



THE THRIFT

the first online issue

Editor's Note

By Diya Gupta & Ananya Khanna

Dear Reader,

We know you must be feeling extremely disoriented in the face of the ongoing pandemic, and at such a time, keeping up your spirits would probably be the hardest thing to do. However, philosophical and preachy as it may sound, it is true that “nothing lasts forever”. The field of economics is no exception to this widely accepted belief. After any unfavorable event, the business-economic world eventually sees the light of the dawn. On this note of optimism, we present to you our first-ever online issue.

Economics goes beyond mere theories and statistics; it extends to our day-to-day life, and to the innumerable decisions we make. Even if you aren't a fan of theory or numbers, we promise you can find solace in a certain nook of this vast field. In this issue, we've endeavored to tap several aspects of economics in the most simplified manner possible, to make them intelligible to the readers who are not even remotely associated with the subject.

We have attempted to explore the several changes brought forth by these unprecedented times in the business-economic world. We have also tried to unfold the intricate machinery of the corporate world, international economic conflicts, and recent business mergers amongst several other things. With this issue, we hope to take your mind off the ongoing crisis and bring to your notice the myriads of events that the world has witnessed in the backdrop of the mega virus outbreak. With this, we wish you the very best, as you embark on the “thriftiest journey ever”! Happy reading :)

Urging you to “ditch the daze” for a while.

THRIFT

*"When the peace of
the paisa
metamorphoses into
the ruckus of the
rupee,
Miracles happen."*



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COVID DECODED

by Diya Gupta & Ananya Khanna
Sc

On 31st December 2019, a cluster of pneumonia cases from Wuhan, China, were reported to the World Health Organization. Back then, no one had anticipated that this viral infection would go on to be a pandemic. The outbreak of the novel corona virus has led to enforcement of lockdowns all over the world, thereby causing a global economic setback.

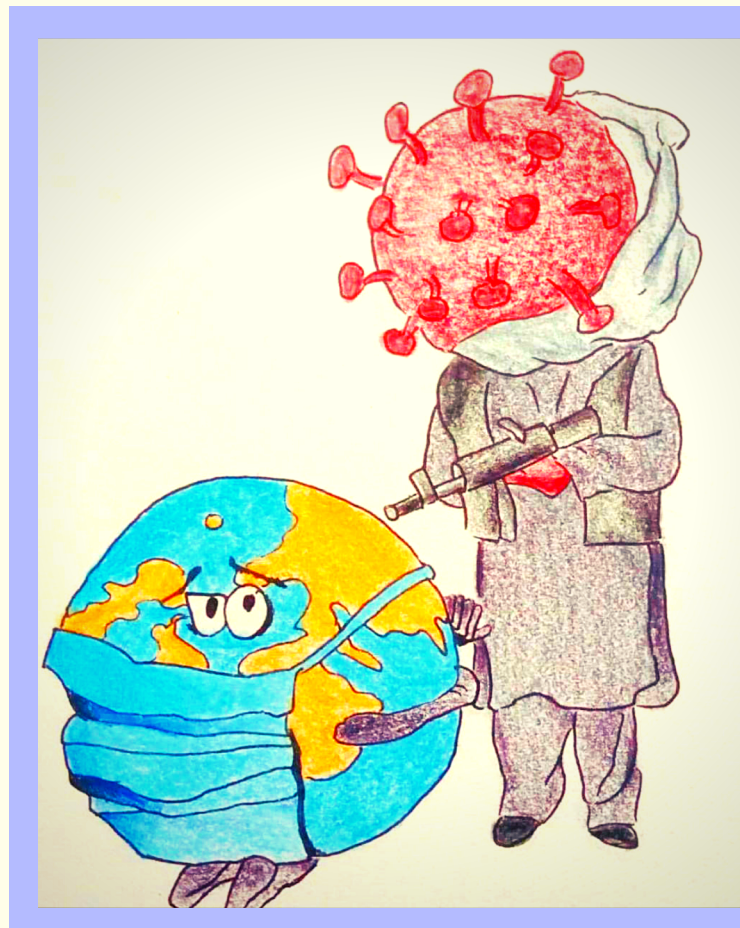
Industries worldwide are in a dismal state. For instance, the travel industry, which originally constituted around 10% of the world's GDP, now seems to barely exist. However, with the gradual easing of lockdowns, this industry is getting back on track. Interestingly, the entertainment sector has had a mixed response to the pandemic. While lockdowns have led to several films and live performances being shelved, online streaming platforms like Netflix and Amazon Prime are experiencing nothing less than a boom.

The marketing sector is one of the worst hit in the industrial world. Top marketing companies rely on China for raw materials. With Chinese factories not being operational, marketing companies find their businesses going off track. Healthcare organizations are having a tough time, due to shortage of PPE (personal protective equipment) for health workers as a result of lapses in manufacturing caused by supply chain issues worldwide.

Healthcare organizations are having a tough time, due to shortage of PPE (personal protective equipment) for health workers as a result of lapses in manufacturing caused by supply chain issues worldwide.

In India, lockdown in the months of April and May led to peak unemployment rate of 23.5%. However, recent relaxation in the lockdown guidelines has brought the country's overall unemployment rate to its pre-lockdown level of 8.5%. Urban unemployment continues to be higher than what it was pre-covid, since urban areas have a higher patient count than rural areas. Moreover, MGNREGA and the onset of the kharif sowing season are generating employment opportunities in rural areas. The IMF predicts a global economic loss of \$12 trillion, and approximately 4.5% shrinkage in the Indian economy. Many developed economies are expected to enter recession soon.

The IMF is doing its bit to assist member nations by providing them emergency finances and helping with liquidity enhancement and debt relief. In these trying times, all we can do is remain hopeful and optimistic. Research for suitable vaccines is on and is hoped to put an end to this immense human suffering soon.



Lipstick, Popcorn & Economics?

by Mrigya Kumar

SC



An economic indicator is a statistic that is used to analyse economic performance and predict future performance. Economic indicators help us understand how well the economy is doing and what it might be like in the future. The most significant economic indicators are the stock market, gross domestic product and the labor market.

Apart from these, there are some unusual indicators as well. Everyone is familiar with McDonald's and its slogan "I'm Lovin' it" and everyone loves getting a happy meal from McDonald's. But did you know that there is actually an indicator called the Happy Meal Indicator? In order to protect their profit margins, restaurants downsize the goodies they give to children. For example, if a restaurant normally gives children a colouring book with 5 crayons free with their meal, during a recession they may cut it down to a colouring book with only 3 crayons. If you notice, the toys given with Happy Meals usually relate to some recently released famous film. This toy attracts consumers to buy the Happy Meal and helps in increasing profits. However, during recessions, in order to maintain profits, they cut down on this toy.

Now, going to the movies and eating a bag of popcorn seems like a very usual thing to do. However, it is also an economic indicator called the Buttered Popcorn indicator.



Unusual as it may seem, movie theatres perform well during tough economic times. This is because people like to go to the movies to distract themselves from the gloomy reality. Sadly, this indicator is not of much use to economists as the increased ticket sales are the reaction of people to the recession. The Buttered Popcorn indicator, hence, does not help economists predict anything, rather it tells them what they already know.

Getting dressed up could not possibly be an economic indicator, could it? Well, it is. Lipsticks are a reliable economic indicator. During recession, the sales of lipsticks boost as women turn to less expensive indulges. Economists are able to look at the sales of lipsticks and predict the state of the economy.

Another unusual economic indicator is cardboard boxes. Yes, the cardboard boxes that you see lying in a corner in the shop can actually help predict the economy. When more goods are needed, the number of orders for cardboard boxes increase. So, more cardboard boxes means the economy is expanding while lesser boxes means the economy is moving towards a recession.

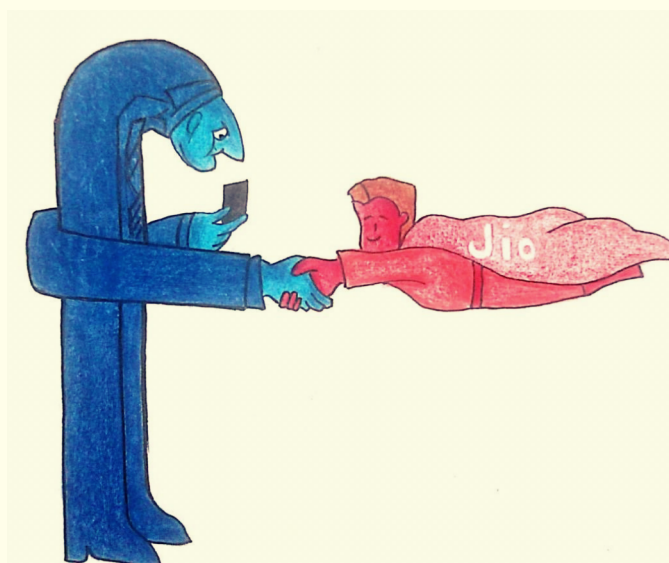
Funny, isn't it, how such ordinary items help predict the economy?

A HatTrick for Reliance

by Nandini Aggarwal
SC



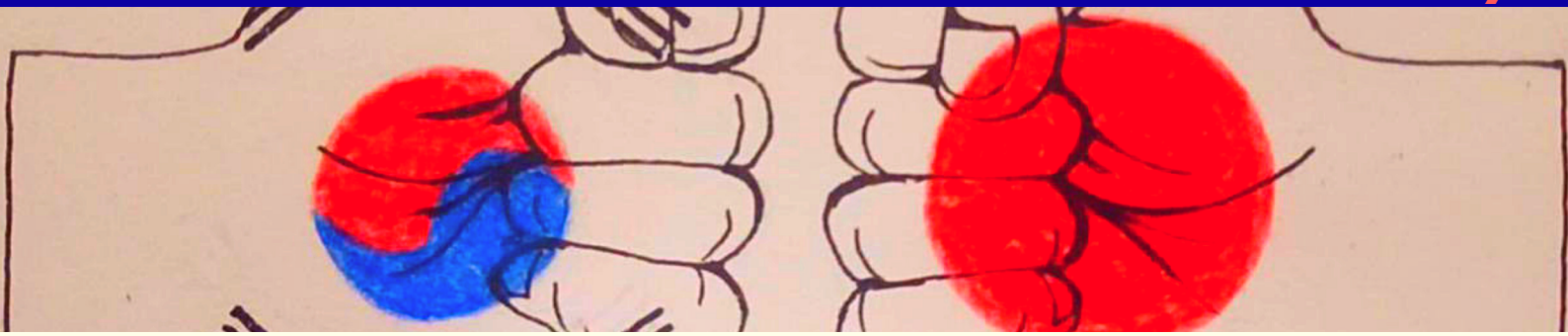
Reliance Industries Ltd. (RIL) is on a roll currently and has undoubtedly been very successful in scoring three hefty deals in the months of May and April this year. These deals have made the company's chairman and managing director, Mr. Mukesh Ambani, once again the richest man in Asia with a net worth of \$64.6 billion, leaving behind the founder of the e-commerce giant Alibaba Jack Ma, who has been pushed to the second-richest spot. This indeed is a huge push for the Indian economy towards a better GDP and prosperous economic conditions.



"These three massive investments won by RIL, totalling to almost 8 billion, were procured in less than three weeks."

The first deal was signed on April 22 between Reliance Jio and Facebook Inc. making Facebook the biggest minority shareholder of the company procuring 9.99% stake. As a result of this arrangement, Facebook will invest \$5.7 billion in the Indian company. While rival companies were still wiping their tears, RIL struck again. On May 4, RIL got into another deal with the US-based equity firm, Silver Lake, which promised to invest a sum of \$747 million in Reliance Jio for 1% share. This contract gave RIL more equity to widen their scope of operations. Four days later, on May 8, RIL again created a huge buzz in the market by striking another extremely beneficial deal. This time, the deal was with another US-based firm, Vista Equity Partners, who bought a 2.32% stake by investing \$1.5 billion in RIL. Vista's investment made it the second-largest investor in the company after Facebook Inc.

These three massive investments secured by RIL, totalling to almost \$8 billion, were procured in less than three weeks. On May 20, RIL opened applications for right shares and got an extraordinary response. Ambani did not stop there, he is currently connecting with popular equity firms like General Atlantic and KKR. He is heading towards fulfilling the goal of making the conglomerate company debt-free by the year 2021 and especially after these deals, it certainly seem very achievable. All one can say is that Reliance Industries Ltd., with Mr. Mukesh Ambani's ambition and high spirits, is riding high on fantastic luck.



The Semiconductor Tussle

by Jhalak Sahay & Aileen Dash
SC



Recently, Japan announced tightening of export of three chemicals — fluorinated polyamides, photoresists, and hydrogen fluoride -- which are crucial in the production of semiconductors. A semiconductor is a vital material used in electronic devices and is the top imported item by South Korea. Any delay in receiving these chemicals from Japan could potentially slow down the South Korean economy.

Japan used trade as a weapon in the country's diplomatic arsenal. It claimed that these restrictions were enforced to stop South Korea from leaking sensitive information to North Korea for military applications which could jeopardize Japan's national security. They also removed South Korea from their 'White List' (an index of trusted trade partners) posing a threat to the global tech Supply Chain. South Korea, in return, has boycotted Japanese goods such as beer and clothing brands like the Uniqlo. This spat also affected globally popular South Korea's entertainment industry (called 'Hallyu Wave') by the k-netizens making petitions for the Japanese K-POP 'idols' to leave the industry.

This trade war is actually based on historical grievances that go back decades to colonization of South Korea under Imperial Japan. Korea gained freedom after Japan surrendered during WWII as a result of the bombing of Hiroshima and Nagasaki. Last year, the South Korean court ruled out that the Japanese companies must compensate the Korean workers for forced labour during the war. This was vehemently denied by Japan. Currently, both the sides continue to argue over the issue of how much, how often and in what form Japan should appropriately atone for its past transgressions. But what makes this recent round of historical finger-pointing worrisome is the speed with which trade was roped into this fight and how effective it has been in satisfying public outcry.

Another dispute which has occurred between the two nations is over the territorial rights of The Liancourt Rocks. These groups of islets also known as "Dodoko Islands" by the Koreans and "Takeshima Islands" by the Japanese, lie in the heart of the Sea of Japan. This never-ending tug-of-war between the two nations has been going on for the past 300 years, as both the nations claim sovereignty. This dispute for Koreans is not just of "geography", but a matter of national identity.

However, since both Japan & South Korea are US Allies and their Strategic Relationship is important to counter the security threat both from North Korea as well as China, it is likely that these nations may soon end their trade dispute.

The Wreck Remedy

by Tanisha Garg & Kanchi Gupta

SC

Since uncertainty characterises the business-economic world, crises are a quintessential element of it. These crises can be rather overwhelming at times. Thus, for an economic organization to function properly, effective crisis management by the leaders is of vital importance.

Members of an organization do not react uniformly when faced with a crisis-like situation. While a certain set of people may be optimistic about the whole scenario, most others tend to panic. The optimistic minority takes the adversity as a challenge to be overcome, and hence acts rationally and systematically to deal with it. However, fear and anxiety take over the majority, and induce them to act irrationally and maybe even hysterically. With their balanced, calm, and practical approach, the optimistic minority is a great asset for the organization. On the other hand, the majority, with their anxiety ticking like a time-bomb, is a potential hazard for the organization in times of crisis. Thus, it becomes essential to adopt effective measures to tackle them.

To deal with adversity-induced negative responses from members, a leader can use many techniques of crisis management. One of the most important and widely-used techniques is Holding. Holding consists of two actions – containing and interpreting. Containing is when the authority figure soothes the people, and interpreting is when he decodes the crisis at hand for them. Thus, Holding helps contain their panic and stress levels.

As part of the technique, a leader needs to acknowledge people's fear along with the uncertainty of the situation. They should directly address the issues of remuneration, working conditions and work-hours during the crisis-combat in order to avoid misleading rumours. They need to be the person the members turn to for guidance. Therefore, even the hardest taskmaster needs to be a little empathetic in unfavourable scenarios.



Holding, though not equally celebrated, is as important a facet of leadership as vision is. During crisis management, it is not the vision which is of utmost importance, but the well-being of workers. A leader can steer the organization to success while facing a crisis only if they adopt a balanced approach to deal with the organization members, and bring the best out of them without jeopardizing their personal well-being in any way.

Crude Catastrophe

by Vedika Banasal

SC

It has been a tough year for all of us due to the outbreak of the deadly coronavirus which has caused tons of problems such as quarantines, reduced ventures within the country and abroad, etc. It has also grievously impacted the economy of all countries worldwide except the Scandinavian countries who neither shut their ports or work nor did they undergo a lockdown. 2020 has brought in unbelievable changes, not just through the pandemic but by also changing the history of crude oil.

Considering the history of oil prices in the US, we notice that they turned negative in May 2020 for the very first time. The price of a barrel of West Texas Intermediate (WTI), the benchmark for US oil, fell as low as minus \$37.63 a barrel. Reduced local travel and use of transportation has led to a fall in the demand for oil. Storage capacity in the country was also at an all-time low. This generated the need amongst oil producers to sell off as much oil they could and were forced to do so at excessively low prices. Oil firms also resorted to renting tankers to store the surplus oil.

US oil prices turn negative

Price per barrel of WTI



Source: Bloomberg, 20 April 2020, 20:15 GMT

BBC

Mr. Glickman, an energy equity analyst at CFRA Research, said, “the historic reversal in pricing was a reminder of the strains facing the oil market and warned that June prices could also fall if lockdowns remain in place.” The only silver lining in this crisis was for the US drivers as their costs reduced immensely and they did not have to pay at all due to negative pricing. President Trump said that the government would buy enough oil to fill up the Strategic Petroleum Reserve to fortify crude prices and shore up the financial condition of U.S. oil drilling companies. However, the issue with storage capacity in the US remains to be a concern for many. The Organization of the Petroleum Exporting Countries (OPEC) has signed a deal with member countries to cut off oil production by a total of 10%, although it is feared that these cuts may not be enough to maintain a balance in the market.

Indeed a slippery situation!



Spotify- A Game Changer in the Music Industry

by Pranjli Khanna
SC

Spotify is an instant music streaming service which was created in 2006 by Daniel Ek and Martin Lorentzon. Spotify boasts of 248 million active users and 113 million subscribers. With its paid subscribers growing at a rate of 31% per year, Spotify has become the leader in the music streaming space. At a time when illegal music piracy dominated the music industry, Ek and Lorentzen created Spotify to provide people a legal music distribution platform. The new free streaming service has revolutionized the way users listen to music by embracing the internet rather than battling it. Thanks to Spotify's game changing idea, the music industry saw its first gains after 15 years of declining revenue.

Spotify has changed the way users listen to music. With its focus on playlists, Spotify has made it much easier to find new music. Its features allow users to find similar artistes and songs through its 'Discover Weekly' playlist which is tailored to the user's individual taste.

Spotify had acquired 'EchoNest', a music analytics firm, in 2014. Echo Nest collates information about emerging genres of music through its software, which read music sites and analyse the works of various artists. .

Through its sophisticated machine learning technology, Spotify can analyse user data and create multiple user identities for each user. By analysing a song's loudness, tempo, and duration, amongst other features, Spotify can understand what its users like and thereby improve its recommendations. This allows Spotify to provide a personalized listening experience to its users, based on their current activity. Spotify's algorithm creates playlists like acoustic, calm, before you go to bed, etc. for specific times. This playlist system also helps users to access and discover new music. Spotify's breakthrough technology reads so deeply into its users' behaviour that it can successfully predict the music the user is likely to listen.

Spotify has not only deeply affected how music is accessed, but also how it is created.

In The Guardian, music business and technology journalist Eamonn Forde said that recording companies tend to create single multi-format songs, i.e. multiple versions of the same song, to "keep the plates spinning" in the Spotify age. This concept has influenced the music industry. Spotify's number one ranked song, 'Despacito' had billions of hits due to the many versions of it that were created and released on Spotify.

With so much influence on what music people listen to, Spotify can promote new independent artistes with creative music. It has changed listening habits forever. More music is available to more people than ever before.



THE PANDEMONIUM

Spanish Flu

It occurred in 1918 and affected around 500 million people. Loss in GDP was 6-8% and unemployment rate was 11.7%. The sectors which were severely affected were entertainment, banks, business, etc. Manufacturing declined by 18% and 50 million people lost their lives to this deadly flu.



SNIFFLES, SNEEZES,
STUFFY NOSE

Common Symptoms
of

**ASIAN
FLU and
COLDS**

Use Mistol Mist Nasal
Spray For Quick,
Comforting Help.

Get Each Member
of your Family a
Bottle of Mistol
Mist

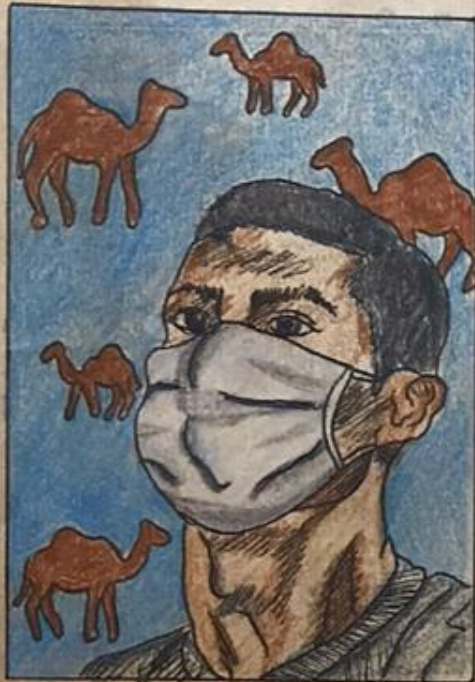


Asian Flu

This pandemic occurred in 1957 and killed around 2 million people. Loss in GDP was approximately 2% and unemployment rate was 3.3%. It was also responsible for the recession in 1958.

SARS

Also known as the first pandemic of the 21st Century, it occurred in 2003. It mainly spread in Hongkong, and China. Loss in GDP was around 2.6%. There was a decline in customer demand, tourism, food, etc. Around 774 people lost their lives.

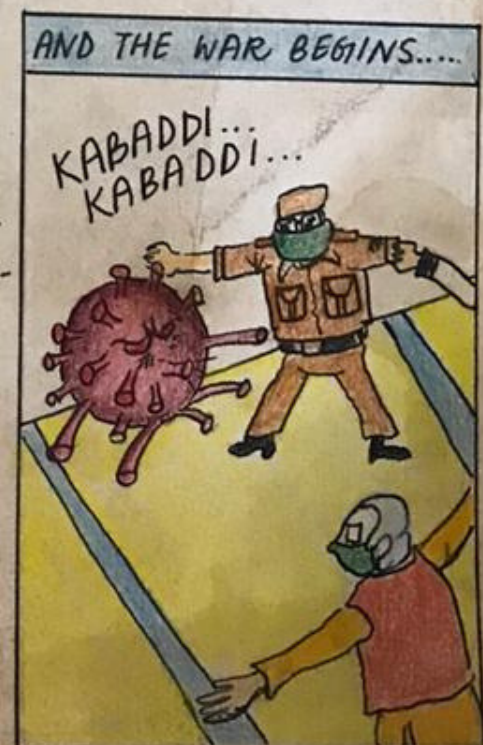


MERS - Middle East Respiratory Syndrome

Also known as the Camel Flu, it started in 2012. This pandemic spread to 27 countries and mainly affected the sectors of food, trade and tourism. GDP loss was around 0.9-1.1% and 858 people lost their lives due to this pandemic.

COVID-19

This ongoing pandemic began in 2019 and has killed 4.7 lakh people worldwide. Loss in GDP is around 4% and unemployment rate rose to 23% in April. The sectors which are severely affected are tourism, food, airlines, business, etc. The oil prices have dipped below 20 dollars and is the lowest in 18 years. The global economy is expected to suffer a loss of 5.8 - 8.8 trillion dollars and loss in global GDP is estimated to be 6.4 to 9.7%.



MSME- the Eclipsed Economic Sector

by Krisha Khanna
Pre-SC

MSME refers to micro, small and medium enterprises. The MSME sector contributes the most to India's socio-economic development. The employment intensity of MSMEs is estimated to be four times that of large enterprises. By acting as ancillaries to large enterprises, they indirectly play a vital role in increasing the nation's GDP. They perform various functions outsourced to them by large enterprises at cheap costs, accelerating investments from big organizations, and ultimately increasing the GDP. MSMEs have popularized industrialization in rural as well as urban areas. They hold a crucial position in a nation's economy since they function at every level, right from the grassroots to the international level.

With the announcement of the nationwide lockdown on 24th March, a wave of concern ran through the MSME sector. With thousands of stranded migrant workers, and collapsing demand, this sector is evidently the worst hit by coronavirus. Considering their plight, Finance Minister Nirmala Sitharaman announced the extension of a collateral-free automatic loan worth Rs 3 lakh crore exclusively for the MSMEs on 13th April 2020. She did so to help the sector tide over the adverse impact of the lockdown.

The recent change in the narrow and obsolete definition of MSMEs from investment basis to turnover basis was intended to end the difference between services and manufacturing sector. Another revision the government could make in the definition is the inclusion of 'employment', an integral criterion missing in the definition of MSMEs worldwide. Despite the injection of billions into the sector through India Opportunities Venture Fund, the sector is yet to be equipped with means to boost productivity, especially technology.

The scattered nature of the sector limits our country from bringing economies of scale into production. Hence, a key strategy by the name of 'Cluster Development Programme' has been adopted by the government. Under this strategy, a group of enterprises that provide the same or similar services or produce the same or similar commodities, are made to be located in an identifiable area, in order to enhance their competitiveness.



Despite the various measures taken by the government, this sector faces numerous challenges, the biggest one being outdated technology and limited access to institutional finance, leading to widespread presence of unregistered enterprises. Other issues are limited capital and knowledge, lack of adequate and timely bank finance, and low production capacity. Just as it has done before, the government needs to address these challenges by incorporating them in the existing policy framework to better integrate MSMEs with the economy.

On the international platform, Indian MSMEs are usually compared with those of China, Thailand and Vietnam, and it is seen that they underperform due to lack of managerial expertise. Studies have repeatedly shown that despite contributing the most to the economy, MSMEs are the least equipped, especially when it comes to technology. While the sector prepares to revive itself in a post pandemic world, it should be hoped that the changes proposed by the Government yield favourable results.

'The Economics of Superstars'

by Anisha Kedia
SC



“Now gone are the days when being second best was more than enough; all that matters is being number one.”

‘Superstar’ is a category where a relatively small number of people earn large amounts of money and dominate the activities they engage in. In the modern world this has become greatly prevalent.

A 2018 McKinsey report found that 65 percent of global corporate earnings now go to firms with annual revenues above \$1 billion and that among the world’s largest firms, 80 percent of profits go to the top 10 percent. This indicates that the market is dominated by the “Superstar firms”, and it now functions on a “winner-takes-all” system, leading to a monopolistic set up. Gone are the days when being second best was more than enough; all that matters is being number one. This is the case with not only companies, but also actors and sportspersons.

One may say that this is a result of better talent, resources, and efficiency. While this may be partly true, it is not the sole reason for such vast income differences. The explanation for this phenomenon was provided by American economist Sherwin Rosen in his article titled “The Economics of Superstars”, as long ago as 1981. Rosen’s theory was mainly based on what economists call “joint consumption.” This can be well explained with a simple example. Initially, concerts were the only way to take music to the audience, but due to technological advancements music can now command a larger audience through platforms like television and the internet. Thus, music became a jointly consumptive market.

In this way, individual markets increase their command and there is accumulation of wealth for the service provider. Thus, the increase in command for the market due to joint consumption allows relatively few sellers to service the entire market. But for this scale economy (cost benefit obtained due to large scale of operations), technology is needed by the sellers to mass duplicate their performance for inexpensive non-parallel (not occurring at the same time) joint consumption. Rosen, writing well before the advent of internet, argued that advancements in communication technology have increased and will continue to increase the potential size of markets involving joint consumption. Therefore, companies, actors, musicians and sportspersons can earn massive incomes because the markets they dominate are not limited. They can produce a product or service which can be broadcast to an almost unlimited market, thereby fetching enormous incomes.

The Advantage Behind Logo Symmetry

by Zarah Choudhary
SC



Have you ever imagined Maggie without masala or a phone without its sim-card? The mere thought of it sounds absurd and makes the product look incomplete. This is because these complements of a product add meaning to it and without them, the product holds minimal value. Similar is the relationship of logos with its brand. It is largely due to a logo that a brand becomes easily recognizable. They are symbols which become the face of the brand and intend to convey the unique identity of a brand. Products of a brand may characterize it, but they are variable as opposed to the logo which becomes a permanent means of its identification.



"Products of a brand may characterize it, but they are variable as opposed to the logo which becomes a permanent means of its identification."

Extensive researches have been done to solve the mystery behind the usage of symmetry in these logos. The human mind tends to gravitate towards this symmetry and the design or appearance of a symmetrical drawing or piece of art is satisfying and appealing to the eyes. Designers like to associate symmetry with perfection or craftsmanship. Symmetrical logos are symbolic of balance and structure. Therefore, a lot of car companies such as Volkswagen, Mercedes, Honda, Toyota, and Audi have symmetrical logos. These companies place craftsmanship and engineering at the centre of their advertising strategy. In an analysis conducted by Harvard Business Review on 423 major brands, 95% had logos that were perceived as symmetrical. Some other examples of symmetry in logos are McDonald's, Starbucks, Adidas and Mitsubishi. Logos also tend to help certain brands financially. Brands which are not very exciting or not majorly sought after use symmetrical logos to boost consumer attitudes thus upgrading their revenues. Although people tend to perceive symmetrical shapes as more attractive and preferable, they don't always have the same effect. Brands which are greatly interesting require asymmetrical logos as symmetry may sometimes diminish the effect on the customer.

Thus, the symmetry in the design of a logo is greatly based on the personality of the brand. Next time you go out to shop, make sure you check out the symmetry around.

The Dirty White Collar Crime

by Ramana Prakash
SC



Every time one reads a report on white-collar crime, there is always a newer and larger one getting exposed, making one think – why do they do it? Why do individuals engage in such self-destructive behaviour?

White-collar crime, as the name itself suggests refers to a non-violent crime committed for financial gains. These crimes are characterized by deceit, violation of trust, and aren't based on threats or physical violence. White-collar crimes are hidden crimes as many people who commit them justify their actions by promising that they'll pay the money back, but almost never do. On contrary to the popular belief, these crimes happen very frequently but are well hidden from the public eye. They usually occur in the educated high business class but are also found among government professionals in some cases.

Typical white-collar crimes could include wage theft, fraud, bribery, embezzlement, cyber crime, infringement of copyright, concealment, fraud, and forgery.

The unravelling of fraudulence at the Punjab National Bank tells the story of nothing but a white-collar crime. In what could be the biggest banking fraud in India, the state-owned bank had detected a Rs. 11,500 crores worth of scam during which billionaire jeweller Nirav Modi allegedly acquired fraudulent letters of undertaking from one among its branches for overseas credit from other Indian lenders. The bank claims that they used fake PNB guarantees worth Rs. 11,500 crores to obtain loans from the overseas branches of Indian banks, claiming to need the cash to import pearls. This could be the biggest fraud in India as its quantum was bigger than an estimated Rs. 9,000 crore scam at Satyam Computers.

The Satyam Computers scam came into light by way of a confession letter written by B. Ramalingam Raju (Founder and chairman of Satyam Computers Services Limited). In the letter, he confessed about manipulating his books of account by overstating the assets and understating liabilities. SEBI hit back strongly, holding Ramalinga Raju and nine major associates guilty of insider trading and indulging in fraudulent and unfair trade practices. Ramalinga Raju was sentenced to nine years in jail for this heinous white-collar crime.

These crimes cause grievous harm to the economy of the country. Governments must take strict actions against such dangerous offenders and wash up the mess. The private sector must implement fraud prevention measures and specialize in ethics to scale back frauds. White collar criminals violate trust, which lowers social morale leading to social disorganization. Hence, it's pertinent that these are addressed strictly as they corrupt the very social fabric.



The China Hustle

by Kanchi Gupta

SC



In lieu of the global pandemic, the Indian government has made certain changes in the country's FDI policy. These changes mainly aim at putting reasonable restrictions on Chinese investment in India.

Covid-19 has greatly affected the global financial market. It has triggered panic selling in security markets and hence, has caused stock exchanges the world over to lose an average of 15-20% of their market value, and in some cases even 30%. Therefore, key Indian companies, in the face of crisis, may tend to seek refuge in hostile foreign takeovers. To prevent such happenings, India has made some changes in the FDI policy, especially regarding Chinese investment.

Foreign Direct Investment (FDI) is when a government, company or an individual invests in a business located in another country. FDI in India from any neighboring country must seek and attain government approval. Earlier, this condition was only applicable to Bangladesh and Pakistan, but now it has been extended to China and in fact, mainly targets it. The reason behind safeguarding Indian companies against China in particular is that of all the neighboring countries, it has the most significant trade flow and stake in the Indian economy.

The change being talked about took place after China bought 1% stake in HDFC bank. HDFC bank is the strongest Indian bank and has the maximum foreign direct investment in the Indian banking sector, because of which, there was additional political pressure to change the policy.

The Indian government claims that this policy is to stop opportunistic take over by China, and to protect intellectual property rights, data privacy, and national security, in the face of foreign direct investment by China being \$2.34 billion.



However, China, finding this policy discriminatory, can delay its investment by weeks. According to the Chinese embassy, the current FDI policy violates World Trade Organization's principle of "non-discrimination". A day after China made this claim, the Indian government replied by saying that it does not violate the principle of non-discrimination, as it does not bar investment from any neighboring country but only requires prior screening of proposals for the same.

According to experts, this policy will slow down the capital needed during this economic crisis for technology start-up companies as China has already invested \$4 billion. It might be a concern for those entities which have already concluded their deals but have been put on hold as they required compliance of procedural formalities. This might increase the struggle for start-up companies. Nevertheless, it will help India achieve self-reliance and be able to support its start-up companies.

Too Close For Comfort

by Srishti Goyal & Anushka Mehrotra

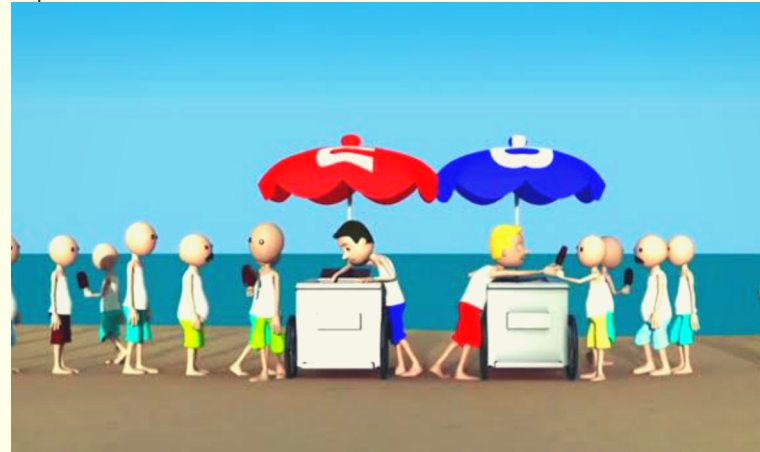
SC

Ever wondered why all restaurants, gas stations, street vendors, clothing stores and cafes are usually concentrated in one area? It's quite normal for all of us to come across a situation where we might have been driving for long periods of time without seeing a single restaurant, but as soon as one restaurant is located, one is likely to see a few more close by. The question that arises is why do competitors open their stores at close quarters?

It seems more logical for similar businesses to manoeuvre further off from each other to scale down competition and earn more profits, but business theories demonstrate that it is better for competitors to be placed in proximity. This can be explained by Hotelling's Model of Spatial Competition.

Imagine there are two hot dog stalls that are located on a 100 m street. In order to profit equally, both stalls are placed on either side of the road so that stall A gains all the customers from the left and stall B gets customers from the right, creating what is referred to as the socially optimal solution (a win-win situation for both) – minimizing the distance for the customers required to reach either one of the stalls. In this situation, both stalls have identical number of customers and this set of circumstances provide for the welfare of both the stalls.

The basic human attribute of rival tendencies ends up in both the stalls trying to draw in more customers and in turn, earn more profit. This causes them to move closer to the centre of the street. Stall A discerns that if it moves 15 m to the middle towards stall B, it can potentially secure some of stall B's customers in addition to retaining its original pool of consumers. To get back its customers and to gain advantage over stall A, stall B also shifts 15 m closer to the middle. Eventually, both stalls find themselves in the middle of the road, side by side, achieving what game theorists define as the 'Nash Equilibrium.'



Nash Equilibrium is a state where a party chooses an option that benefits them the most despite the other parties' choices. As a consequence of the aim of maximum profitability, both stalls involved feel unable to benefit by repositioning themselves off from the central position and end up resorting to being adjacent to one another vying for the attention of their customers. Since relocation does not satisfy either, they now depend upon every kind of advertising and marketing strategies to realise more benefits than the other by product differentiation, comparative advertising, promotional offers and creating publicity.

This theory helps us establish that "One should keep friends close, but keep their enemies even closer."

The Merger Mosaic

by Khushi Rungta
Pre-Sc

The finance and banking sector of the country appears to be controversy's favourite child, owing to the numerous changes it has been through ever since it has come into existence. For a few months before April, the government had been preoccupied in planning a mega merger in this sector to reduce the number of public sector banks from 21 to 12. The idea behind this move was to establish stronger entities in the sector to provide them a prominent place globally.

After a great deal of thought and anticipation, the government finally put its plans into action on April 1, 2020. The government merged the Oriental Bank of Commerce, United Bank of India, and Punjab National Bank to create the second-largest Public Sector Bank after State Bank of India. Similarly, Syndicate Bank has been consolidated with Canara Bank, Andhra Bank and Corporation Bank have been integrated with the Union Bank of India, and the Indian bank has been merged with Allahabad Bank. The rationale behind the move was to integrate banks having weak operational metrics or excessive bad loans with stronger, more efficient ones.

The logic behind this merger is to increase the global competitiveness of the Indian banks. The mergers will result in an increased lending capacity as well as strengthened balance sheets for Public Sector Banks. These banks would now be able to compete globally due to increased operational efficiency. The mergers have thus enabled them to procure sufficient money to fund big projects. Considering this, it can be said that the mega merger will ensure availability of money for investment purpose in the country.

All in all, the mega merger is expected to yield great results and enable public sector banks to contribute immensely to the economic development of the country.



Talk By Dr. Khan

On the 10th of June, the SCs had the privilege of attending an online talk by Dr. Amir Ullah Khan. Dr. Khan was on our Board of Governors. He is a developmental economist, and has worked on several developmental issues, primarily in the health, education, and agriculture sectors. With his great expertise, Dr. Khan delivered an enriching talk on the effect of covid 19 on the Indian, as well as the global economy.

Dr. Khan pointed at the fact that the lockdown was a much required step towards combatting covid 19 in India, however it led to immense increase in poverty. Thus, the government lifted it too soon.

He went on to say that the problem with decision making during the pandemic is that very few medical experts and economists are being included in the process. On the contrary, CEOs and politicians who lack expertise are being included in great numbers.

To explain leadership during the pandemic, Dr. Khan presented several graphs that proved that female leaders have shown better results in handling the ongoing pandemic. For instance, the Prime Minister of New Zealand has won hearts all over the world for her effective management of the crisis.

Welhamites got to explore the economic aspect of the pandemic in a very comprehensive manner. In a limited span of time, Dr. Khan gave us a lot to ponder upon.

BIZZARRE BUSINESSES

by Anisha Kedia

SC



BUSINESS DEVOTED TO BACON

Just imagine if all that you ate, tasted like bacon. J&D foods have made a bacon lover's dream come true. Founded in 2007, the US based company was started by two friends whose mutual love of bacon led them to the logical conclusion that everything in life should taste like bacon. They started by creating a bacon-flavored salt that could be added to nearly any food. Since then, J&D's has expanded its offerings to include much weirder products, such as bacon-flavored lip balm and, of course, its highly popular Mmmvelopes. (That's right: bacon-flavored envelopes.)

THE HANGOVER HELPERS

You had a party at your house the previous night and have now ended up with a terrible hangover and the house trashed. The thought of having to make yourself something to eat and then clean up that colossal mess is just too much to handle. So, what do you do? You call the Hangover Helpers! These two college guys located in Australia help their hung-over clients crawl back to normalcy. The guys show up at your house armed with a breakfast burrito and Gatorade. They then clean every room where the party happened. Now, isn't that a blessing?



EXCUSED ABSENCE NETWORK

Couldn't come up with a justifiable excuse to defend your absence at school or work? Don't worry. A Thackerville-based company has got you covered. It charges \$25 per excuse note which look as authentic as an original doctor's note or jury summons, etc. As crazy as this venture sounds, it earned \$15,000 a month. Unfortunately, this company was shut down after a few years of its launch.

RUN FOR YOUR LIVES

Ever wanted to feature in the Brad Pitt starrer 'World War Z' or a typical zombie apocalypse video game? Well, here's your chance to do so in reality. Run For Your Lives (RFYL) is a 3-5K obstacle course adventure run series created by Maryland-based Reed Street Productions (RSP). The company allows you to register in any of the 3 categories-runners, chasers as zombies and spectators. There is a finish line and a start line but what happens in between is unknown. Later an Apocalypse Party is organized with all things zombie themed.



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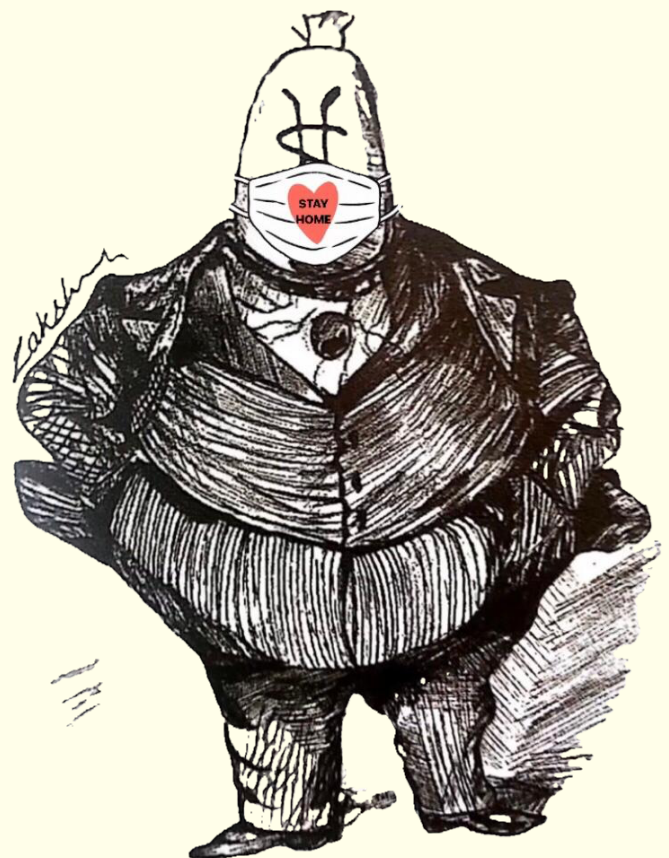
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