Payments infrastructure for game applications on Facebook, and fees related to Payments are generated almost exclusively from games,"

and,

"Our other fees revenue, which has not been significant in recent periods, consists primarily of revenue from our ad serving and measurement products and the delivery of virtual reality platform devices."

This figure is apparently a combination of the money people spend on games, post promotions, and metrics tools. It is no secret that Rostra spends a bit of money every now and then to promote and boost posts, but this figure is truly small. Yet it seems that, at scale, it does form a significant chunk of their revenue.

For the main part of their revenues, they receive money directly from advertisers who wish to publish content specifically as advertisements and promoted products. The distinction between an advertisement and a promoted post lies at the product. If there is something for sale, then it's counted as an advertisement.

You know how the old saying goes, *"If you are not paying for it, you're not the customer; you're the product being sold."*

Even public goods, which are technically free to use for everybody, are paid for by taxes. Facebook's front page,

however, really makes that quote count: “It’s free and always will be.” Seeing that they made almost 27 billion dollars on advertising alone, you can see that it’s not particularly free. The payment you make is with your personal information. Divide that 26.885 by 1.860, the most recent amount of reported active users in billions, and you get 14.45 dollars. That’s how much a single person is worth to Facebook on average, per year.

Facebook collects data extensively from everything that you give them. One thing that a lot of people don’t know about is the ‘Advert Preferences’ page.

The ‘Lifestyle and Culture’ tab specifically is the one that tells the most about you as a person—you can check yours right now. Before I deleted my account, I went through this and found out that Facebook knows that I’m in a long-distance relationship, that I’m away from my family, and that I was on a trip one week ago, and on another one two weeks ago.

Those are all very astute observations, Facebook. Just by tracing my location through my phone’s GPS, it was able to figure all of those out. I didn’t have to post pictures from my travels for Facebook to know these things; there was literally zero active participation by me in that timeframe, other than texting people on Messenger.

To advertisers, this is all very valuable information. They can market postcards for my parents or chocolates for my girlfriend—which would be vegan, as they definitely know that my girlfriend is vegan too.

Conventionally, advertising agencies publish ads on television and print media, where the adverts are seen indiscriminately by anybody who consumed that media. Of course, there was some level of filtering, as someone who reads Popular Science has different interests than someone who reads the Economist. The Internet was similar on that end as well, but things started shifting as collecting personal data en masse became easier and easier online.

Nowadays, the extreme amount of data available to advertisers at a personal level has made it such that you can show your products only to people that will actually buy them. No matter how niche that hand-forged brass butter knife or the book on cooking with your car engine is, you will manage to find a buyer for it—on demand, for an affordable price. This is how Facebook makes fifteen bucks per user.

This sounds all well and good, as after all, people who want to buy products are extremely efficiently matched with people who want to sell products. Optimising this system of matching supply with demand creates an active economy, and encourages growth. Yet the question

I had in mind while deleting my account still stands: “At what cost?”

The effect that Facebook has on people’s lives is not limited to showing ads on their feeds. Although that’s how the company makes money, with all the information they have on you, they also get to decide what you see while you’re on the website.

You see, Facebook didn’t just know that I was on a holiday, it also observed that I was in favour of democracy and free speech, and that I would lean towards the agenda of the Democratic Party in the US. By showing people content related to their political views, it forces users into bubbles of their own making, while streamlining the process itself into an invisible convenience.

Facebook wouldn’t have anywhere near as many addicted users if it showed you what you don’t want to see. I certainly wouldn’t be happy if my feed was filled with articles from Breitbart or FOX News.

The company is sitting on the biggest trove of personal data ever established, and even if you trust Zuckerberg with your life, who is to prevent governments or malicious institutions from accessing this data? How would we ever know, unless a whistleblower speaks out, about the misuse of this data for purposes other than advertising? Who stops Facebook from forcing you into a bubble of misinformation? Can Facebook be prevented from turning into the greatest tool for political power and manipulation? Will Facebook ever be litigated by governments for being too addictive and harmful, just like tobacco and alcohol?

I don’t believe that any of those questions have an answer I’d like to hear. That’s why I had trouble staying on Facebook. Especially because I’m a Turkish citizen, I do not feel comfortable with a single company aggregating this much personal data. At any moment, this company could collaborate with the government and make a list of people who are a threat to the stability of the regime. Really though, I’d really like to think that I’m not in that list.

Facebook makes billions in net income and their figures keep increasing, but I simply wonder... would they be filing bankruptcy if we could somehow account for the moral hazards and damage they cause to society?

Evrin Öztamur

2nd year Economics and Business student with a knack for computer-stuff. Lives to answer questions, learn new things, and build stuff from scratch.





“May I have Another Cocktail for Our Investment Banker?”

The heaven for deal making: that is what the yearly meeting is called at the Tulane University in New Orleans. Due to political movements in Washington, the mood among investment bankers and top-tier lawyers is at its best. The cocktails in the stately Roosevelt Waldorf Astoria Hotel and Bourdon Street did the rest.

The takeover bid of the American PPG on their Dutch competitor AkzoNobel with a generous premium does not stand alone. Trump has boosted the stock prices at a maximum which resulted in a stock rally the last couple of months. This gives the ladies and gentlemen in the boardrooms more leeway.

Board members feel more confident and richer due to rising stock prices. They have furthermore, due to a strong Dollar currency, relatively more purchasing power overseas. A lot of investors and investment bankers salivating of the idea of possible transboundary mergers and acquisitions.

Goldman Sachs is leading the list of dealmakers. According to the New York Times, Goldman Sachs had a market share of 22% in the first quarter. Morgan Stanley follows with 21%.

In New Orleans, top banker Kurt Simon of JPMorgan (number five on the list with 14% market share) dared to state that an American company, during the current circumstances, will place a bid of more than \$100 billion in cash. The current record is \$66 billion: the takeover bid of Bayer on Monsanto of last year.

Encouraged by investment bankers, American corporates are hunting outside the borders. The total value of

the cross-border mergers, which is approximately half of the total value of mergers, is on highest end since 2007. In the first quarter, this value has even grown by a factor of three (on a year-to-date basis). According to preliminary figures of Thomson Reuters, the total value of all mergers and acquisitions in the first quarter of 2017 is around \$726.5 billion. That is seven percent more than last year.

This could be much more. The unwanted takeover bid on Unilever by the American Kraft Heinz was surprisingly fast off the table last month after leaked information about the takeover plan. While earlier this year, the takeover of the American Johnson & Johnson on Swish Actelion was closed. This counted for a total value of around \$30 billion. The other way around, the British Reckitt Benckiser placed a bid of \$17.9 billion on the American food company Mead Johnson.

The economic nationalism of Trump is not seen as a major obstacle yet. Despite earlier rhetoric, experts expect a flexible attitude when it is about big mergers and acquisitions by the authorities during the era of Trump. For investment bankers and lawyers enough reason for another Sazerac in New Orleans.

Nando Slijkerman

Dutch ambitious student in Economics and Business. Very interested in investment banking, mergers & acquisitions, private equity, and passionate about rowing.





A South African Sauvignon, Please!

The Importance of Wine for the Biggest African Economy

While you are enjoying your chenin blanc, sauvignon blanc or merlot in the sun, you probably do not realize the importance of this refreshment for the South African economy. In almost every restaurant in Amsterdam, they serve wines from the southern country, since South Africa is the producer of 4.1% of the world's wine, and therefore a really important player on the market for wine. With more than 100,000 hectares of vineyards, the South African economy really benefits from the expanding wine culture across the globe. As their way of farming is sustainable, and their wine is called to be from the 'New World', their wine is unique and has become very popular in a short period of time. With wine as the second-largest export product, the country found itself able to compete with established wine countries such as Italy and France. But what is it that made the country able to suddenly distinguish its wines from the well-known French and Italian ones?

Fortunate climates

Well, actually there are several reasons for the expansion of the product. First of all, the climate in South Africa is perfect for the production of grapes: there is a lot of sun, the soil is very fertile due to the differences in minerals, and the ground is not too dry—although the summer of 2016 was indeed too dry to result in a good harvest. Besides the fortunate climate, there has also been a fortunate business climate, since a lot of spare land was turned into vineyards by some passionate farmers, so there was both room and money for the production of wine.

Tradition

Although you can see a very long tradition of wine production in France and Italy, the wine industry in South Africa only became important after the end of the Apartheid. During the Apartheid (1960-1990)

a lot of companies were not allowed to trade with some of the grape farmers, which led to an enormous increase in wine exports after the Apartheid had come to an end. It thus makes a lot of sense that the South African wines are relatively 'new' in Europe.

The winemaking process

The South African way of winemaking is also different from the traditional ways of making the popular drink. In the Western Cape, they use French and American oak to flavour their wines but also use steel barrels to keep the freshness of the grapes within the wine. You might have experienced yourself that South African white wines, such as the sauvignon blanc and chenin blanc, are really fresh and dry. But not only the winemaking is unique, there are also grapes that only grow in South Africa, such as the pinotage.

All in all, we could state that the wine from the 'New World' is expanding across the world not just due to its unique taste and grapes, but also because of the fact that these wines are less expensive due to lower costs arising from the fortunate business and weather climate. During the Sefa Study Trip to Cape Town, we visited the Stellenbosch vineyards to taste some of the local wines, and I must say that they really taste different. If you ever get the chance to go there, I highly recommend you to do so, and if not: make sure to enjoy your South African wines somewhere else. You can get them everywhere!

Leonie Ernst

Dutch 2nd year BSc student in Economics. Intrigued by the things happening in the world, and music lover.



EXPECTATIONS

VS.

REALITY

The Internet, the Economics and the Expectations

"Life is, largely, a matter of expectation.."
— Horace

How many times have you changed your opinion in the past couple of weeks? How many articles, YouTube videos, Facebook posts or Instagram pictures have you seen that presented plausible counter arguments to your opinion? In the '.com' era, opinions change as fast as weather forecasts, and what one day is your absolute truth, could become your next theme for protest on a Facebook post. This constant paradigm shift offered to us by the Internet—small note, I believe it is time to consider the Internet an institution, and as such, capital letters are required—is what makes it so special, unique and progressive.

However, in this humble student's opinion, at least economically, the Internet could be causing us some problems. You see, since the dawn of times, economists have been trying to equate expectations in our models. Rational expectations, adaptive expectations, expected inflation and so on. These are just a few of the many types of expectations described by famous economists, such as Keynes and Fisher.

All in all, they were able to describe and create models which comprised these expectations in economic theory. And with those models they were able to predict economic outcomes. But take note dear reader, predict in economics doesn't mean explain. Actually, the two terms couldn't be more apart from each other. As another great economist of our time, Milton Friedman, said once: 'Economic models should be judged by their predictability, not by their explanatory power'.

Lack of explanation is the turning wheel that made us hit two trees in less than 20 years: the .com crisis and the 2008 crisis. The lack of understanding and the oversimplification made us think that the Internet wouldn't change the economic models we had, and if it would, it would be for the best. It would be to finally create perfect market conditions, to lower transaction and transportation costs, to produce more efficiently and effectively, to, finally, give explanation without assumptions created to failproof economic theories.

While we were in this .com dream, we forgot to consider that the internet could generate negative outcomes, and amongst social and cultural problems, there is the

economic expectations problem. Let's consider the two economists previously cited, Fisher and Keynes. Both of them theorized about expectations, and I believe their work is fairly useful on this subject. Fisher's theory is quite simple:

$$i = r + \pi$$

This equation says that the nominal interest rate is composed by the real interest rate (r) and the expected inflation (π). The nominal interest rate is the one seen all the time in newspapers and so on, and it's usually defined by the Central Bank of any country.

The real interest rate is an exogenous variable, resulted by the subtraction of the nominal interest rate and the expected inflation. Last, but not least, the expected inflation will depend both on the monetary policy of a country, which is also controlled by the CB, and the other economic agents.

Let's start by defining this last term. Economic agents are all the individuals that compose the economy of a country: households, firms and banks are generally the ones used as example.

Before telling you that the expectations of these economic agents are being affected by the internet and changing the economic models we have used so far, I have to protect myself by showing you how powerful these same economic agents are. Ironically, or not, the perfect example of how expectations can affect the economy, happened right here in the Netherlands.

1630. TulipMania. Tulips become a craze in the Netherlands—more than ever.

One new type of tulip starts being produced. Expectations of getting the Semper Augustus, the special tulip, increase exponentially, and speculation over the flower starts to grow up until the point where: "It was enough to feed, clothe and house a whole Dutch family for half a lifetime, or sufficient to purchase one of the grandest homes on the most fashionable canal in Amsterdam for cash, complete with a coach house and an 80-ft (25-m) garden – and this at a time when homes in that city were as expensive as property anywhere in the world." (*BBC One, The Tulipmania*)

Of course, speculation was the main reason of the crisis. But what you don't know, is that the Semper Augustus was a type of tulip generated because of a virus. Which

means that while everyone expected to have more or the same quantity of flowers in the marketplace, there wouldn't be any of those tulips anymore. Their expectations were completely mismatched with reality, and this pretence caused the first speculation crisis ever registered in history.

Keynes also talked about expectations, and, as the great economist that he is, he admitted that the optimism/pessimism of consumers could directly affect the economy. He just couldn't quantify how. Moreover, in his theory, he added variables which represented this state of mind of the economic agents.

With the start point of the macroeconomic identity, Keynes would define the term 'propensity to ...', for all the variables on the equation. Propensity to consume, invest, save, export and import would all be affected by this state of mind. Now, if the state of mind of economic agents is unstable, and this takes part on building the components of a country's national identity equation, what can we expect from our economy?

If we add Keynes and Fisher's theory, the Internet and a little bit of chaos theory, this is the outcome: our economic models weren't ready for the volatility of expectations generated by the internet.

We can see the lack of explanation and the economic oversimplification as the utensils we use; the economic models as the dish we eat; and the realization that the internet actually affects our economic models as the realization you don't have to use utensils to eat a dish of chicken wings.

It's true, this is all theoretical. I'm indeed putting my neck out there, questioning great economists and all the other scholars which interpreted their works. But hey, because of this article, I might have just changed your mind or even just put small question mark on your head, and that would reinforce my theory even more, wouldn't it?

Brunno Fontanetti

Brazilian, football lover (couldn't be any different), history fanatic, and cinema addict.



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Music from Another Dimension ...or Why You Should Not Always “Be the Face of It”

“The morbid curiosity prompted by absence. Your Eminence, as an orphan, I’m very familiar with this.”

With these words, a visionary Jude Law in the role of fictional Pope Pius XIII in Paolo Sorrentino’s successful TV series ‘The Young Pope’ explained his decision to deliver his first speech as Pope while keeping his face concealed. The absence of physical appearance, he argued, would surround his identity with a halo of mystery very similar to what believers feel when they think about God, or orphans when thinking about their missing parents. This would, in turn, trigger a research, a quest for discovery which would, in his opinion, make him even more famous and successful. While his character may or may not have been influenced by childhood trauma in making this decision, there are indeed other cases of celebrities who chose a similar approach to notoriety, choosing to keep their identities and faces a secret in favor of a symbol. But is it indeed a marketing strategy, or are there deeper motives behind this choice?

The first and possibly most notorious example of such a strategy is that of alt-rock/indie band Gorillaz, whose newest album, *Humanz*, was released on April 28. The band released its first eponym album *Gorillaz* in 2001, which sold seven million copies and entered the Guinness Book of World Records as the Most Successful Virtual Band. The band indeed started its public relations hiding behind a group of cartoonish characters, each with its nickname, designed by comic book artist Jamie

Hewlett. At first, most people believed these characters to be personae of real-life musicians involved in the project. However, it later turned out Gorillaz is actually the result of the more or less intermittent cooperation of several artists, with occasional features of other very well-known celebrities, such as Snoop Dogg, Lou Reed, Rag’n’Bone Man and Noel Gallagher among others. The only permanent members of the band are its founders: Damon Albarn, who also happens to be the frontman of Blur and the one who leads the vocals and the keyboards for Gorillaz, and Jamie Hewlett. By admission of Damon Albarn, Gorillaz initially started as an experiment: what happens if you separate the music from the artists that make it? When we listen to music knowing who the musicians are, what they look like, and we have some information about them, we tend to have a bias towards them, he argues. Gorillaz is then an attempt to disentangle the intrinsic quality of the music from the obligations of celebrity. And the quality seems indeed to be appreciated, considering the enormous success of the band, which has performed at several festivals, such as Coachella and Glastonbury, has won numerous awards (including five platinums in the UK, two in the US, and a Grammy) and is working on several multimedia projects on its website, for example interactive short cartoons and videos.

Other well-known pioneers of musical alter-egos are the Daft Punk, a mysterious French techno duo started in 1993. While in the beginning Daft Punk was more oriented towards disco and dance music, which became

cult in clubs all over the world, they took a turn into the synth-pop and electronic scene in the last decade, officially becoming world icons in 2013 with their album *Random Access Memories* which includes the hit single *Get Lucky*. They also cooperated to the soundtrack of the movie *Tron: Legacy*.

The two members, Thomas Bangalter and Guy-Manuel de Homem-Christo, always disguise themselves with a futuristic attire and their trademark robot helmets. When interviewed by the *Rolling Stone* magazine on the reason of their choice, Bangalter replied: "We're interested in the line between fiction and reality, creating these fictional personas that exist in real life." They basically intend to create a cult of these icons, rather than the people behind it, which is also exemplified by their attempt to present a film based on these characters to the Cannes Film Festival, or by the cooperation with cult directors such as Spike Jonze and Michel Gondry on some of their music videos. Or in de Homem-Christo's words: "We're not performers, we're not models—it would not be enjoyable for humanity to see our features. But the robots are exciting to people." So far the trick seems to have worked, and the two artists enjoy the comfort of anonymity, although it appears some people around the world tend to try and steal their identities from time to time. But I guess that's part of the charm.

It seems then that anonymity worked miracles for the success of these visionary entrepreneurs of music. But how do the two things relate? Is it possible that Pius XIII may be onto something when he claims that absence prompts "morbid curiosity"? It may be partly right; however, there are other, more convincing explanations for the success of Gorillaz and Daft Punk, and they have more to do with what they have in common than with their differences.

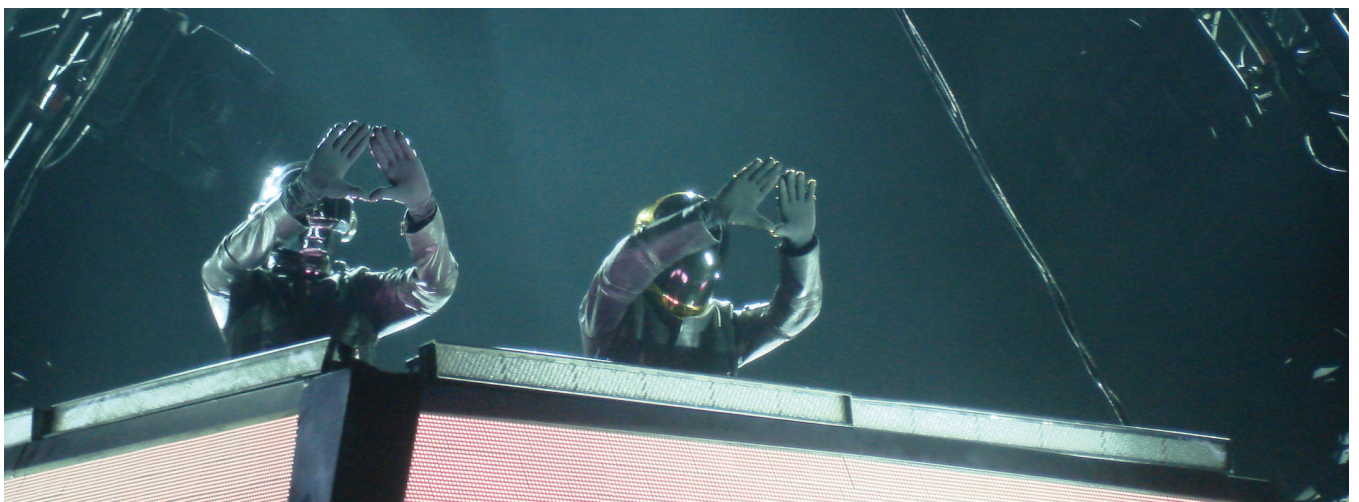
First of all, both bands skillfully combine different media in their approach to the production of music. It's not just music, but rather an entire experience, a virtual

environment that delivers a narrative to the audience. Music videos are no longer something parallel to the act of playing music, but rather an extension of it, that affects the public on both the visual and auditive dimension through the use of sophisticated visual and sound effects. Then, the artists create alter egos that are not mere images, but rather defined characters that move and live within their artificial universe: it is the case for the quirky characters of Gorillaz and their trippy adventures, drawn by the hand of Jamie Hewlett, sometimes based on the input of their fanbase, collected through their website; and it is also the case for the Daft Punk robots. As a result of this strategy, the audience does no longer connect the music with the actual authors, but to the narrative of it, and music becomes more like an interactive game. When the authors then start merchandising their products (clothes, gadgets, all sorts of accessories) in line with this narrative, they extend this fictional universe into reality, bringing it within the consumer's grasp. They do nothing more than follow basic business: create a market from the needs of the population. And so a new industry is born.

Whether this outcome of Gorillaz and Daft Punk's strategy was intended from the very start or their almost metaphysical aspirations were genuine is hard to tell. But what we can conclude from this experience is that sometimes ideas sell better than people: a lesson that more and more artists in different creative industries are starting to learn and apply in practice.

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The Robot Invasion

Your labor market most serious enemies may not be human competitors. It is likely a robot will try to take your job. Computers are getting more intelligent, so not only manual human labor is subject to competition from automation, but also many high-skill demanding white collar labor. What determines vulnerability to automation, experts say, is not so much whether the work concerned is manual or white-collar, but whether or not it is routine. Machines can already do many forms of routine manual labor, and are now able to perform many routine cognitive tasks too. According to an Oxford University study (conducted in 2013), automation may claim as many as 47% of current jobs by 2033. If the job is under the category of "routine job", the probability of automation jumps to 77%.

A research undertaken by Deloitte, the multinational advisory firm, has shown that all sectors will be affected by automation in the next two decades, with 74% of jobs in transportation and storage, 59% in wholesale and retail trades, and 56% in manufacturing having a high chance of being automated. Drivers, tellers, cashiers, data entry tasks, and other routine jobs, which many of them are considered high-skill demanding jobs, like statistical analysis and financial modeling, are the most susceptible to automation.

The rosy view

The rosy view

Since the industrial revolution and the invention of the steam engine, it is common knowledge that jobs (mainly in the manufacturing sector) have been subject to technological progress, and other jobs (mainly in the services sector) have been created. This theory, which has proven to be valid, has always been used to calm the angry masses against the development of machinery. The same claim is presented now by some experts.

In 2014, British economists studied the relationship between jobs and the rise of technology using census data for England and Wales going back to 1871.

Their conclusion is cheerful: rather than destroying jobs, technology has been a "great job-creating machine". Findings by the study, such as a fourfold rise in bar staff since the 1950s or a surge in the number of hairdressers this century, suggest that technology has increased spending power, and is therefore creating new demand and new jobs.

Mike Turley, global head of public sector at Deloitte, said "Automation will not displace employees overnight. Its impact is gradual and manageable and there could well be social or political resistance to the full deployment of technology in place of people, our wider research on automation also shows that while jobs are displaced by automation, new, higher-skilled and better paying jobs are created as a result."

But...

The rate of technological progress, especially in high tech technologies has been going up, and automation may be taking over human labor faster that it creates new job opportunities.

To give a perspective of the differences in the rate of technological progress in the past and now: the steam engine, which was the flagship of the industrial revolution, doubled in power and efficiency approximately once every 70 years and quadrupled after 140 years. Today's computers' processor, (which is the steam engine of our times), doubles in power every 18 months, and becomes 10 times greater every five years. It's a very different scale of advancement and it's affecting a broader set of the economy than the steam engine did,

in terms of all the cognitive tasks. Technological progress is happening a lot faster and more pervasively than before. That may mean the jobs lost to automation may outnumber those that are created from the process.

There is no consensus about the aggregate effect of present and future automation on unemployment rate, some have a very gloomy view that almost all jobs will be automated and mass unemployment will be created, some think jobs are created in the process, so there will be no major push up in unemployment, and some think that unemployment will gradually and slowly rise since technological progress is faster than ability of labor market to adjust.

How about jobs that are considered safe in this process?

Jobs that need creativity, deep social interaction and emotional touch may be hard to be codified.

The following list are some of these jobs:

1. Programmers

The demand for programmer jobs is at an all-time high and just continues to increase. You can't go wrong with this one. With huge opportunities and new openings being created every day.

2. Natural/physical scientists

Another field that is safe from automation. Automation can aid scientists but can never replace them.

3. Researchers

This is a job to stay. Although the data gathering/processing has been/is being automated, human personal insight and making sense of the data and statistical findings can't be done by a computer.

4. Doctors

This is a controversial one. Most people feel and it is happening to some extent since some surgeries are/ can be automated, but there are more to doctors than surgeries, which is the personal interaction and assurance that only a human doctor can provide.

5. Teachers

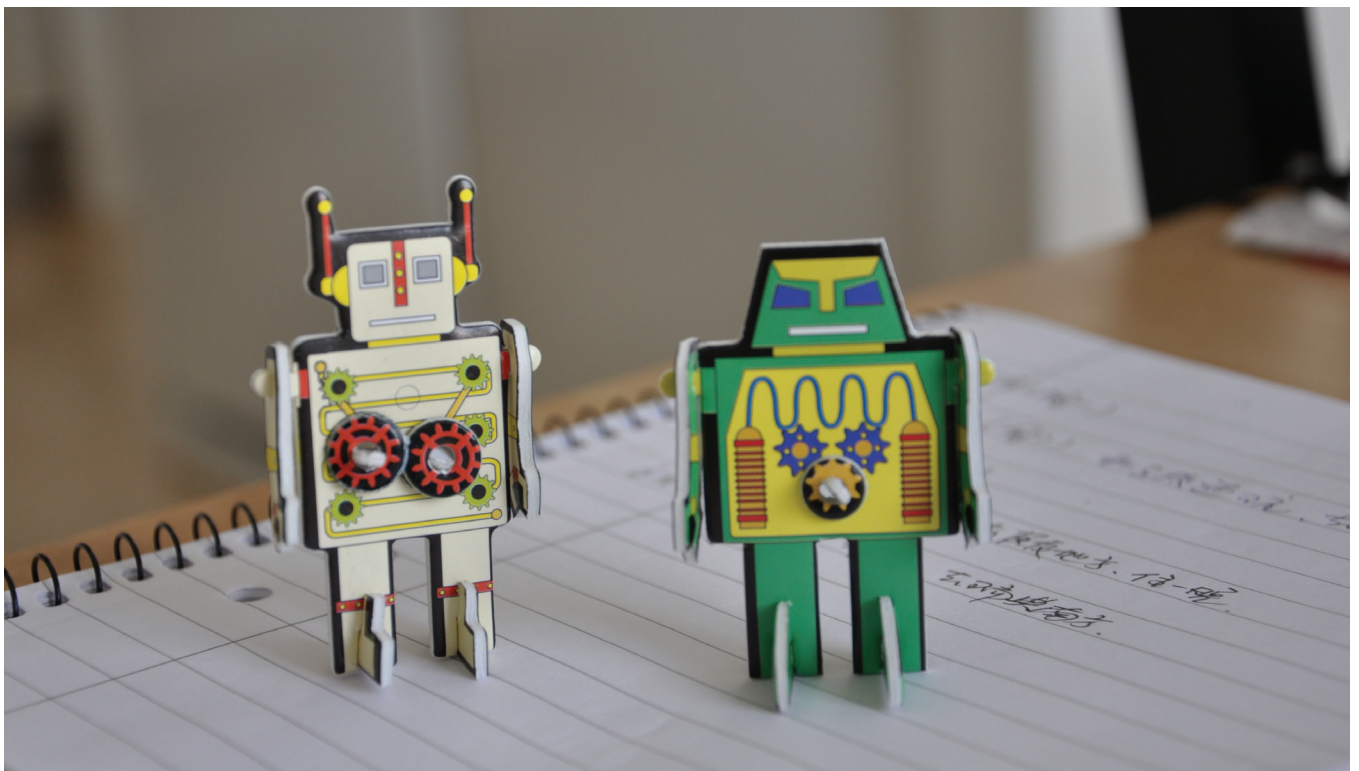
Again, the personal interaction and emotional bonding with school students, which they will always need, can never be provided by a robot. A robot can provide learning, but not education.

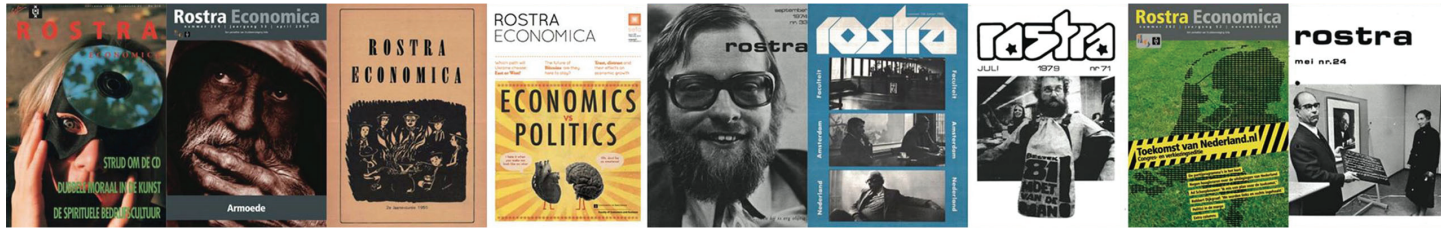
6. Sex workers

Despite the development of sophisticated sex toys and even full human partner-like robots, human touch can never be replaced by a machine.

Omar Osman

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what you eat.
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