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ECOLLECTUAL

DEPARTMENT OF ECONOMICS, LSR

**how
pandemics
can create
permanent
changes
to the world as
we know it**



Source: Tam Wai

The World Is Upside Down Now

- ANANYA KALRA, MANSI CHAUDHRY

Thanks to Corona, the world won't be the same as it was before the pandemic.

No longer would a person from New York City fly to London for a conference, they'll probably do it over Zoom. Leave alone all the industries crying for help for a minute (aviation, hospitality) etc, and remember, some industries are actually thriving!

Hand Sanitizer is the new diamond, **home delivery** the new Macy's. Down with gyms and their plethora of selfie-takers! Go **home workout paid-subscription websites** where no one has to see our terrible performance!

Netflix stocks are rising given the rise in our couch *potato-ness*. **Digital streaming** services are partying, along with the **frozen food industry**.

And who can forget Mother Nature?

With global economic activity ramping down, **emissions** have fallen, **pollution** has reduced. Animals and birds which were never spotted are now showing off their freedom to us caged beings (A total Uno Reverse moment).

Animals that were trapped by human beings to meet their selfish needs and desires have now trapped and restricted human beings to their homes! (The virus is believed to be zoonotic).

Isn't it funny how the Air Quality Index is at its lowest, but we all have our face masks on?



Playing Games With Malthus

- LAKSHIMI SWAMINATHAN

Malthus' convincingly asserted in 1798 that population grew in geometric progression (doubling every 25 years) while food production grew in arithmetic progression; which would mean that if population kept growing at the rate that it did, **food shortages** would soon prevail. This was way before any agricultural innovation, by the way, and we presume he could not have even imagined hoarding!

Malthus thus stated that the population would be kept under

control through **preventive checks** (i.e. moral restraint) or **positive checks** (i.e. not so positive occurrences such as famine, flood and war) to avoid food shortages.

This theory was disproved in the following century when **mechanization in agriculture** helped raise food production such that the rate of population growth never outstripped it. (These days, food shortages exist due to political and economic reasons and (cough cough) pandemics, not overpopulation).



Source: Shutterstock

However, if such unprecedented changes had not taken place in agriculture or healthcare (birth control), according to game theory, Malthus would actually be right! So let's assume we are back in the olden days with **poor healthcare and low production**. Also assume that there are only two people in the economy to start off with. Each has the option to Reproduce (R) or Not to Reproduce (NR). For every person *i*, the action profile is as follows: **(R,NR)>(NR,NR)>(R,R)>(NR,R)**

The justification is that the person derives most utility when he is able to reproduce and the other person does not. This way there shall be no overpopulation and he doesn't have to indulge in moral restraint. Less beneficial is where both of them don't reproduce, when he wouldn't have to face food shortages (assuming food is more important than "passion between sexes"). Even less beneficial is where both of them reproduce. Although there will be a food shortage, they don't have to practice moral restraint.

The person derives least utility when the other person reproduces and he doesn't. This is because it would be a wasted opportunity

for it would eventually result in food shortages even when moral restraint is practiced. Making the matrix form of the game and ascertaining the Nash, we get:

	Others		
Person <i>i</i>		R	NR
	R	(2,2)	(4,1)
	NR	(1,4)	(3,3)

It is evident that the only Nash Equilibrium is (R,R), i.e, **both people end up reproducing**, thus proving the very theory that Malthus proved using elaborate theoretical arguments. At this juncture there is **no reason for any person to deviate** (no one would want to practise moral restraint if they are aware that everyone else is going to reproduce anyway and cause a population explosion). A scenario where nobody reproduces cannot qualify as a Nash, since people have the incentive to divert to reproduction, as it makes them better off in terms of their utility.

Hence, even though the Malthusian theory is now defunct, its essence continues to live on, through the **self-centred thought process of humans**.

Funding In All The Right Places

- TIARA DUTTA SYIEM



As COVID-19 ravages the world, several governments have implemented **country-wide lockdowns** to prevent any further spread of the virus and avoid overwhelming the healthcare system. While a lot of us are truly hating working from home, the constant mental pressure, and increase in household chores, **daily wage workers** living from paycheck-to-paycheck are the ones bearing the brunt.

Thousands of people have had to walk thousands of kilometres to their respective hometowns to get back home with little or no money at all. Unsurprisingly, many feel

that hunger will take them out before the virus does. With the impending economic crisis, we all should think about how our leaders should prepare for this pandemic.

To combat this pandemic, various steps have been taken by central banks and governments all over the world. Massive economic fiscal packages and emergency monetary policy actions have been announced. Nirmala Sitharaman, Finance Minister of India, had announced a **₹1.7 lakh crore** stimulus package under the *Pradhan Mantri Garib Kalyan Yojana*. This plan includes measures on food security, cash

transfers, free cooking gas to the poor and insurance cover of ₹50 lakh to healthcare workers. Another **₹15,000 crore** was contributed for healthcare infrastructure. This package constitutes only **0.8% of FY 20 GDP** which pales in comparison to the vast measures taken across the globe, and India's position is way behind the curve.

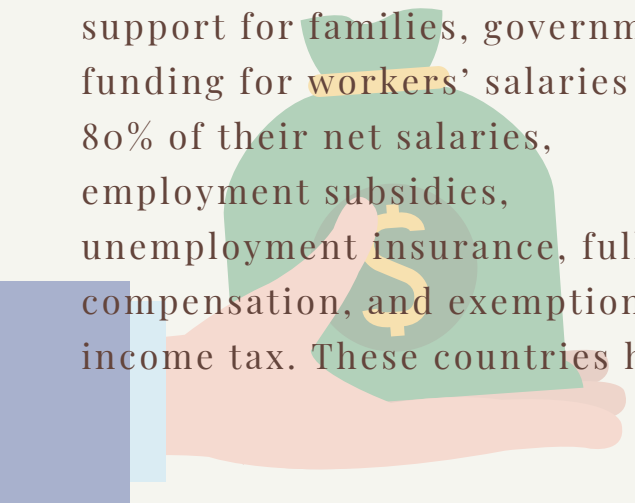
The government prioritizes allocating resources towards militant attacks, funding towards the construction of statues, or using armed forces against mass resistance, while spending on healthcare infrastructure, test kits, personal protective equipment (PPE) falls short.

As governments brace themselves for the ongoing crisis, countries like USA, China, Italy, UK, France, Spain, Germany, Indonesia and Kenya have provided their people with various schemes viz. income support for families, government funding for **workers'** salaries up to 80% of their net salaries, employment subsidies, unemployment insurance, full wage compensation, and exemption from income tax. These countries have

contributed about 10% of their GDP towards the issues related to COVID-19. Malaysia's second stimulus package is estimated at about 18% of its GDP which is also expected to widen the budget deficit to 4%.

Of course, critics will say that India cannot afford to increase its fiscal deficit, but **India cannot afford to sacrifice the health and long-term prospects of its human resources** either. Another branch of critics would also say that India, unlike developed nations, cannot afford to spend high amounts, but India should at least make planned attempts to fulfill the basic needs of those who cannot.

This situation of **elite panic should not result in sacrificing a section of people for another section**. As we wait for the government's announcement of the second stimulus package in India, individual states have undertaken the responsibility to oversee the circumstances and extent of the outbreak. Hopefully, the government opts for **organized efforts and elaborate, well thought out plans**, and improves the present circumstances.



Zoom's Boom Amidst The Pandemic


- SHREYA KHURANA

Instead of rushing fully suited to catch that early morning metro, everyone's strolling from their bedroom to the living room wearing a formal shirt and a pair of sweatpants just to realize how many of their boardroom meetings earlier could've been just a 10 minute video call or a few mails.

Well, there is certainly a company which is profiting in millions with this very realization of yours. **Zoom App**, without a doubt has risen to the top in the app economy during the worldwide lockdown.

Millions of people around the world have found new ways to celebrate birthdays, attend college classes and even 'go' for blind dates. **Daily downloads** of the Zoom app has **increased 30 times year-over-year**. Zoom said **daily users** spiked to **200 million** in March, up from 10 million in December. Shares of the company have gained 123% since January 2. There was a temporary pullback late last month but the stock has since recovered amid mixed analyst recommendations.

Zoom founder and CEO Eric Yuan has been lauded for the company's efforts to help out schools and other organizations during the crisis.



The usability and the reliability of Zoom is what has led to this incredible adoption, combined with, honestly, the generosity of Eric and his willingness to open it up especially to the schools.

*Kelly Steckelberg, CFO
Zoom Video Communications*



Thus, Zoom is getting the whole buzz, even against enormous contenders like GoToMeeting, Skype, Google Hangouts and Microsoft Teams.



Source: Forbes

From a valuation perspective, Zoom Video appears to be trading at an extremely high price to earnings ratio. The company's **trailing 12-month Price-to-Earnings (P/E) ratio** of about **1,510** could be prohibitive to value investors.

However, its **forward P/E ratio** of **328** shows promise while its **(5-years expected) Price/Earnings-to-Growth ratio** of **9.62** confirms its growth potential. In the most recent quarter, the company's **earnings grew 169%** and this demonstrates why investors are willing to pay a high premium for the stock.


But it hasn't been without scrutiny. **Protection concerns** have been ascending around Zoom,

including **Zoombombing**, where a pernicious client will join a Zoom meeting and show express or upsetting pictures. In the event that the producers can check this issue, Zoom App will observe development in the midst of the developing utilization of a remote workforce.

The remote working business condition will improve as more individuals grasp **5G organized innovation starting** in 2021. This will urge more organizations to use telecommuters in this manner, boosting the development of the video conferencing market, effectively changing the communication environment even post-corona.

How Taxpayers Subsidize CEO Pay

-NEETIKA KANOJIYA



I pay a lower tax than my secretary, and am the lowest taxpayer in my office.



Warren Buffet

This statement coming from the fourth richest billionaire in the world makes us wonder about the **unfair nature of tax laws** in the United States of America.

History proves that whatever US does, other economies follow. We find the proof in the way US has **manipulated the western world into capitalism** by citing the negatives of socialist economies like Cuba and Venezuela. It's therefore important to keep up with the recent developments in the US, where **the top 500 corporate billionaires pay no federal income taxes**, that too at the expense of the workers.

One of the major reasons for the rising difference in tax payment between the CEOs and the employees is the pay gap between the same players. This is called the **CEO Pay Tax Loophole**. Under this, the bigger the bonuses corporations give to their executives, the less the company pays in taxes.

CEOs of major corporations earn nearly **300 times more** than an average worker. This is 10 times more than the CEO-to-worker pay ratio in 1978 when CEOs earned 30 times more. This way, the corporations save around **\$50 billion every year**, and the tab is left on the average workers to subsidize the lavish bonuses of their bosses. When giant corporations don't pay their fair share, small businesses and working families have to make up the difference.

A tax loophole allows corporations to deduct from their taxable income any amount paid to CEOs as



long as the pay is **performance-based**. This means that the companies can deduct only \$1 million in cash payment from the CEOs because of a tax bill passed by the US Congress in 1993. This deduction is often criticized as extremely low and unfair, because there is no law that states that corporations cannot pay their executives through company stocks.

Apart from these two tax loopholes, companies like Amazon and Walmart get tax rebate checks even after paying \$0 in taxes. A tax rebate is when the US Federal government, “returns” some part of the federal taxes to the companies so that they can invest in capital

and help in creating jobs for the economy. For instance, Amazon got **\$129 million in rebate in 2019 after paying no federal taxes.**

A fourth reason for this divide is the new **Republican Tax Bill**, that has **cut the tax rate from 35% to 21% for CEOs** since 2017. This has helped CEOs to profit on the expense of the average American workers. The unfair nature of tax payments has started a new debate between those who believe that companies should pay their fair share, and those who believe in more tax cuts so that companies can focus on employment generation and capital investment.

To the Graduating Class of '20

- SHREYA MAHAJAN

As your journey of experiencing the magic of LSR comes to an end, you are embarking on a new journey as uncertain and spontaneous. Like all changes we know this one won't be easy for you.

When there comes a time to endure pain hold on the memories you made here and how happiness came in small things like cancelling of a lecture, iced tea and Maggi and Rinku Bhaiya.

When you feel dejected by fate remember how you inspired the freshers by your strength and ambition. As you go on to conquer the male dominated world be the

woman who walks with the wolves.

Whenever you feel disillusioned and lost remember your first semester, how just like a star you made a place for yourself in this big universe and never forget to shine brightly.

Goodbye like all empty words is very meaningless because how can you say goodbye to a place where you shared a piece of yourself - the one that shined brightly despite the darkness. I hope you keep on running towards your dreams and goals and create an impact in all spheres of your life and be forever young and energetic.



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