



THE ECONOMICS NEWSLETTER

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We're open to submissions from all Economics students!

Dear Readers,

I'm extremely pleased to announce that we are now accepting contributions and would like to feature the work of all Economics students from Classes 8,9,10, 11 and 12. Your contributions can be in the form of articles, facts, figures & statistics, short features about current affairs, jokes and anything else related to Economics. Please e-mail your work to dpseconomicsnewsletter@gmail.com.

Vithiya Ragu
Editor

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World in a Nutshell

By Rishabh Kumar

Economic Impact on Ukraine and Russia

Due to the current conditions in Ukraine the country's credit rating (i.e. the ability of a country to repay its debts) have reduced from B- to CCC. This rating is a signal of high risk of default. This rating was provided by the Fitch ratings, yesterday, which keep tracks of the credit rating of 105 countries including Ukraine.

This is mostly because of the military conflict with pro-Russian separatists in the nation's east curbs business activity. Though the government have recaptured a few territories, the conflict may intensify which may cause a delay in economic revival due to damaging of Ukraine's productive assets.

"It's an indication that the quality of debt have deteriorated," said Walter Hellwig. This means that the country is falling into deeper debts which it is unable to repay. This has led to the devaluation of currency and the decline in Ukraine's economy.

The country has dealt with the matter temporarily by taking a 17 billion dollars loan from the International Monetary Fund (IMF) to solve the matter of bankruptcy.

India's plastic currency

The Reserve Bank of India is planning to introduce plastic notes similar to Singaporean currency. They have planned to introduce it next year on pilot basis.

They aim to increase the life of the notes. Compared to paper currency plastic notes would last longer and also stay in better conditions. Their second aim is to improve the security of their currency by defeating the efforts of fraudsters who try to copy the style of the notes.

Raghuram Rajan, the current Governor of the RBI has said that the tender bids have been set for 1 billion notes which are to be distributed in the five major cities where the pilot testing will take place. The RBI has decided on Kochi, Mysore, Jaipur, Bhubneshwar and Shimla to be the five cities where these notes shall be issued for the testing next year.

The main reason behind this is to check the life of the notes in different weather conditions. They have also come to the conclusion that the notes of small denominations shall be used for the pilot project. He adds on by saying that in 2015 the plastic notes will be launched just after the pilot testing is done.

World in a Nutshell

By Rishabh Kumar

Abandoned houses swell bad debts in China

Due to the fall in the property prices in eastern parts of China, the country is facing a 6.4 billion yuan loss from the bad loans. The buyers have abandoned their houses and also have stopped paying mortgages.

China's slumping property market is a drag on the world's second-biggest economy and banks' profits, with lenders' soured loans increasing for almost three years. New-home prices fell last month in 64 of 70 cities tracked by the government.

Wenzhou experienced abandoning of around 56 % of the homes due to this fall in the value of property. This was mainly seen in the high end apartments. Homes were also abandoned by borrowers left with liabilities after making guarantees for companies in financial trouble.

The city's economy expanded by 6.8% in the first half as compared to the nationwide 7.4 % expansion. It is forecasted to expand by 7.4% for the full year. This is the slowest pace since 1990.

Fall in Japan's sales due to tax hike

Japan's retail sales fell more-than-forecast in June as consumer held back on spending after the recent sales tax hike. There was a drop of sales by 0.6% as compared to last year.

Most analysts had expected a fall of 0.5% which did not happen. Due to this hike their GDP has dropped to 7.1% which has happened because the consumers have held back their spending. The sales tax increased from 5% to 8% in April this year.

The economists in Japan say that this is the first hike in 17 years. They have added on that though the consumers have held on their spending the underlying economic recovery is still intact. The government is confident that by the end of this year the economy will pick up its pace.

The economics minister Akira Amari has said that, "Looking at monthly data during April-June, sales of electronics goods and those at department stores are picking up after falling sharply in April." He added on that the job market is also improving steadily and Japan's economy will recover moderately as the effect of the sales tax is subsiding.

The Arrow Theorem

By Rahul Datta

In social choice theory, Arrow's impossibility theorem, the General Possibility Theorem, or Arrow's paradox, states that, when voters have three or more distinct alternatives (options), no rank order voting system can convert the ranked preferences of individuals into a community-wide (complete and transitive) ranking while also meeting a pre-specified set of criteria.

The theorem is often cited in discussions of election theory as it is further interpreted by the Gibbard-Satterthwaite theorem.

The theorem is named after economist Kenneth Arrow, who demonstrated the theorem in his doctoral thesis and popularized it in his 1951 book *Social Choice and Individual Values*. The original paper was titled "A Difficulty in the Concept of Social Welfare".

In short, the theorem states that no rank-order voting system can be designed that satisfies these three "fairness" criteria:

If every voter prefers alternative X over

alternative Y, then the group prefers X over Y.

If every voter's preference between X and Y remains unchanged, then the group's preference between X and Y will also remain unchanged (even if voters' preferences between other pairs like X and Z, Y and Z, or Z and W change).

There is no "dictator": no single voter possesses the power to always determine the group's preference.

Arrow rejected cardinal utility as a meaningful tool for expressing social welfare and so focused his theorem on preference rankings.

In a sense, the approach is qualitatively different from the earlier one in voting theory, in which rules were investigated one by one. One can therefore say that the contemporary paradigm of social choice theory started from this theorem.

Fast Fact: David Ricardo

By Rhea Singh

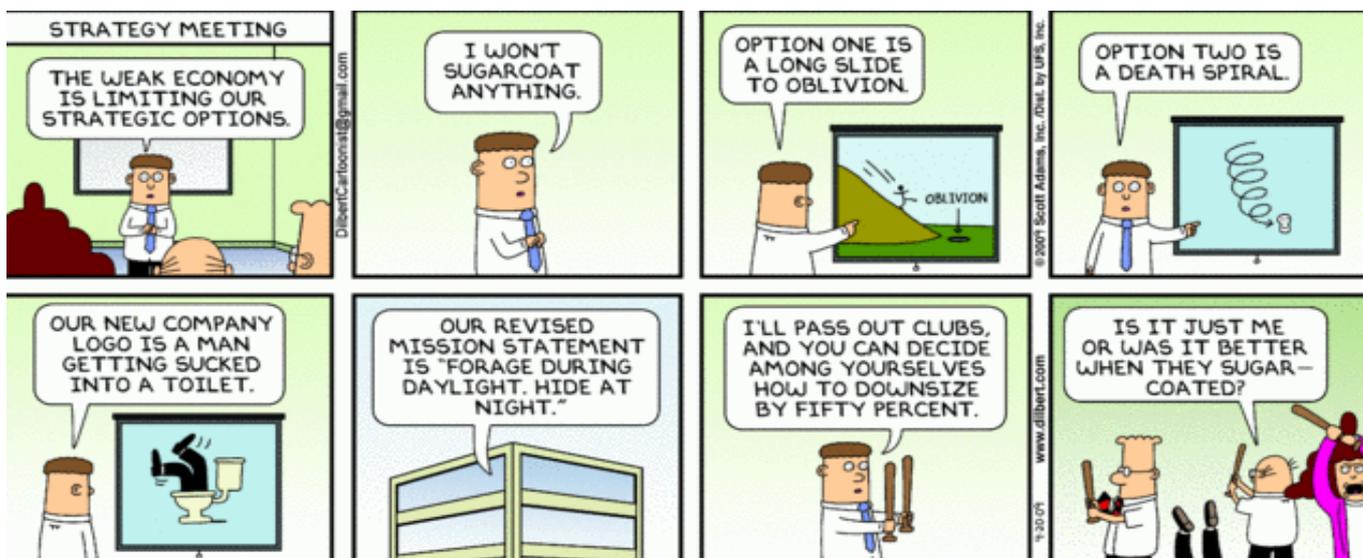
British political economist. Ricardo played a key role in shaping classical economics, drawing on the work of Adam Smith. Ricardo's greatest contribution was to argue for free trade, based on the theory of comparative advantage. This contrasted with the former mercantilist view of trying to run a trade surplus. Ricardo argued countries should specialise in those industries where they were relatively better than other countries.



Laughing Stock

By Vithiya Ragu

Singapore Dollar	1.00 SGD
Euro	0.609805
US Dollar	0.800826
British Pound	0.482353
Indian Rupee	48.517270
Australian Dollar	0.857462
Canadian Dollar	0.870903
Emirati Dirham	2.941436
Swiss Franc	0.735239
Chinese Yuan Renminbi	4.922600
Malaysian Ringgit	2.524205



Credits: Rishabh K Vaish (Headlines: World In A Nutshell)
Rahul Datta (Arrow Theorem Article)
Rhea Singh (Fast Fact: David Ricardo Feature)
Vithiya Ragu (Laughing Stock, Designing & Editing)