

FOUNDERS ISSUE'21

editorial

Dear Reader,

I hope the past few months have been reviving, refreshing, and booming for your personal as well as commercial lives. The economic world too has seen some revival owing to the vaccination drives in various nations. This issue of the Thrift takes you through recent crucial events such as the Lebanon crisis and Ronaldo's infamous Coca-Cola incident.

Along with keeping you in sync with the economic happenings of the world, we also felt the need to honour famous economists such as PV Narasimha Rao and familiarise our readers with the concept of pink tax and black swan events.

For our Founders' issue, we decided to support the spirit of Anveshika (exploration). Many Welhamites have started their own small businesses ranging from bakery goods to accessories. In this issue of the Thrift, we have explored the initiation of small businesses while appreciating our in-house entrepreneurs. By honouring these Welhamites, we hope to encourage many of you and guide you into becoming small business owners. We believe that business too doesn't know any age and can be a profitable platform for your creativity. Continuing our vow to sustainability, we have also touched upon thrifting, our namesake, and its benefits.

Economics might not seem an integral part of our lives at this instant but many of us know that it will be the survival kit of our adult lives. For this reason, we are committed to equip all Welhamites with the accurate knowledge and resources to survive economically and sustainably in the world and we hope to have achieved that with this issue.

Through the Thrift, Welham has given me the opportunity to learn as well as spread awareness about crucial commercial issues which has made me more confident and furnished to carry myself out in the financial world- something the Editorial Board will continue to ingrain in all Welamites.

Happy Reading!

Signing off,
Krisha Khanna
W-094

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THE PRICE OF EVERY VOTE

The Industrial sector suffers as Industrialists, being mindful of the new government's impact on the viability of their projects, seldom take prominent decisions amid elections. This takes a toll on the economy as the creation of jobs and the rollout of economic output is delayed. Due to this, banks also lend out less money and the credit growth of India lags.

Inflation is another undesired product of elections as this period is marked by excessive expenditure by various parties. A large amount of money is released into the market chasing the limited amount of goods leading to a demand-pull type of inflation.

India, apart from being the world's largest democracy, is home to the world's most expensive elections. As per a report provided by the Centre for Media Studies, Rs. 60,000 crores approximately were spent on conducting the Lok Sabha General elections in India.

The money spent on elections has adverse effects on the economy of India. Economic growth is compromised as people abandon the prospect of long-term returns and focus more on immediate responses and consumption. Long-term infrastructure programs suffer a setback as the government and the party focus on the short-term results to woo the voters.

Despite the various setbacks of this process, elections cannot be terminated as it indeed is a celebration of our democracy and freedom. However, it can be improvised to cut down on the costs by adopting the idea of 'One nation, One election'.

Many may not be aware that 'One Nation One Election' was once the medium used across India to celebrate the biggest festival - our democracy. The 1967 elections were the last of its kind as the elections that followed did not take place simultaneously at the centre and states. Due to the early elections of 1971, the harmony between the various state and general elections was disrupted forever.

One Nation One Election will save a huge amount of money. There are 4120 MLAs in the 36 states and UTs. The use limit for assembly election is Rs. 28 lakhs. It implies that absolute expenses would be somewhere around Rs. 11 billion. This would result in an astronomical reduction of expenditure on elections. The money saved will help the Government to keep the focus on improving the lagging economy, healthcare, education.

The criticism directed towards this policy highlights that it would require a lot of constitutional amendments and would obstruct the natural functioning of democracy and may even prove to be hazardous for regional parties. While these drawbacks cannot be ignored, from a fiscal perspective 'One Nation, One Election' is the need of the hour.

Bhavya Uniyal
SC



The Economic Crisis in Lebanon

Lebanon's current economic crisis is the unfortunate product of the ongoing political turmoil, corruption, and piling debt. Its financial system has been described as an elaborate, nationally regulated Ponzi scheme (a Ponzi scheme is where new money is borrowed to pay existing creditors, it only works until fresh money runs out). By October 2019, Lebanon's public sector debt had exceedingly elevated, the banking sector had become functionally bankrupt and illiquid, the remittances received had considerably fallen, the productive economy had not grown for an entire decade and there was acute political chaos – Lebanon did not have a president from 2014 to 2016. Amidst this, the Hariri government came up with a plan to tax WhatsApp calls. The unpopularity of such reforms led the Hariri cabinet to resign – worsening the political crisis. Continuous policy inaction and the absence of a fully functioning executive authority are undoubtedly some of the major contributors to the current crisis.

Averaging 84.3 percent in 2020, their economy became highly inflated due to insolvent banks, a sharp liquidity crunch and emergence of a foreign black market. The national currency, the Lira, sharply depreciated. COVID-19 and an explosion in Beirut further devastated the country's already failing economy.

The World Bank estimates that in 2020, Lebanon's GDP contracted by 20.3 percent, it is projected to contract further by 9.5 percent in 2021. Making matters worse, unemployment is on the rise with every four out of ten Lebanese being out of work, and half the population being below the poverty line.

Lebanon is facing a crucial moment. The only step in the right direction would be to resume stalled talks with the International Monetary Fund. However, in the long term, the restoration of political stability seems to be the way out. Other countries must help Lebanon get through this financial nightmare, and remember what caused it, so that such a situation does not arise, ever again.



Himanshi Gupta

Pre SC

Wouldn't it be fantastic if one knew the future? While that may not be possible, what can be done is to model and predict some events to a certain extent. However, Black Swan events do not come under this umbrella of 'slightly predictive events'.

What is a Black Swan Event ?

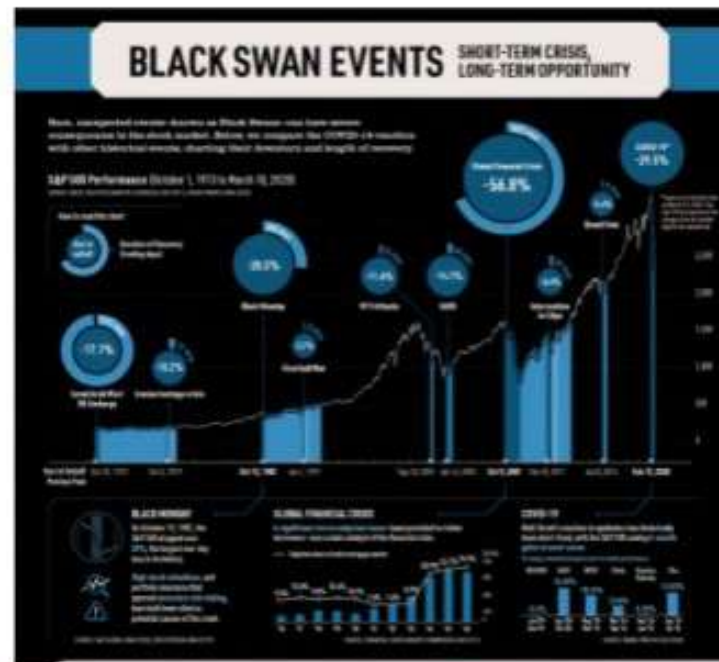
In the investing world, a black swan event is an extremely negative event in human history that is unprecedented and unexpected in the time it occurs. Though the event can either be positive or negative, it results in a decisively-negative outcome on the market. The term originated from the Western belief that all swans are white because these were the only ones accounted for. The theory around the Black Swan was introduced by Nassim Nicholas Taleb in 2007.

How is an event classified as a Black Swan event?

The event must be characterised by the following:

- - Rare event which could also be proved as catastrophic.
- - Event that leads to the exhibition of "hindsight bias", being proven "predictable" based solely on information learned in hindsight.
- - It is so rare that an observer will never be able to predict such an event.

WHAT IS A BLACK SWAN EVENT ?



Examples of the Black Swan Event ?

- The 9/11 attack
- The 2001 dot-com bubble
- Zimbabwe's hyperinflation in 2008
- Brexit

How does it affect the investment markets and the stock?

The black swan event can come down very harshly on the stock market. For instance, the dot com tech bubble of 2000 was at a high of a 5048 NASDAQ index which after the black swan event, sunk to 57% in 14 months. The 9/11 attack and Brexit also had similar drastic negative effects on the economy. These events are so unpredictable that they can ruin one's plans for the coming day. Their occurrence as well as their impact on the economy is immeasurable. However, analysts have suggested precautions that investors can take to help them deal with a future black swan event.

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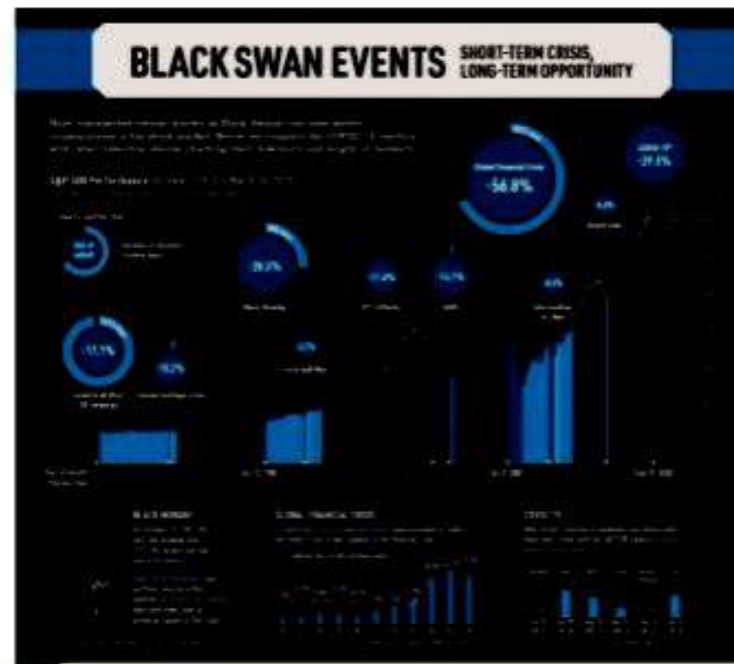
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Let's compare a car showroom to a toy shop. On one side we have an elegant glass covered showroom with a few cars on display usually following a conservative colour palette(white, black, grey, silver) with the exception of a few blue(s) or red(s). The other side is a hoard of board games and toys of every colour possible. Now let's switch the colour schemes. Would a purple or yellow car attract as many customers as before? Would the kids prefer to have their toy room at home full of monochrome products? The answer is mostly no.

Colour can have such effects on consumer behaviour. For this reason, It is extremely important for the producer to take into account colour . However, this does not mean that there is a fixed norm. While you may find many charts that show which colour represents which emotion or expresses which 'vibe', the choice of colour is extremely subjective to both the product and the brand. It is crucial for brands to choose the colour which would represent the product in the best way. The colour they choose must also align with the colours or the consumer usually associates with that product. 60 percent of consumers identify colour is a major factor in their vehicle-buying decisions and automakers continue to sell a vast majority of cars (nearly 75 percent) in conservative colours. NGOs usually choose somber colours such as white, light blue, orange as these are reflective of their purpose of peace and education.

Due to certain societal trends, particular colours gain popularity. The best example for this is the red iPhone which certainly did become a status symbol for a period of time. Some colours are so influential that they form a brand's identity. You see a gradient of pink, ornate and blue, you are sure to be reminded of the infamous app Instagram. These colours were chosen for the feelings of warmth and energy they radiate.

Although subjective, the effect of colours is extremely integral for both the consumer and the producer. 85% of consumers regard colour as a primary factor while buying a particular product. Colours evoke certain emotions as well as bodily responses in the consumers. For this reason, the producer has to think through the mind of a consumer and decide which colour would best suit the brand.

HOW COLOUR COLOURS THE CONSUMERS' MIND



Krishna Khanna
SC

Father Of Indian Economic Reforms

On 19th June, 1991, when PV Narsimha Rao was shown an 8-page note on the economic situation of the country he asked, "Is the economic situation that bad?" He was told, "No, sir, It's worse." Two days later he was elected as the Prime Minister of India, and his reforms paved the way for India's development as a regional power.

The economic crisis was present during the 1980s but it became severe due to several political factors such as the impact of the Gulf War on the oil prices, along with the disintegration of the Soviet Union, heavy international debts taken during Rajiv Gandhi's tenure, and the drying up of the foreign exchange reserve. Meanwhile, India's condition was deteriorating due to the License Raj dominating the Indian markets. It was time to restructure the economy.

This Initiative was taken by PV Narsimha Rao, rightly called The Father of Indian Economic Reforms. He is best remembered for launching India's free market reforms that saved the nearly bankrupt nation. His endeavour was further supported by Dr. Manmohan Singh, the then Finance minister who implemented various fiscal and taxation reforms.

Only concerned over stabilising his nation's economy, Rao took a deep plunge by instituting these reforms without caring for its political repercussions.

The difference between Rao's government and other governments was their approach to International Monetary Fund (IMF). While others shunned IMF, he proceeded to take an emergency loan of \$220 million. Statistics indicate the efficacy of Rao's reforms, Foreign investment in India was 132 million dollars when these reforms had been introduced, and had risen to 5.3 billion dollars by the end of his tenure.

Unfortunately, his legacy was largely silenced and overlooked momentarily. Nevertheless, the revolution he sparked off is what empowers India on the world economic stage today.

Heet Dhawale
PRE SC



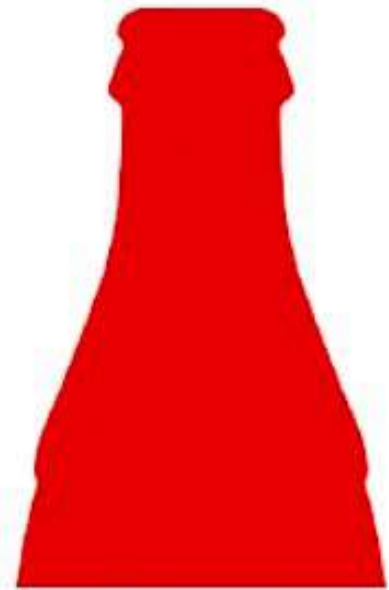
Did Ronaldo decide CocoCola's Fate?

In a pre-match press conference on 14th June, 2021, legendary Portuguese Football icon Cristiano Ronaldo removed two Coca-Cola bottles that were kept in front of him (as part of the 2020 UEFA European Football Championship sponsorship deal) and replaced them with a bottle of water with 'Agua' (Spanish for water) written on it.

At first this seemed like a harmless gesture to show the 'shift' to a healthier lifestyle and diet until the next day when Coca-Cola witnessed a drop of 4 billion dollars! Several memes and jokes broke out all over the Internet as people linked Ronaldo's gesture with the huge loss that the beverage company. However, but was it really so?

Taking a look at the graph of the share prices of Coca-Cola, it looks like it had already lost 4 billion dollars even before the footballer shifted the bottles at the conference. On 14th June at 9:40am EST, 3 minutes before the gesture, the share price dipped by 1.6% and at 9:43 am Ronaldo moved the bottles. In the stock market, analysts had already predicted a fall in the entire market's share values. Hence, along with Coca-Cola, multibillionaire company Ford Motors was down by 2 billion dollars on the same day!

Ronaldo's act and loss in the share prices was a mere coincidence with the drop and was not the only cause of it. It was just another day where trade prices were fluctuating. In fact, since after Ronaldo moved Coca-Cola bottles until the closing of Wall Street trading day on 14 June, the company gained 1.3 billion dollars by market value. In fact, this gave rise to the speculation that Ronaldo's gesture was a publicity stunt as a part of their marketing strategy. Despite all the speculations, this event served one great purpose - opening our eyes to the importance of not making business investment decisions on the basis of viral sensationalized news.



*Ronaldo
And CocoCola*



Devika Agarwal
Pre SC

Taxing behavior – are you paying a Pink Tax?

If you aren't sure whether you're paying the Pink tax, ask yourself these two questions: Are you a woman? Do you consume feminine products? If the answer is yes, knowingly, or unknowingly, you have been paying the pink tax till now and will continue to do so.

Pink tax is a form of gender-biased pricing where there is an upcharge on products intended for women. This tax is not only for women but for any individual that consumes or uses feminine products.

Simply put, a pair of pants designed for women has a higher selling price than a pair of pants designed for a man. It also extends to menstrual products and other daily use products such as razors and deodorants.

This tax is a clear example of how the industrial sector has benefitted from a gender bias over the years. They find creative ways to make the product and its packaging more attractive to the eye – a strategy most people fall for. By doing so, they have also successfully established false notions of high standardized beauty while targeting people's insecurities.

Surveys show that 80% of the jobs in India are being carried out by women – from agricultural to technology sector. Despite this widespread representation, women in India earn around 19% lesser than men. In 2015, a study showed that female workers earned only 80% of what her male colleagues earned while working full-time. Ignoring this visible disparity, women are still expected to spend more on necessity products.

Pink tax arises from gender discrimination and gives rise to the same. One should not have to pay higher for a product simply based on their gender. Many of us are still unaware of the existence of such a tax which is why, it is important to spread awareness about it. In fact, one must strive to actively call it out in the hope that one day it will be abolished and will bring us one step closer to achieving equality.



Why support small businesses?

Small businesses help India become a job-seeking nation to a job-creating nation. They are integral parts of local economies. These businesses are important because they:

Provide opportunities for entrepreneurs and create meaningful jobs with greater job satisfaction.

Foster local economies, keeping money close to home, and supporting neighbourhoods and communities.

The more that small businesses leverage their potential to support each other, the greater their capacity to create a thriving local business community.

Small business attracts talent which was left unnoticed by large businesses.

Infuse diversity in our local economies, as it can be started by anyone and they employ a large set of locals.

The greater diversity we have in the economy, the easier it is for the economy to withstand tough conditions.

SMALL BUSINESS



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- Recording and posting testimonies from other clients about one's product on social media really appeals to potential customers. It also creates a trustworthy and reliable environment.
- You can personalize their goods, most large corporations are unable to provide a touch of personalisation due to their large consumer base. By personalising goods, or even leaving notes with the product brings a sense of intimacy and humanity in the transaction.
- Maintain a good work ethic: designate space at home as your workplace. Try to live up to commitments and make sure you aren't disturbed while taking work calls.

Tips for Small business Owners

Welham businesses

Salicious by Sairra Rabani Rastogi
Delicacies

Smiles and sparkles by Samaira Agarwal
Beaded jewellery that goes for charity

Unica by Anvi Mittal
Handcrafted jewellery

Elysian by Paridhi Gupta
Resin jewellery

Aakar by Ayushi
Jewellery

biskuit by Shivika Anand
Cookies and sweet goodies

Moonbeads by Kashika Jain
Necklaces and phone chains

Mridani in association with Nandini Jalan
Goods made in Madhubani Art-form

BIG CONTRIBUTION



How to set up a small business in 7 Steps!

The 10 p's to a perfect small business!

Pinpoint your Passion:

Identify your area of expertise that has scope for commercialisation

Peruse and Plan:

Do thorough research into the market for your product and run a competitor search. Make a conceptual business plan.

Personalize:

Create a name that resonates with your passion and emotion for the product. Design a logo, a business card, labels, etc.

Prepare to go official:

Decide on the legal structure you want to give to your business. A sole proprietorship is a popular option.

Preview:

Once your product is ready, share it with close ones for a trial. Use their feedback and opinions to improve your product or service.

Payment System:

Set up a business bank account, and work out your payment platforms and strategies.

Promote and Propagate:

Social Media sites are becoming a growing hub for small business owners. Launch your brand on social media and publicize it on WhatsApp groups with family and friends.

The economic jab of vaccines



Till recently, there have really only been four main players in the vaccine market: GlaxoSmithkline, Pfizer, Merck and Snafu. They represented 90% of the vaccine industry revenues in 2019. Even for these market leaders, developing a vaccine is a costly and time-consuming gamble and in many cases, the process often takes a decade. The government is the main funder of science and it is critical that it does so because all the advances today, whether it is sequence analysis, mRNA vaccines, or biotechnology, came out of investment in science.

The cost of creating a vaccine varies widely. On average, it ranges from several hundred millions to a few billion dollars. Supply, demand and pricing for vaccines are determined by a small number of actors. On the buyers' side, national governments and organisations like Gavi, the vaccine alliance and UNICEF are among the biggest purchasers. On the seller's side are the pharma companies. Because the development cost and regulatory barriers for vaccines are high, companies can maintain their monopolies for longer. Up until Gavi was created, in the year 2000, there was no purchasing power to get those new vaccines to those who needed them the most. The great irony was that rotavirus and pneumococcus vaccines that now save millions of young children were not available in the countries that needed them the most. Gavi typically negotiates procurement on behalf of 60% of the world's children. They try to ensure that low and middle-income countries pay significantly less for vaccines than rich countries do.

By prioritising high volumes at low prices, The Serum Institute of India has become the world's largest vaccine manufacturer by volume. It typically produces more than 1.5 billion doses of vaccines every year, which are used in 170 countries. This year, it is increasing its capacity and aiming to manufacture at least 1 billion doses of Covid-19 vaccines alone, after signing deals with AstraZeneca and Novavax.

The public-sector governments have collectively de-risked and subsidised the R and D process every step of the way. Moderna has invested around 3 billion dollars in the last decade to get the mRNA technology in place. The pandemic has accelerated the company's growth, turning it commercial within three years.

On the other hand, some companies thought of the pandemic as their chance to make a contribution and distribute vaccines on a non-profit basis. The question is - will there be so many competitors that the market price falls, or will prices go up like in a normal market because people will choose a particular vaccine with a higher efficacy rate? One also questions whether governments should have demanded more in these deals for subsidising development and guaranteeing sales.

LIFTING THE THRIFT CULTURE

Although the concept of wearing second-hand clothes is still considered 'low standard' for many Indian households, 'thrifting' has become the buzzword among Gen Z and millennials in the last year. While it is a relatively old concept for the Western world, its recent hype has caused it to open its doors in India as well. Today, we see young Indian people starting Instagram accounts for the sole purpose of selling their old clothes that are in good condition at amazingly cheap prices. But is this trend of buying second-hand clothes economically and environmentally beneficial?

Thrifting has several economic advantages. Firstly, it generates transactional utility, where your satisfaction is measured by the difference between the reference price of an item and the price you pay. Since these items are used, they often sell at extreme fractions and buyers get a chance to buy branded clothes for nominal prices. If we consider the US and the UK, a lot of their thrift stores are actually charity shops or NPOs so your purchase is actually a super-efficient donation. Boosting such small businesses is also exceedingly economical. Promoting local organisations helps create jobs for your residents which in turn benefits the local economy. Additionally, the employee satisfaction at small businesses is statistically much higher than big corporations.



Fast fashion is one of the major catalysts leading the world towards doomsday. Apparel accounts for nearly 10% of global greenhouse emissions, which is the same percentage as the whole of the European Union's. Not only does creating such garments take up fuels, but three out five such garments end up in a landfill (according to a study by the Clean Clothing Campaign in 2019). With Zara churning out a new collection every week, under devastating labour conditions, thrifting is the most convenient method through which we can reduce consumption without compromising on our utility.

With a variety of options, thrifting is your perfect avenue to afford products that you may have never considered paying full price for, while doing your bit to combat global warming. Although India does not have a distinct thrifting scene currently, let us work towards creating one in the next few years, and make this plausible initiative more than just a trend.



Anushka Prakash
Pre SC

The Star-bucks trick to make more bucks

Whether it's through smart packaging designs or decoy pricing, producers always have smart tactics up their sleeves to trick consumers into spending more money. I am sure most of us have walked into a store and spent more than we had originally planned to. So what strategies do stores use to get us to spend more?

Let's take Starbucks. The popular coffee brand is the perfect example of a company using smart pricing strategies. Starbucks noticed that the majority of its regular customer base was fairly insensitive to price, and so, to boost their profit margin they made small unnoticeable price increases. By increasing their prices by just 1% last June, the company had its first significant price rise in 18 months. Studies backing this move have also shown that a mere 1% increase in price can lead to an overall 11% rise in profit. They also applied price increases to specific drinks and sizes rather than the whole lot. Customers who already had their personal favorites at Starbucks did not mind the slight price increase. Another strategy tied to this was increasing the price of the small-sized cups. When people saw little difference between the quantity of beverage in small and large sizes, they ended up buying the larger cups. Through these strategies, Starbucks indirectly shifted its customers towards the more profitable products.

Pricing has the power to make or break a business. If implemented well, any business can build a reputation like the one Starbucks has today.

Warren Buffet – The Money Man

Saamya Malhotra
Pre SC



"If you don't find a way to make money while you sleep, you will work until you die."

Says Warren Buffet, one of the richest economists of all times. For those who may not know him, Warren Buffet is an American business magnate, investor, and philanthropist. He is currently the chairman and CEO of Berkshire Hathaway. He is considered one of the most successful

investors in the world and has a net worth of over \$100.6 billion (as of April 2021), making him the world's seventh-wealthiest person. He moulded his investment philosophy in college around the concept of value investing pioneered by Benjamin Graham. Warren Buffett made his first million by running a hedge fund. Then he switched to owning his own small banks. Then finally he shut down his hedge fund and put all his money into running an insurance company. An insurance company is a hedge fund that KEEPS the investors' money and KEEPS 100% of the profits. Currently, he owns stakes in Apple, Bank of America, American Express, Goldman Sachs, Wells Fargo, Coca Cola, Visa, MasterCard, and Kraft Heinz.

Warren Buffett is noted for introducing the value-investing philosophy to the masses, advocating investing in companies that show robust earnings and long-term growth potential. Buffett favours companies that distribute dividend earnings to shareholders and is drawn to transparent companies that cop to their mistakes.

He also has contributed more than \$27 billion of his own money to charity over the past 15 years. He's one of the Gates Foundation's three members, along with Bill Gates and Melinda French Gates. He believes that billionaires should give half their wealth to charity after passing away. His son Peter Buffet has written a book called 'Life Is What You Make It' which includes lessons from his father Warren.



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