FAIRTRADE EGYPT: THE ROAD TO COMMUNITY EMPOWERMENT

Lunchtime Seminar with Mona El-Sayed

The University of Reading welcomed guest speaker Mona El-Sayed, Director of Fair Trade Egypt, for the Fair Trade Fortnight lunchtime seminar on Tuesday 8th March 2016 – International Woman’s Day. Mona El-Sayed used her business background to turn Egypt Crafts into the successful, sustainable organisation now known as Fair Trade Egypt. In 2007 Fair Trade Egypt became members of the World Fair Trade Organisation (WFTO), helping spread the Fair Trade movement across the Arab world. Mona El-Sayed was then elected as one of the Board Directors of WFTO, being the only and First North African and Arab woman to hold this position, since the birth of WFTO in 1964.

Mona El-Sayed’s talk touched on the history of Fair Trade Egypt, its milestones, its artisans and how the organisation thrived in political and economic crisis – with focus on Fair Trade Egypt’s main mission; to empower communities.

Fair Trade Egypt makes a difference by making social developments and prioritising cultural preservation; actively and practically aiding communities.

HEAD OF DEPARTMENT LETTER

By Dr Marina Della Giusta

The Spring Term is coming to a close and has seen several interesting visitors to the Department including our NUIST friends, and the award to two of our students of a trip to Nanjing to meet their fellow students! As usual, our range of activities went from the more conventional lectures and seminars to the more innovative. We hosted a series of Board games playing sessions to simulate trade and growth, and conducted experiments with students on a range of interesting topics feeding into our research and their academic work. Our series of Monday lunchtime conversations covered as always current affairs in economics, ranging from the ones closer to home (marketisation of higher education) to Brexit, which is clearly occupying most of the current affairs discussions. The Economic Society Lectures focused on immigration, BREXIT and the financial crisis. To help our finalists prepare for both the stressful exam period ahead and the transition into the labour market we held a focused session with the Head of Wellbeing and our wonderful SPEIR placement officer and we hope this will help everyone do their very best. As we move into the revisions and exams period, remember to stay focused and keep contact with your tutors and lecturers, as well as your peers! To stay with us, join our FB pages where regular posts by students and staff will help you stay connected!
JOINT EARG WORKSHOP ON DSGE MODEL ESTIMATION

By Dr Alexander Mihailov

On 18 December 2015, the Economic Analysis Research Group at the University of Reading, jointly with the Bank of England and the Money, Macro and Finance Research Group, organised a one-day workshop on How Should DSGE Models Be Estimated? This workshop supported the University of Reading Research Strategy Theme “Prosperity and Resilience” and discussed current methods and key problems in the estimation of dynamic stochastic general equilibrium (DSGE) models. This latest generation of theory-derived macromodels with rich empirical implications and immediate policy relevance are the “workhorse” at present at both academic and policymaking institutions. Estimated DSGE models, usually by Bayesian methods due to the large number of parameters to estimate, have the methodological appeal of aiming to represent theoretically coherent structures aggregated from “microfoundations” and featuring (boundedly) rational behaviour of (heterogeneous) households, firms, banks and governments, given exogenous processes for technology, preferences and other “deeper” driving forces. The primary use of DSGE models is to better understand, analyse quantitatively as well as qualitatively, simulate and forecast macroeconomic behaviour and policy responses in national and global contexts harnessing the powers of the computer as a substitute for a “laboratory” for the social scientist.

No matter their complexity, embodied in dynamic-stochastic systems of 10-20 estimated difference equations in a typical medium-scale DSGE set-up, these models suffered from limitations in that they were initially ignoring, for the sake of focus and parsimony, financial markets and intermediaries, housing, bounded rationality and adaptive learning, inequality and other heterogeneities, information frictions and asymmetries, and other relevant aspects of real-world societies. These serious omissions were harshly stressed by the Global Financial Crisis, which was not predicted except by a few lonesome voices within the economics profession. Consequently, the missing elements have now been incorporated into larger-scale, more realistic and more reliable DSGE model extensions of the pre-crisis baseline. The workshop revisited the main issues of consensus as well as of challenge in light of the frontier of research from a theoretical/macroeconomic perspective and an econometric/statistical perspective. Its goal was to explore and address the weaknesses in the current state of-the-art in DSGE model design and estimation. The workshop was opened (see photo) by the Vice Chancellor Sir David Bell, and its two sessions were chaired by Professor Michael Clements and Professor Kerry Patterson. It was co-organised by Dr Alessandra Ferrari, Dr Alexander Mihailov, Dr James Reade and Ms Aleiah Potter. Four papers were presented, by Professor Paul Levine (University of Surrey), Dr Alexander Mihailov, Dr Michael Pitt (University of Warwick) and Dr Konstantinos Theodoridis (Bank of England). The audience included some 40 researchers from the academia, central banks, government departments, and international institutions as well as PhD students specialising in macroeconomics and macroeconometrics from various UK universities. Most participants genuinely enjoyed the workshop and considered it a successful event that would stimulate their research.
THE BANK AND BREXIT

On a regular basis representatives of the Bank of England meets with the Treasury Select Committee, a body of MPs that examines the expenditure, administration and policy of HM Treasury, HM Revenue & Customs, and associated public bodies, including the Bank of England and the Financial Conduct Authority”. Today there has been a hearing at the Treasury Committee on “The economic and financial costs and benefits of UK’s EU membership”, in which governor Mark Carney gave evidence.

At the meeting, Carney was accused of being “pro-EU”, apparently because he wrote in a pre-hearing letter to the committee: “EU membership reinforces the dynamism of the UK economy”. As definitions and details are all important, particularly in the Brexit debate, thankfully the report then states: “A more dynamic economy is more resilient to shocks, can grow more rapidly without generating inflationary pressure or creating risks to financial stability and can also be associated with more effective competition.”

It’s hard to imagine how an evaluation of the costs and benefits of the UK’s EU membership could avoid being pro-EU whilst making statements about the benefits of EU membership, and highlights the difficulty of providing any kind of appraisal in these politically-charged days. Nonetheless, it is important to do so, and also important to go to the source and read/listen to what’s happened. The link above is to the pre-hearing report put together by the Bank, and is well worth reading on the costs and benefits of EU membership.

DID THE POUND REALLY FALL BECAUSE OF BORIS JOHNSON?

By Daniel Masters (http://sparknewspaper.co.uk/news/did-the-pound-really-fall-because-of-boris-johnson/)

This week you may have heard on the BBC news Huw Edwards say the UK had ‘suffered’ a fall in the Pound Sterling. You may have also read the Pound Sterling fell to its lowest since 2009. The report made a big thing about how the fall in Pound Sterling was down to Boris Johnson’s joining the leave EU campaign. It was implied leaving the EU would be bad for the UK. Ironically the Ftse 100 (the shares of the UK’s top 100 firms) opened on Monday at a one month high.

The Pound Sterling did fall against the Dollar by a minute £0.05. Furthermore the fall actually took place well before Boris Johnson’s statement, at which point the BBC was still speculating over which way he would go. Amusingly When Boris Johnson’s statement was made the Pound Sterling stabilised.

Another caveat with the BBC was they reported the Pound Sterling rate to be its lowest since 2009. But this is largely, however, because the Pound has been falling continuously for some time. The £0.05 was, as they say, a drop in the ocean.

Indeed, the word ‘suffered’, used by the reporter is loaded. A fall in a currency is not always a bad thing – a fall in the Pound Sterling actually makes UK goods cheaper abroad, which in turn should increase UK business, leading to increased growth.

What the BBC did not report, funnily enough, was what happened to the Ftse 100 (the list of the shareholdings of the top 100 UK businesses). On Friday at 4pm the Ftse 100 was at 5939.23 before closing for the weekend, having been falling since April 2015. Following the news of Boris Johnson joining the EU leave campaign the Ftse 100 opened and rose to 6016.19 on Monday morning.

The Ftse 100 is a far better register of confidence in British business than Pound Sterling fluctuations, which are more a measure of what random speculators (usually not anything to do with business) think. So the Ftse 100 is far more trustworthy, but the BBC clearly didn’t think so.