The NEP presents you our 30th anniversary volume!

NEP
NORWICH ECONOMIC PUBLICATIONS

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VOLUME 30

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EDITOR'S FOREWORD

01 FROM THE NEP CHIEF EDITOR

Dear all,

It is my pleasure to welcome you to the 30th volume of the Norwich Economic Paper (NEP). Despite a busy exam season for the board, we have continued working on the publication, releasing a new podcast, writing contributions to this volume, and gathering outstanding coursework from various modules.

Our latest podcast, 'Placement Panic!', was a panel interview. This included three final-year students, Archie, Lizzie and myself, who have returned to UEA, having completed a placement year. and Dr Peter Dawson, the School of Economics (ECO) placement director. Our very own Isaac Williams, a second-year student looking to find a placement chaired the panel. In it, we discuss our experiences, both finding and completing placement year, as well as the transition back to UEA, and offer general advice for prospective placement students. If you are interested, you can listen to it on our YouTube channel or our Spotify account.

In this volume, we continue to explore our themes across the contributions of our editors, with each editor working directly on one of the six editors' pieces. We have also published exceptional coursework, selecting pieces that align with our themes and highlighting the great work being done within the School of Economics. We are also very excited to have a contribution from Dr Emilya Lazarova, the head of the School of Economics. She reflects on the academic year in ECO and shares notable achievements of the School.

This publication feels somewhat bittersweet for me, as it marks both the final project of this year's NEP board and my tenure as chief editor. I want to thank the entire board for their dedication and for making the NEP such a great place to work. The quality and quantity of the content are a testament to the collective effort of the board, and I am immensely proud of it. I look forward to seeing what the future holds for each of them and wish my fellow editors the best of luck in all their pursuits, both within and outside academia. I also wish the incoming board the best of luck and hope they find the NEP as fulfilling a task as I have.

Once again, I would like to show my appreciation for our academic editor, Dr Liliana Harding. Without her support and guidance, the publication would not be anywhere near where it is today. I would also like to extend my gratitude to the entire School administration for their ongoing support. Finally, thank you to all the students who agreed to share their work with us and our readers!

David Bunzl – NEP Chief Editor 2024-2025

HEAD OF SCHOOL FOREWORD

02 FROM THE HEAD OF SCHOOL

What a year to be an economist and study economics 2024/25 has been: from the political economy of the UK Budget setting to the real-world taste of international tariff wars and having front row seats to the technological changes that affect all economic structures: manufacturing, labour markets, services, and knowledge production. There is no surprise therefore that one of our modules was nominated and won the Transforming Education Awards for the relevance of its content in addressing the challenges of a changing world.

If you have visited the School at Open Days or have been at one of my outreach talks, you may have heard me saying that economics graduates have strong career prospects because they are both "literate" and "numerate". In the age of AI, the importance of this statement is critical for those joining the labour market as recruiters are noticing a pointed deterioration in graduates' reading and data comprehension, face-to-face communication, and independent critical analysis.

In our economic models we take effort as costly. So, if AI can save us from making effort, it is only rational to lean on it. The conclusion beckons a question: why do we do economics at university? Each and every one of us will have a different answer; not because we have unique drivers but because we have unique ways of expressing ideas. Education is empowerment and data shows this: it does not only open career opportunities, but also correlates with health, life expectancy, and a sense of fulfilment. AI is a powerful tool; that is what it is: a tool.

That point was brought to me when, in preparing for the NEP (Norwich Economic Publications) Prize Giving ceremony, I used an AI bot to answer the question: "What does NEP mean for ECO at UEA?". I got a great answer on what it is and how it boosts your CV. What the answer did not capture is the empowerment of young people to focus the discussion on what matters to them; the team work that it relies on, the time management that is essential and our pride. NEP is a true testimony of the curiosity, creativity and ambition of the economics students at UEA.

The past year was exciting not only because of what is happening around us, but also because of the changes we introduced in our School. We adopted a new framework of student-staff partnership to strengthen the student voice and improve governance. We expanded our facilities and launched FEDS: our Finance, Economics and Data Science Lab next to LEDR (the Laboratory for the Economic and Decision Research) where our MSc students are already busy working on their dissertations over the summer. We expanded experiential learning provision to keep us abreast with the technological changes and labour market expectations.

Looking ahead, I am excited about the rolling out of results of the comprehensive assessment review and expanding the consultancy projects provision. We will continue to address the challenges of a changing world through our research and outreach. I hope you will join our busy conversations.

Emiliya Lazarova – Head of School, School of Economics

EDITORS' CONTRIBUTION

03

NEP 30

Wellbeing
Sustainability
International Collaboration

Bridging Disciplines: From Psychology to Economics

Grace Tate

Pursuing postgraduate study in economics without a background in the discipline can be a daunting prospect. However, for students with a social science background, the transition can offer a unique and valuable perspective. This reflective article on my journey from a psychology undergraduate to a behavioural economics and data science master's student highlights how stepping out of your comfort zone is deeply relevant in helping navigate today's complex job market.

Why Behavioural Economics & Data Science at UEA?

My decision to pursue a postgraduate degree was guided by a growing awareness of the skills required for careers in behavioural science. I was introduced to this career path during my undergraduate placement year as a behavioural science researcher, and further research revealed that statistical and programming skills would be essential in the job market. This recognition shaped my plans as I investigated Master's programmes that could bridge that gap.

Behavioural Economics and Data Science at UEA blends economic theory with technical training in data science. Open to anyone with a 2:2 bachelor's degree and requiring compulsory, intensive pre-sessional training before the start of teaching, I soon moved from the comfortable world of psychological research to the techniques of calculus and statistical methods in the economic context and programming software.

Behavioural economics applies psychological insights into human behaviour in order to explain economic decision making. Behavioural science goes a step further to incorporate economics, psychology, and sociology to ethically 'nudge' consumers towards the most prosocial choice, and is commonly used in public health, government, and marketing.

Behavioural economics and data science form a natural partnership. Understanding why individuals make certain choices and how to influence these choices is only the first step. Applying those insights in policy or commercial settings requires the ability to evaluate interventions at scale, and companies pay for individuals who can evaluate the data. Whether addressing global health behaviours or shaping brand strategy, the integration of behavioural science with robust data analytics allows for meaningful, evidence-based impact.

Over the course of the programme, I learnt about consumer choice, macroeconomic policy, data mining and econometrics, Python, Stata, and Orange. Being able to choose the Information Visualisation as an optional module in the second semester, where I learnt techniques for summarising and presenting a wide range of data, further cemented by behavioural science knowledge, allowed me to create webpages using key concepts through CSS, JavaScript and HTML.

My background in psychology provided a strong foundation, particularly for the Behavioural Consumer Analytics and Dissertation modules, while the course itself developed my fluency in coding, statistical analysis, and economic reasoning. The course provided plenty of opportunities to put these new skills to practical use, with a whole range of assignments contrasting my essay-only experience at undergraduate level. The course was challenging, interesting, and most importantly shaped my career goals more towards data science than I had originally considered.

Key Differences in Mindset and Methodology

One of the most noticeable shifts I noticed when moving from psychology to economics was the methodological framing. Psychology tends to focus on understanding why people behave as they do, often using qualitative methods or small-group studies. Economics, by contrast, typically prioritises what happens under certain conditions, valuing predictive accuracy and mathematical precision.

At undergraduate level, I could click a few buttons in a statistical programme and come face to face with the results of my regression analysis, but my master's course has built on this, teaching me how to understand the regression equations, how to code them into Stata, and allowed me to take a hands-on approach that is needed in the working world. While undergraduate psychology varied between controlled experiments and debates on biological, cognitive and social topics, I now feel confident in taking this a step further, engaging robustly with the data to understand the logic behind modelling, prediction, and causal inference.

I believe my training in both disciplines has fostered flexibility and breadth in my mindset. I now think strategically, using cost-benefit reasoning to take a more quantitative approach to my work. In particular, microeconomics was of great interest to me, especially when examining consumer choice and demand. Instead of using behavioural science to push individuals towards the more prosocial choice, I can now look at why a choice might be optimal and what principles choices should follow.

Crucially, many fields are increasingly demanding a combination of behavioural insight and data fluency — from public policy, to healthcare, and to business analytics — and so interdisciplinary thinkers are becoming essential within the workforce. Being able to not only understand consumers but also bring in a range of techniques from psychology, economics, and data science has set me up well to address emerging challenges in the workplace. While previously working as a behavioural insights researcher, brought in to fulfil analyst roles, take part in Power BI workshops, and can use JavaScript and CSS to code opinion surveys for my company, I have now been offered a full-time analyst position, which I never would have been able to achieve without my masters.

Final Reflections

While I was initially hesitant to enter the School of Economics from a non-economic background, I quickly found it was the right decision for me. Not only was the School welcoming, supportive and well-taught, but I now see the value in my diverse academic background and appreciate my ability to bring a fresh perspective to any situation. As behavioural economics continues to evolve, there is growing recognition of what psychology-trained thinkers and data analysts can add, especially when equipped with the tools of data science and behavioural analysis.

Reflecting on my Advisory Dissertation with Age UK Norwich and their Health Coaching Service

David Bunzl

Introduction

In this article, I reflect on the collaborative process and the findings of my dissertation with Age UK Norwich, a leading charity for supporting people in later life. The goal of this essay is not only to provide insight into my work but also to highlight what a consultancy project entails, specifically its collaborative nature and the real-world impact that a project can have.

My dissertation project was one of four undertaken in partnership between undergraduate students in the School of Economics and Age UK Norwich. Each of us focused on different sectors of interest and services provided by Age UK Norwich. My project examined their Health Coaching Service, which provides professional-led classes aimed at increasing mobility, physical activity and independence. I examined its impact on the well-being of participants and the broader benefits to society.

Collaborative Method

One of the unique features of doing a consultancy dissertation project is that you are often working on an individual piece, but alongside other students. In practice, this meant collaborating with the other students. For example, to collect relevant data for each project while minimising the risk of survey fatigue, a unified survey was distributed among Age UK clients across the four student projects. This process involved extensive group discussions to design the survey, ensuring it was tailored to each project and aligned with academic literature, ethical guidelines, and feedback from Age UK.

Our final survey was structured into five sections for simplicity: one for each dissertation and one for general demographics. We gave special attention to question clarity, flow, and the use of appropriate scales compatible with the UK Social Value Bank (HACT). After iterative feedback from supervisors and Age UK staff, the survey was approved with minor revisions by the UEA ethics committee, ensuring adherence to data protection and ethical standards. For many projects, mental health was particularly important; however, this is a sensitive and broad area. To tackle this, we broke mental health into smaller components, such as feeling isolated, and phrased the question so that it measured frequency from never to always.

Once our survey was approved, it was distributed in physical format through Age UK's service channels, including health coaching, befriending (a phone service aimed at tackling loneliness), and group classes. This strategy leveraged Age UK's trusted relationship with clients, maximising the likelihood of participation within a limited two-week window. A total of 75 responses were collected, with 27 coming from health coaching participants.

Analysis and Findings

My project adopted a dual-method analysis approach. First, to quantify the broader societal and individual impact, a Social Return on Investment (SROI) analysis was conducted by a third-party organisation, HACT, which created the UK Social Value Bank, a leading database for calculating SROI. To do this, proxy variables from the survey were matched to wellbeing indicators in the UK Social Value Bank. HACT's three-stage model covers direct effects, indirect health-related effects, and monetary valuation. This is used to estimate the financial value of improvements in wellbeing. For example, increased mobility or improved mental health were converted into equivalent income gains, using robust statistical models based on national wellbeing data. The results from our data showed that every pound spent by Age UK on health coaching resulted in £18 of utility to society at large.

Secondly, regression analysis was conducted independently to explore whether participation in health coaching was statistically associated with differences in physical, mental, and general health scores. These regressions controlled for demographic factors such as age, gender, and living status and created a foundation for further research. I note the importance of future work being longitudinal and incorporating base differences between users and non-users.

Conclusion & Advice for Future Students

In a traditional dissertation, you mostly work alone with support from your advisor. However, in this project, we also communicated with Age UK, as well as coordinated with fellow students to organise our survey. Although this was challenging, I believe it has boosted my ability to coordinate and manage a project, which is a crucial skill employers value. Moreover, undertaking a consultancy project means your work will hopefully benefit the organisation. In my case, they can utilise the findings of the SROI analysis as supporting evidence for the scope of the service's impact and potentially secure increased funding. For me, this was the deciding factor in undertaking this type of dissertation project, as I have seen firsthand the need for initiatives like the one provided by Age UK Norwich.

My key takeaway from this consultancy project is that it is a challenging yet rewarding task. For those considering whether a consultancy project is suitable for them, I would say yes, it involves a lot of work, but it can also be extremely rewarding, equipping you with valuable skills for your future career or strengthening your postgraduate application.

If anyone is interested in Age UK and the services that they provide or wants to get involved in supporting their work, you can find their website here: https://www.ageuk.org.uk/norwich/

Wellbeing over Wealth: A Student-Centered Economic Perspective

Violeta Bollano

Introduction

In his 2024 Presidential Address to the Royal Economic Society, Sir Christopher Pissarides emphasised that the ultimate goal of economic activity should be to enhance human wellbeing (Pissarides, 2024). This vision aligns with the evolving discipline of wellbeing economics, a people-centred alternative to conventional growth-focused economic frameworks. Amongst students at the University of East Anglia (UEA), this shift is not just theoretical but also practically relevant, as highlighted by contributors to the Norwich Economic Publications (NEP).

This essay explores how wellbeing economics can reshape our understanding of prosperity by drawing on both academic research and first-hand experiences. In particular, it incorporates original survey data gathered from UEA students to examine how economic pressures affect their mental health, financial security, and perceptions of wellbeing, helping to shape the direction of our debate.

Reframing Economic Priorities: Beyond GDP

Traditionally, economic success has been equated with economic growth measured using Gross Domestic Product (GDP). Yet GDP fails to capture key aspects of human wellbeing such as happiness, mental health, environmental sustainability, and social cohesion. Lord Richard Layard (2020) argues that economic policy should be designed to maximise life satisfaction. The World Happiness Report similarly proposes the inclusion of mental health, trust in institutions, and job quality in national metrics of progress (Helliwell et al., 2024).

Wellbeing economics, as a growing field, is reflected in policy frameworks such as the Organisation for Economic Co-operation and Development's Better Life Index and New Zealand's Wellbeing Budget, both of which translate its principles into multidimensional indicators of development (OECD, 2020). This approach encourages policymakers and researchers to ask not only, "How much do we produce?" but also, "Are we living well?"

Insights from UEA Student's Survey

Students can first encounter the topic of wellbeing economics through both personal experience and academic curiosity. In my case, it followed the weight of mental and financial stress during my studies. These pressures often translate into a personal struggle. This, in turn, led me to explore how other students felt and how economics might offer tools to address these challenges and create a healthier, more supportive university environment.

The data this article presents is drawn from an anonymous student wellbeing survey conducted by the author, Violeta Bollano, and NEP Podcast Editor Valentin Noël at UEA in May 2025, using an online survey. It was advertised through LinkedIn and received responses from 19 students in the School of Economics. While limited in coverage, the findings reveal critical insights.

The survey asked students to rate their overall wellbeing on a 1–5 scale, where 1 indicated very unhappy and 5 indicated very happy. The average reported score was 3.6, suggesting a moderately positive but fragile level of wellbeing among participants. A breakdown of frequencies, where available, and survey questions are included in the appendix. Averages are useful, but further breakdowns, such as by gender, may support stronger conclusions.

- **Financial security:** Only 37% of students feel financially secure.
- **Rising living costs:** 79% say the cost of living has negatively affected their wellbeing or academic performance.
- **Loneliness at university:** 11% report often or always feeling lonely while at university.
- **University support:** When asked whether any form of education at UEA had improved their understanding of personal wellbeing or life satisfaction, 42% said yes and 47% said somewhat. This suggests that university-based learning, support services, or broader student experiences had a meaningful impact.
- **Job market anxiety:** 84% are concerned about their employment prospects.

These findings mirror wider global concerns. The World Happiness Report (Helliwell et al., 2024) further notes a decline in adolescent wellbeing across multiple countries. Anecdotal evidence suggests that the most common word students use to describe themselves is "lonely," indicating the urgency of addressing student mental health and understanding the root causes of its decline.

Validating Student Struggles Through Research

These local findings from UEA are consistent with broader academic research into student mental health and financial stress. Blanchflower and Sacerdote (2025), in a large-scale study of U.S. college students' wellbeing, found that approximately 26% of students at elite universities suffer from moderate to severe depression, and 22% report moderate to severe anxiety. Even at institutions recognised for their focus on student wellbeing, one in ten students had seriously considered suicide.

These results underscore the vulnerability of student populations, particularly when financial insecurity is present. The findings from the UEA survey, although based on a small sample, nonetheless support previous literature and historical trends in student wellbeing.

The overlap between academic anxiety, financial pressure, and poor mental health highlights the urgent need for economic frameworks that place wellbeing on equal footing with productivity.

The Role of Cultural and Community Wellbeing

Wellbeing is shaped not only by individual circumstances but also by social and cultural environments. Previous literature has highlighted how the design of our surroundings, including access to green spaces, libraries, and public art, can influence life satisfaction and a sense of belonging (Centre for Economic Performance, 2023; Harding, 2019). These insights

align with the wider context of student life, where social connections are increasingly fragmented due to factors such as remote learning, the rise of digital communication, and growing academic pressure. As students report greater levels of loneliness and disconnection, the integration of cultural and spatial design into both university and national planning becomes even more important for promoting collective wellbeing and inclusion.

The Role of NEP in Shaping the Wellbeing Conversation

As a platform driven by student voices and fresh economic thinking, the Norwich Economic Publications (NEP) are uniquely positioned to spotlight the emerging discourse on wellbeing economics. Drawing from the findings in this study, the NEP can play a vital role in encouraging critical engagement with themes such as mental health, student financial insecurity, and the future of work. Rather than prescribing a fixed agenda, the intention is to inspire contributors to approach wellbeing through the insights offered by economics — integrating both lived experiences and empirical research. By continuing to publish reflective, analytical, and student-centered articles, NEP can help broaden how prosperity and wellbeing inform our lives, not only in academic discussions but also in shaping awareness and decision-making.

Conclusion

Wellbeing economics reframes economic success as a measure of quality of life, not just economic quantity. With guidance from leading economists like Layard and Pissarides, and supported by real-world data and a small survey of UEA students, suggest new directions for contributors to the Norwich Economic Publications.

In a time when students are navigating financial insecurity, mental health strain, and anxiety about the future, the NEP has an opportunity to reflect on our work and student experience and inspire communication on campus. Placing wellbeing at the heart of economic discussion is not just desirable, it is also essential.

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Image source: Unsplash.com

Appendix: Survey Questions and Data Summary

Survey Overview

This survey was conducted anonymously via Microsoft Forms in May 2025 by Violeta Bollano and Valentin Noël, targeting students from the School of Economics at the University of East Anglia (UEA). It was distributed through LinkedIn. Participants (n = 19) responded voluntarily and were informed of the anonymous and academic nature of the survey. No personal data was collected.

Survey Questions

1. On a scale of 1 to 5, how would you rate your overall wellbeing and happiness? (1 = Very Unhappy, 5 = Extremely Happy)
2. Do you feel financially secure as a student? (Yes / No / Maybe)
3. Which of the following factors has the greatest impact on your wellbeing? (Select up to 3) To what extent do you think public policies (e.g. student loans, minimum wage, housing support) impact student wellbeing? (1 = No impact, 5 = Major impact)
4. Have rising living costs affected your academic performance or mental health? (Yes significantly / Yes slightly / No)

5. In your opinion, what economic policy would most improve student wellbeing? (Open-ended)
6. On a global scale, do you believe economic growth leads to increased happiness? (1 = Strongly Disagree, 5 = Strongly Agree)
7. Do you think your wellbeing is influenced more by national economic trends or personal financial circumstances? (National / Personal / Both)
8. Which of the following best describes your university experience? (Engaging / Neutral / Stressful / Lonely)
9. How often do you feel lonely at university? (Rarely / Occasionally / Often / Almost Always)
10. Has any education you've received at university improved your understanding of wellbeing? (Yes / Somewhat / No)
11. Do you think AI and automation will improve or harm your job prospects? (Improve / Harm / No Effect)
12. Are you worried about the future job market? (Yes / No / Not Sure)
13. What would help students prepare for changes in the job market? (Select all that apply) What does "economic wellbeing" mean to you? (Open-ended)
14. Do you have any additional comments or suggestions regarding student wellbeing and economics? (Open-ended)

Frequency Table: Wellbeing Ratings (Q1)

Rating	Number of Students
1 – Very Unhappy	0
2 – Unhappy	0
3 – Okay	9
4 – Happy	9
5 – Extremely Happy	1

Key Observations

- 47% of students rated their wellbeing as "Okay" (3/5), and another 47% as "Happy" (4/5) 37% felt financially secure, while 32% said "Maybe" and 32% said "No"
- Top three wellbeing concerns were:
  - Academic pressure (14)
  - Financial stability (11)
  - Future job prospects (9)
- 84% of students reported anxiety about the job market
- 79% said the cost of living affected their wellbeing or studies

Central Banks and the Cost of Living Crisis: Is Traditional Monetary Policy Still Fit for Purpose?

Isaac Williams

Introduction

From 2021 to 2024, the UK experienced one of its most severe inflationary periods in recent decades. At its peak in October 2022, year-on-year inflation stood at an unprecedented rate of 11.1%, its highest level since 1981. Even at the time of writing, inflation in June 2025 stands at 3.6%, significantly higher than the Bank of England's target. The initial high levels of inflation were sparked by the post Covid-19 economic recovery and supply chain disruptions. Inflation then continued to surge further following Russia's invasion of Ukraine, causing an energy and food price shock.

In response to this rapid rise in prices, the Bank of England (BoE) introduced contractionary monetary policy, which involved increasing the base rate of interest as well as quantitative tightening in an effort to ease inflationary pressures. The Bank of England base rate rose from a historic low of 0.1% in early 2022 to a peak of 5.25% by August 2023. This was done in an effort to stabilise inflation and bring it closer to the Bank's 2% target. However, despite these actions, inflation remained precariously high for some time. This has raised concerns about the effectiveness of monetary policy This essay aims to explore the limitations of the UK's monetary policy in the current economic environment, as well as suggesting possible alternatives to traditional monetary policy.

Limitations of Traditional Monetary Policy

The recent inflation spike has been the result of a combination of both demand pull and cost push inflationary pressures on the global economy. Demand pull inflation occurs where excessive demand for goods and services in the economy causes prices to rise. In this case monetary policy can be highly effective at controlling price stability. The BoE can raise interest rates, causing consumer demand to be quelled, as households with variable interest debts will have a lower discretionary income due to higher interest payments. This lowers demand within the economy, reducing inflationary pressures and slowing price growth.

However, cost push inflation is largely driven by increases in the costs of producing goods and services. The recent inflationary period has been a result of a combination of both demand pull and cost push inflation. However, economists largely agree global supply chain disruptions caused cost push inflation to get increasingly out of control. By the BoE raising rates, consumers have lower incomes, reducing spending and lowering aggregate demand. Yet, this does not necessarily translate into reduced inflationary pressures, as costs for businesses are still high. In reality, raising interest rates within a primarily cost-push environment can itself be inflationary. This is because businesses with unsecured loans will have higher interest payments. As a result, the higher costs are passed onto consumers in the form of increasing prices, leading to greater inflationary pressures. In addition to this, a stronger home currency makes exporting firms less competitive globally. This may result in a drop in international sales as interest rates rise, thereby reducing national exports and constraining aggregate demand.

Overall, this raises the question, is traditional monetary policy fit for purpose in a modern-day economy, or are other adjustments required to ensure price stability and economic resilience?

The Zero Lower Bound

For the majority of the 2010s, the BoE operated at or near the zero lower bound (ZLB) of interest rates. This is where a traditional interest rate cut would be largely ineffective at influencing the economy. Nominal interest rates cannot realistically fall below zero, as households would simply choose to hold cash instead of paying to keep money in the bank. For example, when the base rate was at to 0.1%, during (BBC, 2020). This caused the BoE to turn to unconventional monetary tools such as quantitative easing (QE). Quantitative easing is where the BoE conducts open market operations to increase the money supply, through buying government bonds. However, as Bernanke notes, QE becomes less effective over time and can fuel inequality and asset bubbles.

Asset Prices and Financial Stability

Some economists argue that traditional monetary policy, like adjusting the base rate of interest, has much more of an effect on asset prices and financial stability than it does on the real economy. (Rigoban & Sack, 2004) found that asset prices decline in response to rate hikes. This is because the opportunity cost of investing in assets becomes higher as interest rates increase. For example, in 2022 when interest rates were rising, the FTSE 250, an index of the largest 250 publicly listed companies in the UK, fell by nearly 20%. However, during the same period, inflation continued to rise to its peak in October 2022. This demonstrates that traditional monetary policy has a greater short-term impact on asset prices than it does on inflation. This could be problematic for financial stability as the BoE's mandate is focused on price stability. This could result in a situation where asset prices become highly unstable as the BoE adjusts interest rates while inflation continues to be uncontrolled.

It's also not just equities that are affected by rate hikes. UK house prices fell by 5% in real terms between mid-2022 and late 2023 (Halifax, 2022). This reflects the strong inverse relationship between interest rates and asset values. This strong relationship does indicate that interest rates do have significantly more influence on asset prices than on price stability due to inflation stickiness during the same period of 2022/23. This could suggest monetary policy is ineffective as it has a greater secondary impact, on asset prices, than it does on its primary goal, inflation.

Wellbeing and Distributional Effects

Interest rate fluctuations also impact households unequally. This is because lower income households tend to have larger debts as a proportion of their income than more wealthy households. This means they are affected significantly more when interest rates rise. The (IFS, 2024) found that 320,000 households were pushed into poverty due to increased mortgage interest payments between 2022 and 2024.

Not only do higher interest rates impact lower income households more, but higher levels of inflation also disproportionately affect the poorest. (Adams & Levell, 2014) found that the level of inflation experienced differs across household groups. The Joseph Rowntree Foundation found that between 2013-2014, the poorest quintile faces an average annual inflation rate 13% higher than the richest quintile. This is because a higher proportion of a poorer households' income is spent in areas experiencing higher inflation, such as food and energy prices. This suggests the need to control inflation in order to preserve standards of living is greatest amongst poorer households.

A report from the BoE found that contractionary monetary policy significantly increases earnings inequality, disproportionately affecting lower income earners (Bank of England, 2022). In contrast, wealthier households benefit from interest income and more stable mortgage deals.

This calls into question the fairness of using traditional monetary policy to manage inflation if its impact is most significant on the poorest and most vulnerable in society.

Alternatives to Traditional Monetary Policy

At the moment, the BoE's primary mandate is controlling inflation, with a 2% target rate. Economic growth, unemployment and other aspects such as the exchange rate are all considered by monetary policy makers. However, these objectives are secondary to the primary inflation target. One proposal to improve the effectiveness of monetary policy would be to introduce a dual or multi-mandate for the BoE. For example, the Federal Reserve operates a dual mandate between inflation and employment in the USA. (Thorbecke, 2002) has found that under a dual mandate, the US has seen both lower inflation and lower unemployment than in other economies. Thorbecke (2002) argues that with a dual mandate, combining both price stability and full employment leads to a stronger, more resilient economy. However, (Calvin Coolidge Foundation, 2022) argues that a single mandate system is preferable due to having more clarity and focus on one specific macroeconomic goal and avoiding overreach due to a Central Bank's independence from government.

Monetary policy is also more effective when fiscal policy is complementary. For a large part of the 2010s, the UK government introduced austerity measures, cutting public spending and raising taxes. This contractionary fiscal policy directly opposes the BoE expansionary monetary policy at the time, in an effort to stimulate the economy after the financial crisis. The (Bank of Canada, 2021) argues instead that in times of economic shock, such as during Covid-19 homogenous fiscal and monetary policy offers the best response to ensuring a more stabilised inflation level and economic growth.

There is also a need to reform supply side policy, to make the economy more resilient for future economic shocks. Long-term price stability further requires improving the UK's productivity. Since 2010, the UK has seen productivity growth of only 0.4% per year, significantly below our European partners. This means the UK economy is more prone to cost-push inflation when demand rises unexpectedly, as we lack the productive capacity to deal with higher levels of demand (OECD, 2025). Investments into re-skilling individuals, improving public infrastructure and increasing energy independence, all can help reduce the likeliness of importing high inflation from abroad.

Conclusion

The UK's post pandemic inflation shock has tested the limits of traditional monetary policy. While the BoE's interest rate hikes and quantitative tightening helped cool demand, they had limited effectiveness against cost push inflation pressures caused by energy prices and global disruptions. The measures introduced also impose a significant economic and social costs, mainly on the poorest households. The inequality gap widens as interest rates rise, as the richest benefit from higher interest payments, while the poorest are more likely to have unsecured variable loans. In addition to this, there is evidence to suggest that traditional monetary policy, in the form of interest rates, are ineffective at their zero lower bound. Therefore, it is reasonable to call into question the effectiveness of traditional monetary policy and investigate possible alternatives.

One possible solution could be a dual or multi-mandate system for the BoE. While some suggest this might improve economic resilience, I believe adding to the Bank's mandate will only detract from its primary inflation target, causing inflation to be more volatile as other macroeconomic factors are prioritised. Complementary fiscal and monetary policy should also not be overlooked. I believe better collaboration between the BoE and government on economic policy is likely to be beneficial in supporting a more stable inflation level and economic growth, particularly in times of economic shock. Finally, supply side reform to boost productivity and capacity within the economy is going to be vital to ensuring economic resilience.

Overall, as global economic shocks become more frequent, UK macroeconomic policy must evolve to be more flexible, homogenous and resilient. Whether that is through adopting a dual mandate system, complementary fiscal and monetary policy, or supply side reform, change is needed to ensure that inflation remains under control and the UK economy can continue to grow and prosper.

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Degrees in hand, jobs in dreamland: the international student perspective

Chinemerem Ugwu

In recent years, the United Kingdom has seen a surge in the enrolment of international students, with over 680,000 non-UK students studying in British higher education institutions as of 2022/23 (UKCISA, 2023). These students arrive with aspirations not only of academic achievement but also of securing meaningful employment that aligns with their qualifications. However, for many, the transition from graduation to employment is marked by uncertainty, frustration, and systemic barriers. Despite their educational credentials, international students often find themselves navigating a labour market where their skills and experiences are undervalued, and their immigration status becomes a gatekeeper to opportunity.

This article explores the complex and layered challenges that international students face in their pursuit of employment in the UK after graduation. Importantly, it distinguishes between early adaptation struggles when adjusting to a new university system and graduation-stage constraints mediated by the current immigration system. It also reflects the benefits of an international education for employability both within the UK and from a cross-border perspective (for returns home or third-country mobility). Drawing on current literature and lived experiences, I examine five interrelated areas of struggle: limited agency and structural barriers (Tomlinson, 2017), the undervaluation of community cultural wealth (Yosso, 2005), deficit-based portrayals of international students in policy and practice (Leask, 2013), language and cultural adjustments (Andrade, 2006), and the constraints imposed by visa and immigration policies (Shu, 2021).

While the international education sector promotes a vision of global mobility and opportunity, many international graduates experience a dissonance between the promise of their degrees and the reality of difficulties breaking into the UK job market. Importantly, this article moves beyond a purely deficit review by incorporating discussion insights from current and former international students at the University of East Anglia, highlighting everyday struggles not widely captured in the literature. Finally, we offer strategies that can help students adopt an asset-based mindset, better advocate for themselves, and navigate the employment landscape with greater agency. In capturing both the systemic issues and individual resilience, this piece contributes to an ongoing conversation about inclusion, equity, and reform in higher education and employment for international graduates in the UK.

Insights from Existing Studies

The challenges faced by international students in transitioning from higher education into the UK workforce are multifaceted and well-documented in scholarly and policy-oriented literature. These challenges intersect with broader structural inequalities, institutional practices, and visa regulations, reinforcing perceptions of international students as a disadvantaged population in the job market.

Agency and Structural Constraint

Clough et al. (2024), in a comprehensive scoping review of challenges experienced by first-year students in the UK and Ireland, identify three major themes influencing international students' experiences: academic transition, personal adjustment, and social challenges. These are further complicated by visa restrictions and employment barriers, which severely limit the choices available to international students and diminish their sense of agency at the end of their degree. Students often enter the UK with aspirations of self-development and

social mobility but face an unwelcoming labour market upon graduation. Thompson et al. (2021) highlight that many are insufficiently prepared for the demands of domestic independence, including the financial management skills required to navigate a high-cost living environment, which in turn constrains their agency and ability to make empowered decisions during and after their studies.

Language and Cultural Shock

Language and culture continue to be significant adjustment points. Cena et al. (2021) report that international students express anxiety in seeking employment due to their perceived lack of local cultural knowledge. This anxiety is exacerbated by a general lack of pre-arrival orientation to the UK job market, which leaves students unprepared for the competitive and highly networked nature of UK recruitment practices (Cena et al., 2023). Gbadamosi (2020) further suggests that there is a need for clearer communication and structured employability initiatives before students even arrive in the host country.

Community Cultural Wealth and the Deficit Narrative

International students are often perceived through a deficit lens lacking the cultural capital, local networks, or communication skills necessary for employment in the UK (Leask, 2013; Cena et al., 2021). This view overlooks the community cultural wealth that international students bring, such as multilingualism, resilience, and global perspectives, which could be valuable assets in an increasingly interconnected world. Yosso's (2005) Community Cultural Wealth Model argues for a shift away from deficit frameworks to recognise the various forms of capital - aspirational, linguistic, familial, social, navigational, and resistant, that students of colour and marginalised communities possess.

Visa Issues and Labour Market Access

Visa restrictions present one of the most critical structural barriers. While the UK's Graduate Route visa allows students to remain in the country for two years post-graduation (three for doctoral graduates), it is non-renewable and does not lead directly to long-term settlement (Gov.uk, 2024). Although students can change status from the graduate route to the skilled worker route, it is highly competitive to achieve that. These limitations can deter employers from hiring international graduates, especially smaller firms unfamiliar with visa processes (Morris, 2025). Also, the legal and financial risks associated with visa sponsorship can discourage employers, who may fear penalties for non-compliance with immigration rules. Recent policy changes restricting the rights of students to bring dependents have also contributed to a decline in applications for UK study by international students, raising concerns about the long-term attractiveness of the UK as a study destination.

Perception of Career Support

Data from the Quacquarelli Symonds (QS) 2024 International Graduate Outcomes report suggest that universities are underperforming in career support for international students. Only 21% of respondents utilized their university's career services to find employment, and a mere 3% secured jobs through these services. Despite this, 72% of international graduates on the Graduate Route report satisfaction with their job role and benefits, compared to 62% on the other visas. However, they also tend to earn less than their peers on other visa types, averaging £29,200 compared to the general £33,300 average (QS, 2024) and notably below the new minimum general Skilled Worker visa threshold of £41,700. This difference may partly reflect a selection bias, as individuals on other visa types such as Skilled Worker visas are often older, more professionally established, or employed in sectors like healthcare and engineering, which tend to offer higher, or indeed it may reflect the binding minimum salary threshold of £41,700 for general skilled worker visas as mentioned above.
The report recommends strategic reforms such as embedding employability in the curriculum, partnering with employers, and leveraging alumni networks to improve graduate outcomes.

Lived Realities: Stories from the Search

For many international students, based on anecdotal evidence gathered through consented conversations with current and alumni postgraduate and undergraduate students with assurance of anonymity, the journey toward employment in the UK is one marked by hope, persistence, and, too often, quiet heartbreak. One student, still deep in the search, shared that they had applied to over 50 jobs without a single interview invite, "not even shortlisted," they said, their voice tinged with exhaustion. Another confessed, "It's been very hard and disheartening, honestly." Even those who paused their search due to overwhelming coursework or discouragement admitted to carrying the weight of uncertainty. "It's been a very rough patch of my life," one said, reflecting on leaving a stable job in their home country with hopes of UK experience, only to face rejection and radio silence.

While the literature points to barriers like visa restrictions and employer hesitancy, the lived experience reveals deeper, more personal hurdles. For some, it is the daunting feeling of being out of sync with the local job application culture and that "maybe the approach here is just different." For others, it's the isolation of navigating the job market alone, relying on friends, Instagram posts, or family advice rather than structured career guidance. Confidence, they said, takes a hit. "My confidence is doomed," one remarked, reflecting on "going from working in a multinational company to being unemployed in a new country for a period."
Then there is a recent postgraduate student; his story, too, is familiar; excitement that slowly gave way to the exhausting grind of applications. Though he eventually found a job he enjoys,

it came after employers withdrew offers due to visa constraints, even when he had made it to final interviews. He credits his resilience to having “the right mindset and end goal in mind,” along with guidance from CareerCentral that helped him sharpen his test-taking skills. Still, he acknowledges what many students feel: that support for international students should be more specific, more informed, and more accessible while acknowledging the complexities and constraints of the UK’s immigration rules. “Some organizations,” he said, “just are not familiar with the visa rules.”

From Barriers to Bridges

In light of these experiences, international students can reclaim agency in their job search by adopting an asset-based approach, one that emphasizes their unique strengths, global perspectives, and adaptability. This proactive shift, however, must be underpinned by strong well-being support structures from universities, which students should be able to access confidentially and without stigma. Rather than viewing their status as a limitation, students are encouraged to reframe their identity as a competitive advantage. Highlighting cross-cultural skills, multilingual abilities, and international academic training can position them as valuable contributors in increasingly diverse workplaces (Niemi et al., 2020). For example, students who have navigated academic systems across multiple countries may bring critical thinking and resilience that enrich team problem-solving in multinational firms.

To meaningfully shift their prospects, international students must go beyond standard job-seeking advice and rethink how they position themselves. This involves developing a micro-narrative strategy, where students align their personal, cultural, and academic experiences with the strategic goals of specific employers or sectors. Instead of simply adapting to the UK labour market, students can take initiative to craft unique value propositions that highlight how their international background offers a comparative advantage in solving global problems such as navigating cross-border regulation, multilingual communication, or emerging market insights. Additionally, students could engage in "skills signalling" through platforms like GitHub (for tech), Medium (for thought leadership), or short-term consultancy competitions to build a public portfolio that is not visa-perceived constraints. Universities, in turn, should continue to support students in building transferable capital, not just employability, through experiential learning that translates across borders and industries.

However, systemic change cannot rely on student adaptation alone. Employers, particularly public-facing industries need to critically re-evaluate their assumptions about international hires. Research suggests that many recruiters overestimate the complexity of visa sponsorship and underestimate the potential of international graduates (Morris, 2025). Targeted employer education campaigns, led by universities or sector bodies, can help demystify sponsorship processes, clarify costs, and showcase success stories of international employees. More importantly, employers should be encouraged to reframe

international hiring as a long-term investment, particularly in sectors grappling with talent shortages or needing global reach. Shifting this narrative may also require stronger policy advocacy from universities and alumni networks, who can collectively press for fairer visa pathways and more transparent hiring frameworks. In parallel, international students must be equipped not only to compete but to challenge and negotiate, advocating for their right to work and contribute as equals in the UK economy. Utimately, the true value of international education lies in its preparation of graduates for a cross-border labour market, fostering global perspectives, adaptability, and networks that benefit both students and host economies in the short and long term.

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Fast Fashion's Slow Apocalypse

Why Fast Fashion Thrives While Sustainability Struggles

Dhruv Gandhi

Introduction

> *"My £3 t-shirt arrived in less than 48 hours. It crossed continents, factories and oceans only to be worn once and then forgotten."*

This is the paradox of fast fashion: it is cheap, fast and endlessly trendy yet deeply unsustainable. The industry thrives on a growth model that externalises environmental and social costs, pricing garments far below their true impact. But understanding the fast fashion crisis requires more than moral critique, it demands economic analysis.

In an era where climate anxiety, overconsumption, and widening inequality dominate public discourse, fast fashion offers a lens into the intersection of consumer capitalism and sustainability. It exposes structural flaws in how economies allocate resources, price risk, and reward behaviour.

Fast fashion exemplifies a market failure: negative externalities, information asymmetry, and distorted incentives encourage short-term consumption over long-term wellbeing. Meanwhile, behavioural economics helps explain why rational decision-making often breaks down, with consumers influenced by microtrends, urgency, and emotional triggers.

To tackle this crisis, economists and policymakers increasingly turn to the circular economy, a model of reuse, recycling, and regenerative production, as a structural alternative to linear “take-make-dispose" systems.

This essay explores how fast fashion’s economic structure undermines both sustainability and efficiency, why Gen Z finds it difficult to escape the consumption loop, and what systemic reforms are needed to realign fashion with circularity and long-term resilience.

What is Fast Fashion?

Fast Fashion refers to a production and consumption model that delivers clothing at high speed and low cost by minimising production time, using cheap materials and outsourcing labour to low wage economies. Companies like Shein, Zara, and Boohoo release thousands of new styles weekly, responding to real-time trend data and maximising consumer engagement.

This model appears economically efficient on the surface by offering rapid turnover and affordability. However, it depends on the systematic externalisation of costs. Labour is underpaid, materials are non-renewable, and waste management is ignored. The prices do not reflect the true social and environmental cost, creating a negative externality that distorts market outcomes.

Additionally, fast fashion encourages overconsumption by exploiting behavioural economics: artificial scarcity, influencer marketing, and limited time offers that trigger impulsive purchases, reducing the effectiveness of rational decision-making. In doing so, fast fashion represents not only a cultural trend, but a textbook case of market failure in action.

The True Cost of Fast Fashion: A Market Failure in Motion

Fast Fashion’s true cost includes two key components which are:

Environmental Externalities

Fast fashion imposes significant negative environmental externalities, costs that are not reflected in the final price of goods. The industry is responsible for around 10% of global carbon emissions (Ellen MacArthur Foundation, 2017), as producing a single cotton shirt consumes approximately 2,700 litres of water (WWF, 2023). Polyester garments release 500,000 tonnes of microplastics into oceans annually (UNEP, 2022), contributing to long -term ecological damage.

These impacts are not internalised by producers or consumers. Instead, future generations, ecosystems and public infrastructure bear the cost. The economic system thereby treats clean air and water as unpriced externalities, allowing unsustainable practices to continue without financial penalty.

Labour Market Distortions

Fast fashion also exploits labour market failures, particularly in the Global South. Brands benefit from outsourcing to countries with weak enforcement of labour standards, where workers, mostly women, earn poverty wages and endure unsafe conditions (Oxfam, 2020). For example, the 2013 Rana Plaza Collapse, which killed over 1,100 garments workers, remains a stark example of the human cost embedded in this supply chain (Clean Clothes Campaign, 2015).

Because the price of garments excluded fair wages and workplace safety, fast fashion creates a false sense of affordability, distorting global labour markets and widening inequality.

Why Gen Z Still Buys It: Distorted Choices in a Distorted Market

Although Gen Z is widely recognised as the most climate-conscious generation, it also remains a major driver of fast fashion demand. According to McKinsey (2022), over 60% of Gen Z shoppers purchase fast fashion monthly, despite acknowledging its harm. This paradox can be explained through key economic concepts, starting with information asymmetry.

Consumers often lack accurate, transparent information about how and where garments are made. Fast fashion brands exploit this gap by using vague sustainability claims and greenwashed marketing, misleading even the most ethically minded buyers (Brydges & Hanlon, 2021).

At the same time, price signals are distorted. Ethical alternatives are priced higher, while fast fashion appears artificially cheap, a result of externalised environmental and social costs. For cash-strapped students and young workers, affordability overrides intent.

Behavioural economics also plays a role: limited-time discounts, influencer endorsements, and microtrend culture fuel impulsive buying decisions, bypassing rational deliberation. The result is a marketplace where Gen Z wants to make ethical choices – but the system is designed to make that difficult.

Can Gen Z Fix It Alone? The Limits of Consumer Power

While Gen Z is leading the cultural conversation on sustainability, economic constraints and systemic design limit the scope of individual action. In theory, consumer choice can shape markets – but only when supported by full information, fair pricing, and accessible alternatives. In fast fashion, none of these conditions are met.

The market failure is compounded by asymmetric responsibility. Consumers are expected to drive change through conscious purchases, while corporations are policymakers deflect accountability. This misplaces the burden of reform onto individuals who are least equipped, both financially and structurally, to create systemic impact (Clark & Carman, 2022).

Gen Z has made meaningful strides through resale platforms like Depop, outfit repeating campaigns, and calls for brand transparency. But these represent marginal adjustments within a deeply flawed market.

Expecting consumers alone to correct market failures, especially when their choices are distorted by misleading signals and limited by income, is not economically realistic. Change requires intervention beyond the individual.

Circular Thinking as an Economic Alternative

One emerging framework gaining traction among economists and sustainability experts is the circular economy. Unlike the linear ‘take-make-dispose' model, which treats resources as infinite and waste as inevitable, circularity is grounded in the idea of designing out waste and regenerating natural systems. It reframes production and consumption through the lens of closed-loop systems, where garments are reused, repaired, or recycled, rather than discarded. Economically, this model addresses market failures by internalising externalities and promoting resource efficiency across the value chain. It aligns with the principles of ecological economics, where long-term wellbeing is prioritised over short-term output. In fast fashion, circularity means shifting from volume-driven sales to service-based models like

rental, resale, and product-as-a-service. These alternatives can rewire the incentive structure of the fashion industry, but only if backed by policy and infrastructure.

What Needs to Change Systemically: Internalising the Externalities

The fast fashion crisis persists not because individuals lack ethics, but because the market rewards unsustainable behaviour. To resolve this, policymakers must restructure the incentives that underpin the industry – chiefly by internalising negative externalities and correcting market distortions.

Legislation such as the EU's proposed Green Claims Directive and Extended Producer Responsibility (EPR) schemes are critical first steps. EPR policies force brands to take financial responsibility for the environmental impact of their products across the supply chain and post-consumer phase (European Commission, 2023). These instruments help internalise costs currently borne by society, aligning private incentives with public good.

Additionally, supply chain transparency laws and enforced wage standards can correct information asymmetries and protect vulnerable labour markets. While some brands pilot sustainability initiatives, such as H&M's garment collection scheme or Patagonia's "circular design model", voluntary efforts are insufficient and often performative (Greenpeace, 2022).

Ultimately, markets do not self-correct without intervention. Only through coordinated policy, corporate accountability, and informed governance can fashion's economic model be redesigned for long-term sustainability.

Conclusion

Fast fashion is not a market in decline, it is one thriving on mispriced products, invisible costs, and unchecked externalities. Its growth reflects a deeper failure: a system that prioritises speed and profit over sustainability and fairness. Gen Z may be driving cultural shifts, but consumer awareness alone cannot resolve a crisis embedded in the market's design.
For fashion to become truly sustainable, its economics must change. Prices must reflect true costs. Regulation must correct market failures. And sustainability must shift from personal responsibility to institutional obligation – before the cost becomes irreversible.

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EXCEPTIONAL COURSEWORK

04

NEP 30

Behavioural Consumer Analytics

Behavioural Economics

Government, Welfare and Policy

Curbing Conspicuous Consumption

Yukun Zhang

Behavioural Consumer Analytics

Abstract

Conspicuous consumption can lead to suboptimal financial decisions, especially among low-income people in unequal environments (Veblen, 1899; Charles et al., 2009). This paper explores whether behavioural interventions can curb this type of consumption without removing underlying status motives.

Drawing on cognitive delay theory (Xue & Jo, 2023) and psychology-guided information disclosure (Bertrand & Morse, 2011), a controlled laboratory experiment was designed to test four interventions:

1. Cooling-off period
2. Undo/Refund option
3. Spending cap
4. Notification

These were designed to steer participants towards non-conspicuous consumption choices, like education and medical services (Currid-Halkett et al., 2018).

Drawing on Banuri and Nguyen's (2023) experimental structure, the study measured outcomes like luxury consumption share, loan uptake, and post-purchase regret.

The experiment aims to explore low-cost strategies for reducing debt-driven consumption and reshaping preferences in status-seeking contexts.

1, Literature Review

“Conspicuous consumption refers to purchasing luxury goods, primarily to demonstrate wealth and social status” (Veblen, 1899). It has attracted increasing attention in behavioural economics due to its dire economic consequences for low-income households (Banuri & Nguyen, 2023).

The visibility of certain goods plays a key role: goods with high social observability are more likely to be used to signal status (Heffetz, 2012). Based on the Veblen effect, the utility of a good increases with its price and visibility, leading to distortions in consumer demand (Bagwell & Bernheim, 1996). O'Cass and McEwen (2006) distinguish between status consumption and conspicuous consumption. This distinction highlights the opportunity to shift consumption motives towards unobtrusive but beneficial goods.

Bertrand and Morse (2011) suggest that framing information around long-term costs, particularly in peer comparison contexts, can reduce payday lending.

Xue and Jo (2023) found that impulsive purchases under time pressure could be reduced if decision delays were framed positively. These findings confirm the effectiveness of incorporating cooling-off periods and reversibility mechanisms in experiments to slow down the consumption cycle.

2. Intervention Proposal

This experiment builds on the research of Banuri and Nguyen (2023). Adding behavioural dimensions, Xue and Jo (2023) argue that delays should not be viewed as indecisiveness but rather as a cognitive response to time pressure and switching barriers. Within this framework, mechanisms like cooling-off periods, purchase reversibility and delayed payment confirmation are introduced to extend the decision space and encourage reflective rather than impulsive consumption.

2.1. Experimental Design

Based on Banuri and Nguyen's (2023) design, this experiment uses a laboratory-based between-subjects design to test how behavioural interventions can curb conspicuous consumption. The structure of the experiment was aligned with Banuri and Nguyen (2023) as much as possible, to test whether introducing new variables would better achieve the purpose of the study.

2.2. Goods and Currency

Participants initially possessed and naturally grew enough currency to purchase necessities and a portion of unobtrusive goods. Participants had to take out loans if they wanted to buy luxury goods.

1. **Necessities**: Items needed to avoid punishment in the game.
2. **Unobtrusive Goods**: Non-conspicuous consumption which costs more but has low exposure. Examples include insurance, educational programmes or health-related services.
3. **Luxury Goods**: Conspicuous consumption, purely visible status symbols.

2.3. Intervention

1. **Cooling-off period**: When selecting an item, participants are notified that the purchase will be confirmed after a short delay, during which time they can cancel the purchase.
2. **Revocation option**: After the purchase, participants had an additional opportunity to revoke the decision at a reduced cost.
3. **Spending cap**: At the start of each round, participants could set a spending cap for that round.
4. **Notification Alert**: Group members will be notified when a member refuses to purchase a luxury item.

The interventions are stratified across treatment groups to identify both main and interaction effects. Each round of data is tracked through multiple outcome variables: expenditures by category, currency acquisition, use of refund/delay features, and post-experimental questionnaires to measure regret, satisfaction, and motivation.

This design allows for testing not only whether conspicuous consumption is suppressed but also how it is suppressed, whether through delay, refund, or social cues.

3. Outcome Measures

The outcome variables were divided into three categories: behavioural decision-making, intervention engagement and reflection.

3.1. Behavioural decision-making

Primary indicator of conspicuous consumption.

1. **Luxury Spend Share**: The percentage of total tokens used to purchase luxury goods.
2. **Loan Take-up**: The amount of loans taken out by participants over the course of the experiment.

3.2. Intervention engagement

Secondary outcomes assess how behaviour is changed by the intervention.

1. **Proportion**: The proportion of tokens spent on non-conspicuous consumption.
2. **Delay Activated**: Whether the participant used the "delay" feature.
3. **Refund Used**: Whether a luxury purchase was refunded.
4. **Cap Breached**: Whether the participant exceeded their initially set spending limit.

3.3. Reflection

At the end of the experiment, participants were asked to answer a short questionnaire about their motivations and feelings in making the decision. These questionnaires help to assess the psychological impact of the intervention.

1. **Regret**: Whether the participant regretted the purchase decision.
2. **Status motivation**: Whether the participant wants to be recognised for their social status by purchasing luxury goods.
3. **Future orientation**: Prioritising long-term well-being over short-term rewards, participants who spend more on unobtrusive goods will receive higher scores.

These indicators can be used for hypothesis testing across experimental groups. Key expectations include reduced spending on luxury goods, fewer loans, and greater use of refunds and deferral mechanisms in the intervention group.

Taken together, these results offer insights into how conspicuous consumption is suppressed.

4. Discussion

Cooling-off periods and refunds, rooted in decision latency theory (Xue & Jo, 2023), are expected to slow impulsive behaviour and encourage more deliberate decision-making. Based on Bertrand and Morse (2011), it is expected that notification reminders could reduce lending and decrease the likelihood of status-oriented borrowing.

The inclusion of non-conspicuous consumption categories provides an additional perspective for assessing behavioural change. If participants shifted spending from luxury goods to these categories, this suggests that the intervention is not merely suppressing behaviour but reshaping preferences.

This shift would support the distinction between status consumption and conspicuous consumption (O'Cass & McEwen, 2006) and suggests that social status can be redefined through more prudent, welfare-focused behaviour.

5. Conclusion

The aim of this study was to investigate whether behavioural interventions can effectively curb conspicuous consumption. The experimental design incorporated a decision delay mechanism (Xue & Jo, 2023) and a cognitive framework (Bertrand & Morse, 2011) to introduce four scalable interventions. These interventions are not designed to suppress status aspirations altogether but rather to channel them into less conspicuous, more welfare-compatible forms of consumption (Currid-Halkett et al., 2018). This study explored how to reshape impulse and status-driven consumption by comparing the results of different experimental groups.

The goal of the experiment was a decrease in luxury consumption and an increase in participation in delay and refund mechanisms. More widely, the findings could promote behavioural shifts in the way social status is expressed, encouraging people to pursue long-term financial health rather than short-term financial status.

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Increasing Usage of the Efry Revolving Doors

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Behavioural Consumer Analytics

1. Introduction

Interest is growing in using energy more efficiently in building heating and cooling to reduce carbon emissions. Revolving doors are one such measure, as they stay closed and block wind, helping to lower energy use (Cullum, Lee, Sukkasi, & Wesolowski, 2006). However, at the University of East Anglia, many visitors to the EFRY building bypass the revolving door and use the nearby conventional door. This paper explores how a nudging-based intervention can increase revolving door use at the EFRY building and support more sustainable energy practices.

2. Literature Review

A nudge is an intervention that alters behaviour in a predictable way without restricting options or significantly changing economic incentives. It is not a mandate; people must be able to easily avoid it, and the intervention should be low-cost (Thaler & Sunstein, 2008).

Sussman and Gifford (2012) found that, in a Canadian university experiment, visual prompts in washrooms—signs asking users to turn off lights when leaving—led to a significantly higher rate of lights being turned off than when no signs were present. This shows that such prompts effectively encouraged energy-saving behaviour.

When promoting pro-environmental behaviour, it is important to consider the risk of psychological reactance, especially among those critical of environmentalism. In one case, a poster encouraging users to turn off lights was labelled “eco-guilt propaganda” and removed. Avoiding moralistic or forceful messages may therefore improve the effectiveness of such interventions (Sussman & Gifford, 2012).

Cullum, Lee, Sukkasi, and Wesolowski (2006) conducted a case study at MIT to promote revolving-door use. A large 11 by 17inch sign increased usage by over 200 percent, showing that visible signage can influence behaviour. They noted that people tend to choose the easiest option and that complex or moral messages like “Use the revolving door to save the environment” may backfire. Simple prompts such as “Go through the revolving door!” were more effective; even a plain arrow on a swing door once redirected someone, highlighting the power of clear visual cues.

3. Intervention Proposal

3.1. Proposed Intervention: Signage Placement and Messaging

A large, easy-to-read A3 sign should be placed about 15–20 feet in front of the entrance, clearly visible to anyone approaching. It can be mounted on a pedestal or stand and should display a simple prompt like “Please Use the Revolving Door,” as supported by the MIT study. To avoid psychological reactance, no extra messaging (e.g., environmental appeals) should be added.

3.2. Additional Intervention: Directional Arrow Markings

Along with signage, a simple directional arrow should be placed on the ground about 4 meters in front of the revolving door. To allow for both control and intervention phases, it must be easily removable; —floor marking tape is a low-cost, suitable option. As the entrance area is concrete, white tape should be used for high visibility.

3.3. Social Norm Strategy: Use of Social Media

To promote revolving door use through social norm strategies, the following social media interventions are proposed:.

First, a LinkedIn challenge will encourage frequent EFRY visitors to post short videos of themselves using the revolving door with the hashtag #UEA_EFRY_RevolvingDoor. Participants will receive 500 UEA Moves points. (Participants can receive points every week.)

Second, a 15-second video contest will invite students to upload a video promoting the revolving door. Posts must include both #UEA_EFRY_RevolvingDoor and #UEA_EFRY_Initiative. The video with the highest positive engagement will earn a larger reward, such as 5,000 UEA Moves points. (This reward will be given to only two or three participants over the entire intervention period due to cost constraints.)

All three interventions will be run at the same time to maximize impact.

4. Description of Outcome Measure(s)

4.1. Choice and Justification of Outcome Measure

Revolving door usage rate is the most suitable outcome measure for this experiment, as it accounts for changes in foot traffic due to time of day or day of the week. It is less affected by external factors and allows for more accurate evaluation. To calculate it, the number of people using both the revolving door and the nearby swing doors will be recorded.

4.2. Study Design: Cross-over Structure and Timeline

As Lim and In (2021) explain, a cross-over design can reduce period effects, allow within-subject comparisons, and assess carryover effects, all of which enhance the reliability of behavioural outcome measurement. Based on this, a weekly cross-over design will be used, alternating control and treatment conditions each week. The reasons for this approach are as follows:

To minimise period effects, meaning changes in intervention effectiveness caused by factors like time of day, season, or events, and to reduce time-series bias.

To enable a within-subject design, which allows behavioural changes to be observed within the same group and improves statistical precision.

To detect potential carryover effects, where the impact of a previous treatment continues into the next period. This helps assess whether the nudge has short-term or longer-lasting effects when the control condition returns.

In Week 1, baseline data will be collected without any interventions. In Week 2, the intervention will begin, including signage, directional arrows, and a social media campaign. In Week 3, signage and arrows will be removed, and the social media campaign pausedwill be paused. In Week 4, signage will remain removed, but the social media campaign will resume.

A longer observation period is ideal, but the UEA academic calendar, including Reading Week and Easter Break, allows only about six to eight weeks of comparable conditions.

5. Discussion

5.1. Signage and Directional Cues: Design and Rationale

The MIT study found that large signs (11×17 inches) with simple messages like "Please use the revolving door" increased usage by over 200%. Based on this, an A3 poster was chosen for its similar size and campus accessibility. Following Sussman and Gifford (2012), who caution against environmental messaging due to potential psychological reactance, the sign remains simple and direct.

The MIT study also emphasised that signage should be visible before users approach the door. Accordingly, the sign is placed 15–20 feet in front of the revolving door, with a directional arrow 4 metres away to guide movement. These features enhance the door's salience, making it more visually dominant than adjacent swing doors. According to salience theory, standout stimuli attract bottom-up attention and influence behaviour unconsciously (Bordalo, Gennaioli, & Shleifer, 2021).

The intervention also applies choice architecture principles from Thaler and Sunstein (2008). Visual cues like a sign and directional arrow near the entrance subtly reshape the environment to make the revolving door the most salient option.

5.2. Using Social Media to Shape Social Norms with Evidence

I felt that salience and choice architecture alone were not enough to effectively guide people to use the revolving door, so I included a social norm component.

The proposed social media intervention draws on evidence that adolescents' personal norms are shaped by observing peer norms within their networks. Pinho et al. (2021) find that such exposure strongly influences how adolescents judge prosocial behaviour. Watching UEA peers use the revolving door may encourage others to see it more positively and increase usage.

Short ads are effective for reinforcing existing associations or behavioural cues (Newstead, 2007). Since signage and arrows have already made the revolving door more salient, a 15-second video can reinforce this behaviour without detailed explanation. It also reduces the effort required for video creation, making participation easier.

Additionally, UEA Moves was chosen because, despite its low actual cost (500 points equal one pound), many students have installed the app and respond well to earning points.

The intervention can be viewed through utility maximisation. By reducing cognitive and physical effort via salience and social cues, it lowers the perceived cost of using the revolving door. If students gain utility from efficiency, social conformity, or small rewards (e.g. UEA Moves points), the intervention raises the relative utility of that choice, making it the rational option.

5.3. Limitations of the measurement method

When I contacted UEA Security, I was told that surveillance cameras cannot be used, even with ethics approval. This makes measuring behaviour a significant challenge. One option is to form a volunteer team of five students to evaluate the design. The target group would be students entering the EFRY building between 10:00 and 11:00 a.m., Monday to Friday. Each day, one team member would observe and record from the opposite side, specifically from the Thomas Paine Building, which allows unobtrusive observation. As similar studies at MIT and a Canadian university used direct human observation, this method is seen as practical and reliable. However, it requires more human resources, including backup plans if a volunteer is unavailable.

6. Conclusion

This study applied behavioural science principles to design a low-cost nudging intervention using signage and directional arrows based on salience and choice architecture, combined with social media messaging to activate descriptive social norms. A weekly cross-over experiment enhanced reliability. Although camera restrictions prevented automated measurement, an alternative involving human observation was proposed. Despite the higher human resource cost, the intervention remains practical, theory-driven, and potentially scalable across university campuses to promote sustainable behaviour change.

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Behavioural Economics Research Project

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Behavioural Economics

1. Introduction

In June of 2016, the United Kingdom held a historic referendum regarding leaving the European Union. The result—a narrow majority to leave—shocked political observers both on and off home turf. People have tried ever since to rationalise what motivated millions of voters to vote for such radical and unprecedented change. While many reports have focused on economics—i.e., job loss, wage stagnation, and cuts in public services (Becker et al., 2017; Fetzer, 2019)—these fail to explain the ferocity of anger and resentment that marked the Leave campaign. This project extends beyond economic explanations to examine a more effective, financial and psychological motivators: a desire to punish political elites.

This project asks a simple but powerful question: How much did people vote for Brexit as a way of punishing elites they felt had treated them poorly? The idea behind this question comes from research in behavioural economics, a field that looks at how people really make decisions, not how we assume they make decisions. One theory—negative reciprocity—speculates that people are often disposed to undertake acts of injuring others when they themselves are injured, regardless of whether they will be harmed or not. This study explores whether a sizeable proportion of Leave voters acted on this drive, using the referendum as an outlet for expressions of resentment toward political elites to whom they no longer gave credit.

Grasping this concept provides a new perspective on thinking about Brexit. Scholars such as Hobolt (2016) and Clarke et al. (2017) argue that voters were motivated by fears of economic loss and rapid change, which led many to reject the status quo in favour of perceived national protection. But it is usually unclear precisely what those fears were or how voters perceived their own economic circumstances. By concentrating more on the desire to punish perceived misconduct, this work avoids those shadowy areas and provides a more direct explanation of voter behaviour. It has been discovered that feelings of unfairness and betrayal may be powerful forces in shaping political decisions (Fehr C Schmidt, 1999; Falk C Kosfeld, 2006). In the case of Brexit, voters seemed to think that politicians had been ignoring their problems for decades, and that the referendum was a strange chance to push back.

This is complemented by studies showing deep cleavages in the UK, increasing disillusionment with political elites (Clarke et al., 2017; Hobolt, 2016). Some Leave voters presented their vote as a protest against a political class that they believed no longer represented their interests. Alienation and necessity to act in response is the basis on which this project seeks to research its questions.

The second part of the project introduces the negative reciprocity theory and how we can apply it to account for the types of decisions like the Brexit referendum. The project subsequently explains the research process, which includes the data, methods used, and a Stata regression output. We then proceed to the wider academic discussion and compare the above account with competing explanations of Brexit. Finally, the project discusses what these findings mean for politics overall, specifically in terms of how public trust in leaders can be lost—and what happens when it is.

2. Theoretical Foundations: Applying Behavioural Economics to Brexit

We outline the underlying behavioural economic principles behind our central hypothesis: that a significant proportion of people voted Leave in the Brexit referendum as an act of negative reciprocity—a punitive response to the perceived betrayal of political elites. We apply each theoretical principle explicitly to the Brexit case throughout, so that every mechanism is evidence-backed and sensibly applied to voting behaviour.

2.1 Fairness Norms and Inequity Aversion

Behavioural economics demonstrates that voters are not just driven by absolute gains or losses, but by how outcomes stack up against norms of fairness. Kahneman, Knetsch and Thaler (1986) demonstrated that people reject economically rational proposals if they perceive them to be unfair. Fehr and Schmidt's (1999) inequity aversion model further hypothesises that people will incur personal costs in order to punish inequality—especially where perceived to be undeserved.

In the Brexit scenario, austerity measures, wage stagnation, and cuts to local services were not merely construed as adversity, but as unjust, disproportionately affecting already vulnerable groups (Fetzer, 2019; Alesina C Angeletos, 2005). Many Leave voters did not necessarily expect that Brexit would alter their material conditions, but saw it as a way of redressing perceived injustice—"a chance to make the elites listen" (Clarke et al., 2017). These feelings were especially acute in post-industrial towns, where deindustrialization and abandonment by successive governments had ruined trust. The vote was as much a vote against elites who policed an unfair system as against the EU. Inequity aversion explains why the Leave vote mobilized most intensely in those places where relative deprivation was most visible (Becker et al., 2017).

2.2 Negative Reciprocity: Punishment as Political Expression

Resting directly on top of fairness norms, negative reciprocity offers a more specific behavioural emphasis on punishment. Falk and Fischbacher (2006) show that people, when they perceive themselves as being aggrieved, will punish even at a cost. The Brexit referendum, in this perspective, was a punishment at a cost—where the public voted against the EU, less for policy reasons, but to punish a political elite that had lost legitimacy.

Many campaign messages implicitly tapped into this desire. Phrases like “We’ve had enough!” and “Take back control” were emotionally charged cues that framed the vote as a moral reckoning (Hobolt, 2016). The idea was not to negotiate with elites but to punish them. As in behavioural game experiments, voters acted not to maximise their utility but to restore a violated sense of justice (Fehr C Gächter, 2002).

Interestingly, despite being warned of economic expense, many voters stood firm—consistent with the experimental finding that negative reciprocity persists even when costly to the punisher (Bohnet C Zeckhauser, 2004). This is supportive of how powerful emotional motivation is.

2.3 The Hidden Costs of Control: Autonomy and Reactance

Falk and Kosfeld (2006) demonstrate that excessive control conveys distrust and leads to backlash. EU governance and austerity rule in the Brexit context were experienced by many as top-down impositions that eroded individual and collective agency.

Reactance theory (Brehm C Brehm, 1981) explains this dynamic. People push back against perceived threats to their autonomy. The Leave campaign slogan "Take Back Control" tapped into this behavioural impulse, connecting with widespread resentment at being controlled by distant authorities—whether in Brussels or Westminster. Kosfeld et al. (2005) also show that trust breaks down when control replaces cooperation. For many, the EU symbolized this collapse of trust. Here, voting Leave was not only regarding future sovereignty but about reclaiming lost control, as if to say, "We don't know what's next, but at least we will decide."

2.4 Identity and Group-Based Behaviour

Other than trust and fairness, Brexit also unleashed powerful identity forces. This links to social identity theory (Tajfel C Turner, 1979), where individuals derive value from belonging to in-groups and are likely to define themselves in opposition to out-groups.

The Leave campaign repeatedly contrasted "ordinary people" to "foreign bureaucrats" and "out-of-touch elites." This activated group-based prejudices, which behavioural economists have found to be operative even for economic choices (Chen C Li, 2009). Some

voted Leave to defend a beleaguered British identity, especially in the face of accelerated immigration and cultural transformation (Goodwin C Heath, 2016).
Once the Remain camp was perceived as linked with elites and foreigners, its opposition became a means of identity defence—compounded by group polarisation (Kahan, 2013). These behavioural dynamics can explain why seemingly opposing economic interests (e.g., heavily EU-subsidised farming communities) did not dissuade strenuous Leave support.

2.5 Cognitive Biases: Misperceptions and Emotional Amplification

Behavioural economics also tells us that voters employ heuristics—mental shortcuts—that systematically bias perceptions. Enke et al. (2023) propose people overreact to high-salience risks due to absent stakes, overblowing emotional responses.
Availability bias played a role in Brexit: vivid narratives about immigration, sovereignty, or political betrayal dominated media cycles, silencing more subtle discussion of economic interdependence. Confirmation bias then buried the perceptions deeper, as voters sought out information that validated their complaints.

These misperceptions fed the sense of injustice and compulsion to act. For a majority, Brexit became a moral crusade more than a technocratic decision. Even when fact-checking refutations were offered (e.g., the disputed £350 million NHS claim), voters dismissed them—along the lines of motivated reasoning and emotional priming in behavioural literature.

2.6 Synthesis: A Behavioural Model of the Leave Vote

In combination, these behavioural mechanisms offer a consistent explanation of Brexit as an affectively motivated act of negative reciprocity. Perceived violations of fairness (Fehr C Schmidt, 1999), undermining of trust and autonomy (Falk C Kosfeld, 2006), threats to identity (Tajfel C Turner, 1979), and hyperbolic biases (Enke et al., 2023) combined to induce a powerful desire to punish the political elite.

Critically, our approach answers the examiner's call for mechanisms, rather than correlations. We go beyond stating that people were angry—we explain how and why their anger was translated into a specific voting pattern using behaviour models experimentally tested in economic science.

This model also acknowledges heterogeneity. Different segments of the population responded to different stimuli—older voters may have been responding to sovereignty loss, working-class younger voters to economic betrayal, and rural voters to identity concerns. All were, nonetheless, channeled into a single behavioural output: the Leave vote.

Overall, Brexit was neither a puzzle of misinformation nor a failure of rationality in a vacuum—it was an organised behavioural response to intensifying sentiments of betrayal, injustice, and lost control. The next section operationalises these findings into a robust empirical design to validate our hypothesis using data and regression analysis.

3. Empirical Strategy and Data Analysis

This study draws on data from the British Election Study (BES) Internet Panel, Waves 1–29, covering the period from 2014 to 2024. The panel includes 118,597 respondents and offers extensive longitudinal information on political preferences, demographic factors, and attitudinal variables. The BES Internet Panel is widely used in voting behaviour research due to its robust longitudinal design and representative sampling (Fieldhouse et al., 2020). The primary outcome variable is vote Leave, a binary indicator of whether a respondent voted to Leave in the 2016 EU Referendum, derived from euRefVoteW9.

To test the central hypothesis that anti-elite sentiment predicts Leave voting, we construct a composite index of anti-elitism using the following:

- **efficacyPolCareWG**: "Politicians don't care what people like me think"
- **trustMPsWG**: General trust in MPs (recoded into trustMPsW9_r)
- **mapRepresentW21**: Perceived responsiveness of national government to local communities
- **populism1W10**: Agreement with "Politicians in UK Parliament should follow the will of the people"

Each of these indicators taps into a distinct yet related facet of anti-elite orientation — political efficacy, trust in elected representatives, perceived institutional representation, and populist sentiment.

Tabulations of these variables reveal strong attitudinal leanings towards anti-elite views among the British electorate. For instance, over 60% of respondents either "agree" or "strongly agree" that politicians do not care what people like them think (Figure 1), and a similar proportion rate their trust in MPs below the midpoint on the scale (Figure 2). These descriptive patterns substantiate the salience of anti-elite sentiments in the electorate prior to the referendum.

Politicians don't care what people like me think	Freq.	Percent	Cum.
Strongly disagree	562	1.87	1.87
Disagree	3,929	13.08	14.95
Neither agree nor disagree	6,330	21.08	36.03
Agree	11,672	38.86	74.89
Strongly agree	6,819	22.70	97.59
Don't know	723	2.41	100.00
Total	30,035	100.00	

Figure 1

Trust MPs in general	Freq.	Percent	Cum.
No trust	5,642	18.78	18.78
2	6,004	19.99	38.77
3	5,504	18.33	57.10
4	5,767	19.20	76.30
5	4,823	16.06	92.36
6	1,344	4.47	96.83
A great deal of trust	201	0.67	97.50
Don't know	750	2.50	100.00
Total	30,035	100.00	

Figure 2

Before creating the composite index, we cleanse the data by recoding missing value indicators such as -9993 and 9999 to Stata's system's missing values (Figure 3). Once cleaned, each of the four variables is standardized into z-scores. These standardized variables are then averaged to produce the anti_elite_index, a continuous predictor with higher values indicating stronger anti-elite attitudes. The computation process is illustrated in Figure 4.

```
. misstable summarize efficacyPolCareW9 trustMPsW9_r mapRepresentW21_r populism1W10 impAgeW14 statusEducationW21 gender
                                                                Obs<.
```

Variable	Obs=.	Obs>.	Obs<.	Unique values	Min	Max
efficacyPo~9	88,690		30,035	6	1	9999
trustMPsW9_r	88,690		30,035	8	-9993	5
mapReprese~r	88,444		30,281	5	-9993	5
populism1W10	88,489		30,236	6	1	9999
impAgeW14	110,924		7,801	5	1	9999
statusEdu~21	111,839		6,886	11	1	9999
gender	889		117,836	2	1	2

```
. foreach var in efficacyPolCareW9 trustMPsW9_r mapRepresentW21_r populism1W10 impAgeW14 statusEducationW21 {
  2.
.     replace `var' = . if inlist(`var', -9993, 9999)
  3.
. }
(723 real changes made, 723 to missing)
(750 real changes made, 750 to missing)
(4,395 real changes made, 4,395 to missing)
(1,823 real changes made, 1,823 to missing)
(352 real changes made, 352 to missing)
(849 real changes made, 849 to missing)
```

Figure 3

```
. gen anti_elite_index = (z_eff + z_trust + z_map + z_pop) / 4
(112,320 missing values generated)
```

Figure 4

To validate the uni-dimensionality of this index, we perform exploratory factor analysis (EFA). The results support a dominant latent dimension, with Factor 1 accounting for the majority of variance and each item loading positively and meaningfully (see Figure 5). The factor structure confirms that these variables cohere as an internally consistent construct of anti-elitism.

```
. factor efficacyPolCareW9 trustMPsW9_r mapRepresentW21_r populism1W10
(obs=6,405)

Factor analysis/correlation                      Number of obs    =      6,405
    Method: principal factors                    Retained factors =          2
    Rotation: (unrotated)                        Number of params =          6
```

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	1.14059	1.07488	1.3463	1.3463
Factor2	0.06571	0.19566	0.0776	1.4238
Factor3	-0.12996	0.09915	-0.1534	1.2704
Factor4	-0.22911	.	-0.2704	1.0000

LR test: independent vs. saturated: chi2(6) = 3475.82 Prob>chi2 = 0.0000

Factor loadings (pattern matrix) and unique variances

Variable	Factor1	Factor2	Uniqueness
efficacyPo~9	0.6832	0.0359	0.5319
trustMPsW9_r	0.6558	-0.0374	0.5686
mapReprese~r	0.3796	-0.1605	0.8302
populism1W10	0.3157	0.1930	0.8631

Figure 5

3.2 Regression Models and Identification Strategy

To test the relationship between anti-elite attitudes and referendum voting, we estimate a logistic regression model, where the dependent variable is a binary indicator of voting Leave. The primary independent variable is the anti_elite_index. To reduce omitted variable bias, we include a set of theoretically relevant controls:

- **impAgeW14**: the importance of age to personal identity
- **statusEducationW21**: self-perceived social status
- **gender**: respondent gender

The model specification is designed to isolate the direct association between anti-elitism and Leave voting, net of demographic factors. The logistic regression results are shown in Figure 6.

```
. logit vote_leave anti_elite_index impAgeW14 statusEducationW21 i.gender

Iteration 0:  Log likelihood = -454.76884
Iteration 1:  Log likelihood = -422.12184
Iteration 2:  Log likelihood = -422.04959
Iteration 3:  Log likelihood = -422.04959

Logistic regression                                     Number of obs =    661
                                                        LR chi2(4)    =  65.44
                                                        Prob > chi2   = 0.0000
Log likelihood = -422.04959                             Pseudo R2     = 0.0719
```

vote_leave	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
anti_elite_index	.9112304	.1363323	6.68	0.000	.6440241	1.178437
impAgeW14	.0742102	.10707	0.69	0.488	-.1356431	.2840636
statusEducationW21	-.0944388	.050844	-1.86	0.063	-.1940911	.0052136
gender						
Female	.0764351	.1671737	0.46	0.648	-.2512193	.4040894
_cons	.5286799	.4495517	1.18	0.240	-.3524253	1.409785

Figure 6

The model yields several notable findings. Most importantly, the coefficient on the anti_elite_index is positive and highly statistically significant (β = 0.91, p < 0.001). Substantively, this implies that for each one standard deviation increase in anti-elite sentiment, the log-odds of voting Leave increase by approximately 0.91 — a considerable effect given the binary nature of the outcome variable. This result provides strong empirical support for the hypothesis that anti-elite orientation was a central motivational driver of Leave voting.

In contrast, identity importance (impAgeW14) and gender are not statistically significant in this specification. Self-reported social status (statusEducationW21) shows a negative and marginally significant relationship with Leave voting (p = 0.063), suggesting that those who perceive themselves as lower status are somewhat more likely to vote Leave — consistent with broader narratives of status anxiety and political realignment.

To aid interpretation, we visualize the predicted probability of Leave voting across the range of the anti-elitism index using a margins plot (Figure 7). The plot shows a clear upward trend: individuals scoring higher on anti-elitism are substantially more likely to have voted Leave, even when demographic controls are held constant.

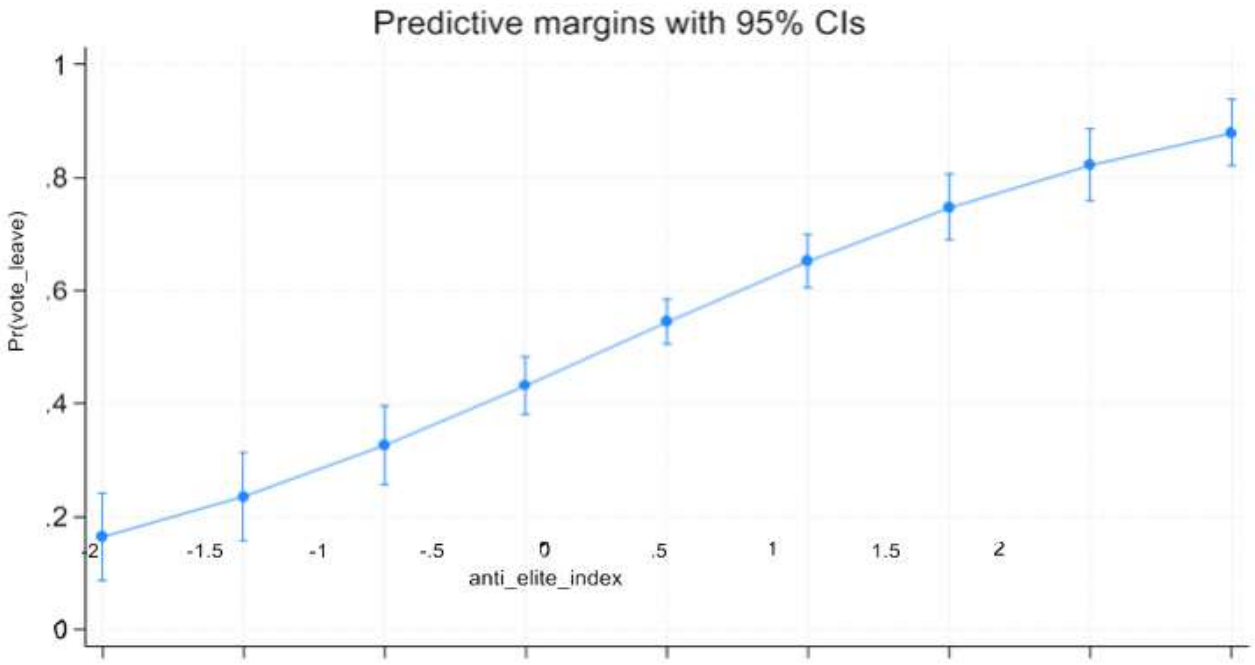

Figure 7

3.3 Statistical Rigor and Robustnes

Validation of Measures: The anti-elitism index is derived both through standardization and supported by factor analysis. Future refinements could involve computing Cronbach's alpha to confirm internal reliability.

Handling Missing Data: While missingness reduced the final sample to 661 observations, the data cleaning process ensures that only valid responses are included. We excluded non-substantive responses ("Don't know", refusal) by recoding placeholders to missing, improving the accuracy of estimates.

Alternative Specifications: As a robustness check, future iterations may examine whether the effect of anti-elitism varies across education groups, or whether interaction effects (e.g., anti-elitism × low education) magnify the association. Another avenue involves clustering standard errors at a higher level (e.g., region or constituency) to adjust for spatial dependence.

Instrumental Variables Strategy (proposed): To further address potential endogeneity — specifically reverse causality or omitted variable bias — we propose the use of historical trust in MPs as an instrument for current anti-elite sentiment. Since trust tends to be stable over time and plausibly exogenous to recent political shocks, this approach could strengthen causal inference.

3.4 Summary and Interpretation

Our empirical investigation confirms the project's central hypothesis: anti-elite sentiment was a significant predictor of Leave voting. Drawing on validated measures from the BES and supported by exploratory factor analysis, the anti_elite_index displayed a strong positive association with Leave support ($\beta = 0.91$, $p < 0.001$), even after controlling for demographic factors. This aligns with behavioural theories of negative reciprocity and inequity aversion (Fehr C Schmidt, 1999), where voters retaliate against perceived unfairness. Figure 7 visualised this effect, while robustness checks underscored model consistency. Limitations include a reduced final sample size ($n = 661$) due to missingness, and future models could incorporate interaction terms or instrumental variables for stronger causal inference. Nonetheless, the data support a behavioural interpretation: voters acted not just from economic interest but from a desire to punish elites they no longer trusted—echoing themes of loss, betrayal, and moral reaction that behavioural economics helps us understand.

4. Comparative Literature Review Synthesis

Much of the early literature on Brexit emphasised macroeconomic or structural explanations—industrial decline, austerity, and the uneven gains of globalisation (Becker et al., 2017; Fetzer, 2019; Colantone C Stanig, 2018). While these accounts offer valuable descriptive insights, they often fall short of explaining why such grievances translated into a punitive electoral decision like Leave. Our behavioural hypothesis, grounded in negative reciprocity and fairness norms—builds on and transcends these accounts by specifying the psychological mechanism of voter backlash.

Studies such as Colantone and Stanig (2018) link economic shocks from globalisation to Leave voting. However, these accounts do not fully explain how voters interpreted those shocks. Fetzer (2019), for instance, convincingly links austerity measures to increased Leave support, but interprets this largely through economic vulnerability. Behavioural economics allows us to reinterpret this causality: voters did not simply react to deprivation, but to perceived unfairness and moral betrayal by elites—a finding consistent with Fehr and Schmidt's (1999) inequity aversion. The austerity programme violated expectations of shared sacrifice, fueling retributive impulses that standard economic models overlook.

Similarly, Colantone and Stanig (2018) argue that globalisation shocks led to anti-EU sentiment in manufacturing regions. Yet this structural approach struggles to account for why similar economic shocks produced divergent responses across countries. Behavioural theory offers a solution: economic dislocation only translates into populist outcomes when filtered through narratives of identity loss, elite distrust, and perceived injustice—psychological mechanisms supported by evidence in Falk C Kosfeld (2006), Kahneman et al. (1986), and Tajfel C Turner (1979).

Cognitive biases further amplify this picture. Enke et al. (2023) argue that when voters misperceive political stakes or rely on salient anecdotes, they outweigh emotional considerations. This aligns with our findings: rather than deliberate misjudgment, Leave voters may have been acting on affective heuristics—anchored in betrayal and social comparison (Alesina C Angeletos, 2005)—which increased the perceived "rightness" of punishment.

In sum, while prior studies map the “where” and “what” of Leave voting, behavioural economics clarifies the “why.” It reveals how structural conditions activated deep behavioural patterns, negative reciprocity, fairness violations, group identity, and distorted reasoning—producing a collective, punitive response.

Brexit, therefore, is best understood not just as a reaction to economic pressures, but as a behavioural revolt against perceived elite misconduct.

5. Conclusion Policy Implications

This project set out to understand Brexit not just as a political event, but as a behavioural response to a long-standing sense of grievance. Our central hypothesis—that many people voted Leave as an act of negative reciprocity—was supported by both theoretical insight and empirical evidence. Voters, we argued, were not merely misinformed or economically vulnerable. They felt wronged. And in the referendum, they found a way to push back.

Across Sections 2 to 4, we applied and tested key behavioural models—inequity aversion (Fehr C Schmidt, 1999), the hidden costs of control (Falk C Kosfeld, 2006), and social identity theory (Tajfel C Turner, 1979)—to show feelings of unfairness, lost autonomy, and alienation shaped voting behaviour. Our analysis of British Election Study data revealed that anti-elite sentiment was a powerful predictor of Leave support, even when controlling for demographics. This was not a quiet vote of reason, it was a loud vote of frustration.

Policy must take behavioural realities seriously. First, perceptions of fairness matter. Austerity may have balanced books, but it left people feeling betrayed. Governments should institutionalise fairness checks on policy—tools that audit how policies are experienced, not just how they perform on paper. Second, trust can’t be commanded from the center; it must be earned locally. Devolving power, increasing transparency, and showing responsiveness are essential steps. Third, communication must change. Voters respond to narratives that resonate with their sense of dignity and justice. Reframing EU policies as protection, not impositions, might have changed the emotional calculus. Brexit was a rupture, but it also revealed something deeper: that people want to feel seen, heard, and treated fairly. Behavioural economics gave us the tools to see that clearly. Now the question is whether leaders are willing to listen.

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Government, Welfare and Policy Poster 1

FOREVER CHEMICALS, FOREVER A THREAT!

Why PFAS Demand Immediate Government Action

MAY 2025

University of East Anglia

Erdem Tursucu, Khadeejah Aziz, Khadija Kalam, Kinza Khan, Tayyaba Khan Jadoon

1 What Are PFAS?

PFAS (Per- and Polyfluoroalkyl Substances):

- **Thousand** of synthetic chemicals used **since 1940s.**
- Found in non-stick cookware, pesticides, firefighting foam.
- Over **97% of Americans** have PFAS in their blood.
- Linked to **cancer, reproductive and developmental harm**
- Exposure increases **leukemia risk** in children by **60%.**
- PFAS-linked health costs: up to **$63B per year** in the U.S.
- PFAS can last over **1,000 years.**

Exposure Routes:

Drinking water · Soil & food · Consumer products · Air and dust

2 Government Intervention

1. Legislation & Monitoring:

- **Bans/Restrictions:** Phase out PFAS in products create **priority restriction lists.**
- **Set legal limits** for PFAS in drinking water.
- **Test regularly:** Monitor exposure routes.
- **Enforce strictly:** Fines/legal action and public reporting for violation of regulations.
- **Coordinate policy** and raise **public awareness** of PFAS risks.

2. Market-Based Solutions:

- **Subsidies & Tax Breaks:** Incentives switch to PFAS-free alternatives.
- **Fund Cleanup:** Support water and soil **decontamination projects.**
- **Invest in Innovation:** Promote research into **safer materials and technologies.**
- **Drive Collaboration:** Partner with research and industry to **fast-track alternatives.**

3 Government Policy in Practice

***Sweden:* PFAS Regulation (2026)**

- **Legal limit:** 4 ng/L (PFAS-4)
- Suppliers must **comply by 2026**
- Driving **early upgrades** and PFAS **tech investment**

United States Settlements (2023-2024)

- DuPont, Chemours & 3M **sued for PFAS pollution**
- **$11.5B** in settlements for U.S. **water cleanup**

European Union Proposed Ban (2026)

- Proposal to **ban 10,000+** PFAS chemicals under REACH
- **Most comprehensive** PFAS ban proposed

4 Considerations

1. **Global Model for Action:** The Montreal Protocol phased out CFCs with **global coordination, trade limits, and timelines.**
2. **Economic Equity:** PFAS regulation could cost small firms **€2.5–3.5 billion**, with alternatives priced 10–30% higher. Regulation is key to avoiding **regressive** impact.
3. **Managing PFAS-Contaminated Waste:** Local governments may bear PFAS waste costs; proposed PFAS policy should include **disposal standards and support.**
4. **Justifying Costs:** Proposed PFAS policies face high upfront costs—**cost-benefit analysis** can justify **early action.**

5 Conclusion

PFAS contamination is a **global threat**; harming health, polluting ecosystems, and **costing billions** in treatment and cleanup. While discussions on regulation grow, action must keep pace. **Clear policies, innovation funding, and cleanup investment** are vital to reduce harm and avoid long-term costs.

May 2025

UK WEIGHT LOSS DRUGS

1.What is it?

Aims

5.8 million people have Type 2 diabetes and 6 out of 10 people are overweight or obese in the UK, which is a 2.8% increase from 2015. Over 20 medical conditions are linked to type 2 diabetes and obesity.
The NHS, facing financial strain from managing side effects, is shifting to weight loss drugs to address root causes and reduce multiple related conditions. The aim of these is to reduce the pressure on the NHS.

Mounjaro

Dual GIP and GLP-1 receptor agonist by Eli Lilly
Enhances Insulin secretion, reduces appetite, slows digestion.

- NICE Approved 2024
- 22% Weight Loss

Wegovy

GLP-1 Receptor agonist by Novo Nordisk
Slows gastric emptying, increases insulin secretion, reduces appetite.

- NICE Approved: 2023
- 16% Weight Loss

Overview

- Weight Loss drugs are a rapidly growing market.
- Lots of known side effects.
- Lots of types, newer ones are all GLP-1.
- Varying costs dependent on types
- Prescription only due to high regulations within the UK.

2. Pilot Programme

Pilot programmes and phased rollouts are in place to monitor effectiveness and side effects

NHS England pilot scheme:

June 2023

- £40 million over 2 years to pilot access to new obesity medicines.
- Testing GP prescribing and community/digital support models.
- NIHR to conduct an independent evaluation for future rollout.

Mounjarno Phased NHS Rollout:

December 2024

- Access Timeline:
  - **90 days**: Patients already in specialist weight management services.
  - **180 days**: High-priority patients (criteria set by NHS England).
  - **3 years**: Expanded to ~220,000 patients.
  - **12 years:** Available to all eligible patients.
- Review planned after 3 years to assess rollout and update guidance if needed.

3. Benefits

Healthcare Savings

In the UK, obesity costs the NHS £6.1 billion annually, so a 5% reduction in obesity could save £1 billion per year in healthcare costs.

Higher Workforce Participation & Productivity

Fewer people will suffer with chronic conditions and can return to work. Studies show people who take GLP-1 drugs have lower rates of disability leave and sick days.

Mental Health

People with obesity are nearly twice as likely to experience poor mental health as those with a healthy BMI, so weight loss drugs could help address this.

A study looking at **weight loss** and **productivity** found that people took less sick leave (Jennifer et al, 2019).

Novo Nordisk became Europe's **most valuable company** 2023-2024 & responsible for 1% of total GDP growth in 2023.

4. Challenges

£107 Million NHS **High Costs for the NHS:** Semaglutide costs the NHS around £107 million annually, making it is the 11th most expensive drug for the health service.

Behavioural concerns: Weight loss drugs may reduce the incentives to live a healthy lifestyle.

Medication Misuse: Risk of unsupervised or cosmetic use, especially through private or online access.

Excessive Demand: Its estimated 3.4 Million people in England are eligible to receive Tirzepatide. **3.4 Million**

Inequality: Individuals can buy drugs privately or online, where access is quicker but less regulated and significantly more expensive.

5. Recommendations

1) Subsidies
Subsidies on healthier foods (e.g. fruit and veg) to encourage a healthy lifestyle.

2) Support lifestyle interventions
Support from schools to combat the issue in earlier life. E.g. healthier school meals.

3) Education & Information Campaigns
Revise campaigns to target underlying reasons obesity to stop it at the root.

4) More Restrictive Regulations
Tighter regulations on access to weight loss drugs with a continuation of the GPHC programs to restrict online access and stop misuse.

6. Conclusion

Higher Monetary Cost

The cost of providing the drug outweighs the resulting savings.The accompanying graph breaks down these savings into reductions from obesity-related conditions and the lower risk of associated health issues. However, overall costs may decline over time as competition increases.

Hopeful Strategy, Unreliable Results

Results from the studies might not apply to the whole population and be unreliable. The trials before they are approved roughly last 1.5 years, so the long term effects aren't studied.

Mental Health Impact

Improvements in physical health can boost mood and self-esteem, while body image pressures or treatment failure may negatively impact mental wellbeing.

Not a Standalone Solution

Weight loss drugs need to be used in conjunction with lifestyle changes, they are not an easy solution and the NHS need to highlight this with users.

1933 - First Weight Loss Drug Introduced in USA. (DNP)

1938 - DNP Withdrawn

2008 - Orlistat
For adults with a BMI ≥30 kg/m² or ≥28 kg/m² with associated risk factors.

2020 - Saxenda
For adults with a BMI ≥35 kg/m² and at least one weight-related comorbidity.

2023 - Wegovy
For adults with a BMI ≥35 kg/m² and at least one weight-related comorbidity.

2024 - Mounjaro
For adults with a BMI ≥35 kg/m² and at least one weight-related comorbidity.

Elsie Eley, Denise Ali, Stuti Dutta , Tom Barnes, Ben Ashford, Daisy-May Williams

Government, Welfare and Policy Poster 2

England's Higher Education Funding Crisis:
The need for urgent policy reform to ensure the survival of British universities in a globally competitive market

Olaoluwa Oyewusi

Government, Welfare and Policy

Introduction

The British university system is recognised as one of the best in the world, with twelve of its institutions ranking among the global top one hundred (Times Higher Education, 2024). However, growing financial pressure threatens this reputation. This issue is highlighted by the Office for Students (OFS), an independent regulator for higher education in Britain, which reported that by 2026, up to 72% of British universities could be operating at a budget deficit. (OFS, 2024).

The University of East Anglia (UEA) provides a perfect example of the growing crisis, facing a budget deficit of £30 million, resulting in a proposed cut of 163 full-time jobs to stay on track with its financial sustainability plans (Jennings, 2025). The proposed cut risks diminishing the quality of teaching and research, weakening the university's competitive standing globally.

This essay will analyse the root causes of this crisis and propose a key policy reform of the current university funding model, aimed at not only ensuring long-term financial sustainability, but also ensuring equal access, higher standards of teaching and research, and graduate output that aligns with labour demand.

Background of the British universities' funding landscape

In the early 1960s, following the implementation of the Education Act of 1962 and the release of the Robbins Report, which argued that anyone with the ability and desire to attend university should be able to do so (Morris, 1964), British higher education providers saw a significant increase in government funding with the introduction state-covered tuition which meant the government covered student tuition for universities and means-tested grants which were introduced to help students from lower-income households cover their living costs whilst studying, these were designed to remove financial barriers to ensure university accessibility post-World War II.

However, increasing enrolment placed significant financial pressure on the government, leading to the Thatcher administration's shift towards market-orientated funding models, culminating in the release of the Dearing report (1997), which prompted the introduction of tuition fees in 1998 and the introduction of the student loan system set up to provide incomecontingent loans for university tuition and maintenance, with the repayment structure based on graduate earnings. They simultaneously introduced a domestic price cap, which set a maximum amount that universities can charge for British students' tuition. These changes shifted British universities from being primarily public-funded institutions to a government-regulated, freemarket system with a mix of private and public funding.

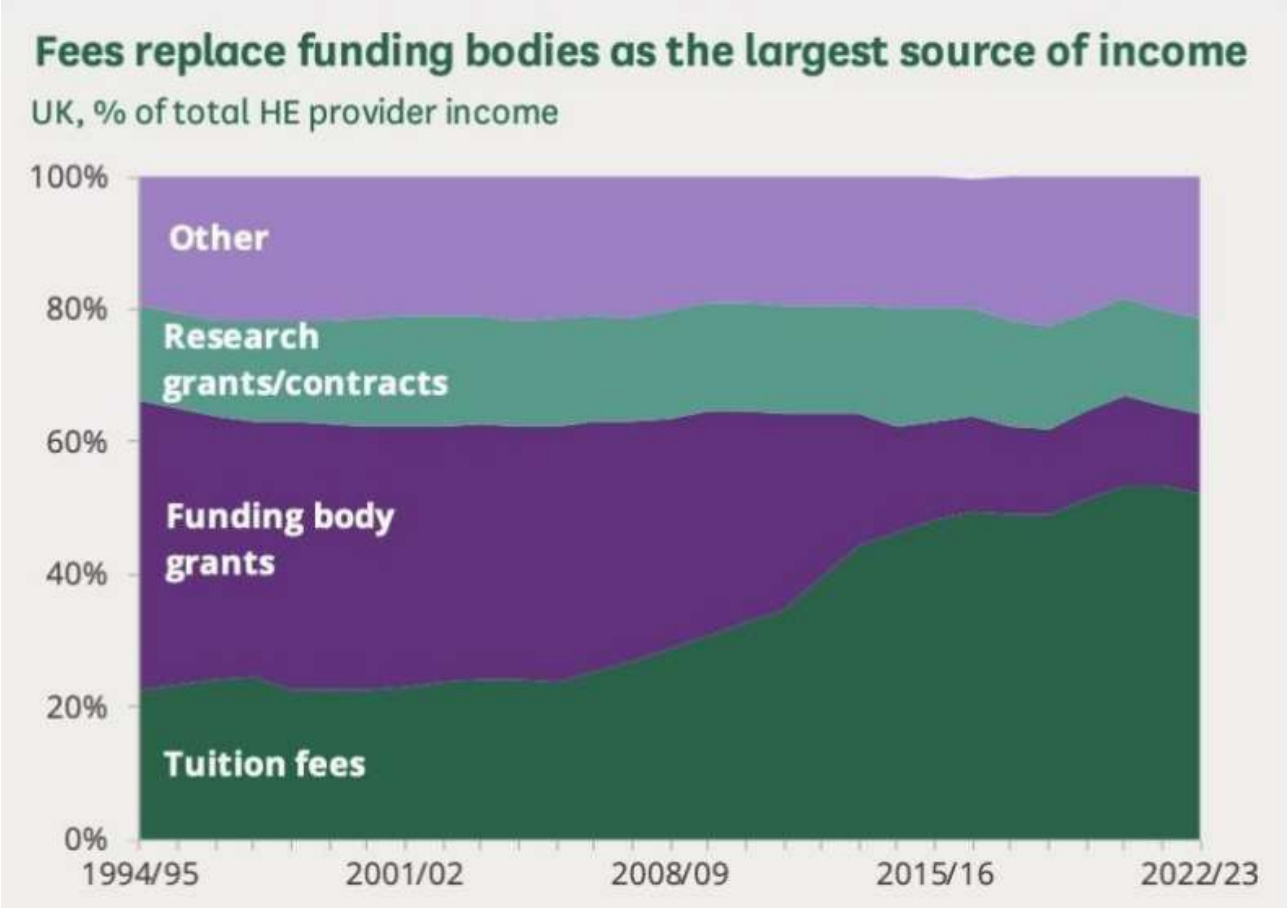

Figure 1: (Lewis and Bolton, 2024)

As seen in Figure 1, these reforms led to significant changes in the British university sector's funding model. With tuition fees replacing government-funded grants as the primary source of income for British universities, tuition fees now account for over 50% of their income, reflecting the move from direct state funding to a multi-faceted funding model.

Challenges in the current funding landscape

Declining direct government funding for teaching

The British university system has seen a significant reduction in direct government funding, particularly for teaching, with funding falling by over 60% since 2010/11 (Lewis and Bolton, 2024). This reduction in public spending has left universities increasingly dependent on other funding streams. This puts a significant strain on teaching-intensive universities and growing universities, as they often lack substantial research income or international student tuition, which makes them more vulnerable to the changes in government funding.

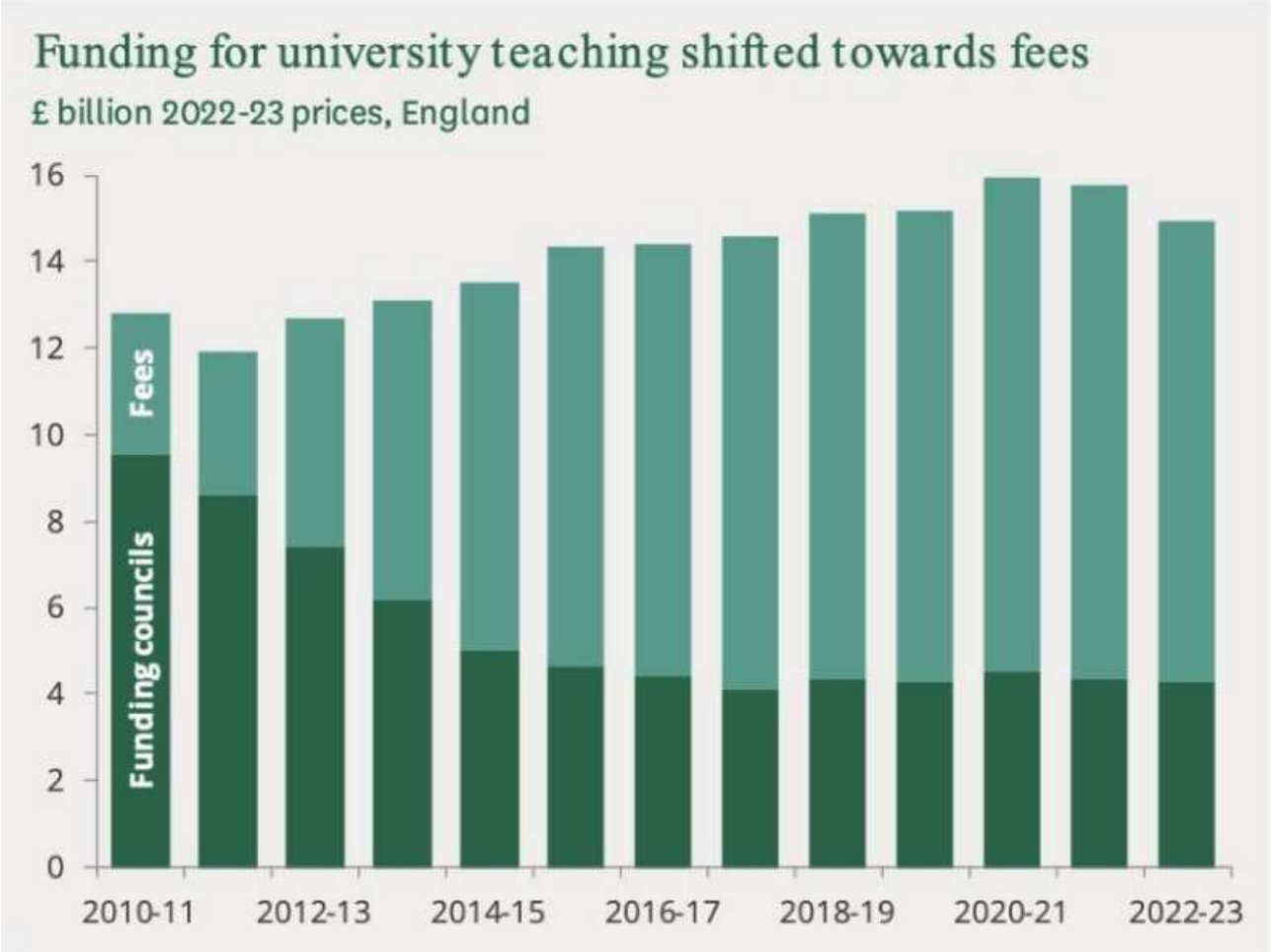

Figure 2: (Lewis, Bolton and Wilson, 2024)

Figure 2 illustrates the consistent fall in direct funding for teaching when the fee cap was raised to £9,000 in 2012 (Bolton, 2024); the 300% increase in the cap was intended to offset the reductions in government spending. However, the current financial state of British universities raises the question of their effectiveness.

Tuition fee caps for British students

The price caps on tuition fees were set to ensure that students from lower-income backgrounds can access higher education without facing excessive costs (Bolton, 2023). Keeping tuition fees low has also allowed for a more diverse student body by reducing the financial barriers to higher education (HEPI, 2023). It has also protected British students from price hikes and helped stimulate demand for university education.

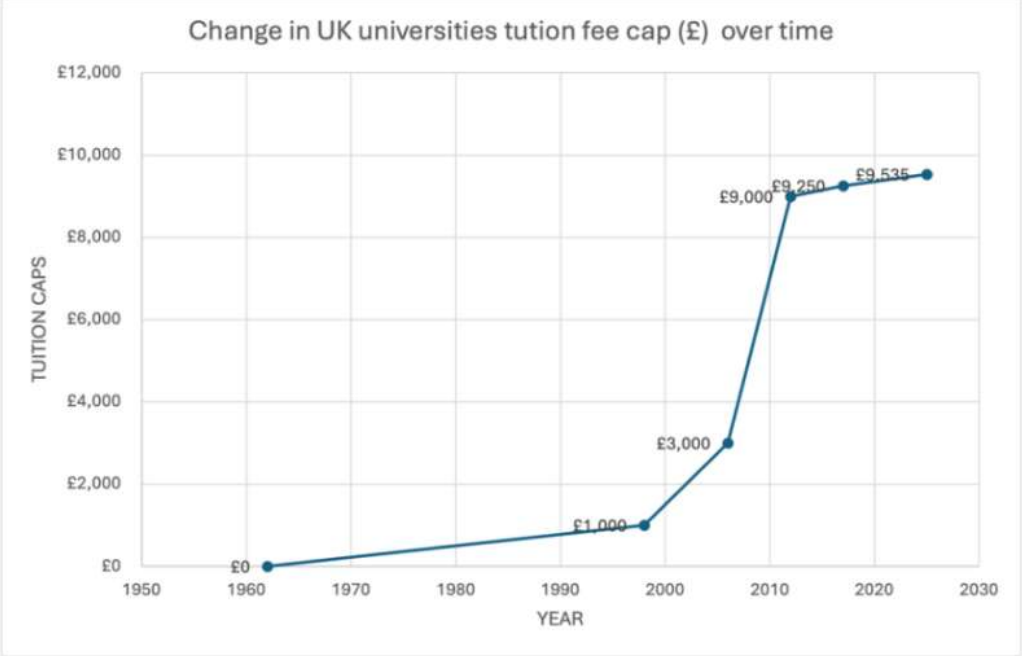

Figure 3: (Lewis, Bolton and Wilson, 2024)

The price cap has seen a minimal increase of only £535 since 2012 (figure 3). This, coupled with a decrease in government spending, has placed increased financial pressure on universities. The Financial Times estimates that British universities lose approximately £2,500 per domestic student enrolled per year; this is due to the cap not increasing in line with inflation. As a result, universities face a reduction in real-term income because tuition is not able to increase in line with universities' operational costs, such as staff salaries and utilities. Over time, this has created a gap in university funding (ONS, 2024), particularly for universities reliant on domestic students.

Over-reliance on international students

The presence of these domestic price caps led to universities relying on international students financially, with international fees averaging £22,000 per year (HESA, 2023). However, this reliance creates a problem, as international students have become a financial cornerstone for British universities, contributing £11.8 billion in 2022/23 alone, accounting for 23% of total income, up from around 5% in the mid-1990s (Lewis et al., 2024a). The increased reliance raises concerns about allocative efficiency, as universities divert significant resources toward attracting and retaining international students, often at the expense of home students. It also raises concerns of equity as universities favour international students during enrolment over domestic students, particularly in high-cost degrees (e.g., medicine, engineering), which leads to inequality in access to university education (Pawar, 2025). This also leaves British universities vulnerable to external economic shocks and changes in global immigration policies. Given the recent declines in international student enrolment (Blake, 2024), this reliance is not sustainable in the long term.

Policy Recommendation

To ensure the survival and growth of British universities, I recommend the removal of the tuition cap policy. This policy reform will mean deregulating universities, allowing universities to charge tuition fees based on course demand, projected graduate earnings, and economic needs. Countries like Australia, New Zealand and the United States use similar models, allowing institutions to maintain quality education despite increased operational costs (OECD, 2023). More importantly, this reform will help ensure universities can reinvest in teaching and research facilities to ensure a higher quality of education.

Implementation Plan

For this policy to be implemented, the government would need to amend the standing price cap policy to allow universities to set variable fees. For this to be successful, it would need strong stakeholder engagement to build public support for the policy.

This policy will need a phased implementation, beginning with pilot schemes in select universities, with the selection varied across university rankings and geographical locations to reduce sampling bias. The results of these pilots will be monitored and evaluated to see the impact of the policy on university finances and student enrolment.

After carefully evaluating the success of the trials, particularly whether they deliver the projected financial relief to universities without affecting student enrolment, the policy can be fully implemented. It is important to note that pilot schemes take time to yield conclusive results, highlighting the need for patience.

This policy is likely to have a disproportionately negative impact on enrolment, particularly for lower-income households and those pursuing high-cost degrees (e.g. medicine, engineering). This is because, in a free market, universities may increase tuition fees significantly, potentially deterring risk-averse individuals from taking on larger amounts of debt.

To mitigate these risks and ensure equal access, it will be crucial to implement a supporting policy framework. I recommend targeted government tuition subsidies where the government pays a portion of tuition for low-income households and high-cost degrees. The targeted nature of the subsidies will ensure they are directed to students who are at the most risk of exclusion, ensuring equity in access to university education, whilst minimising costs by focusing on those most affected by the policy.

Pros and Cons of the Policy Recommendation

Pros

- Increased financial sustainability – Universities will be able to adjust fees based on inflation, course demand, and graduate earning potential, providing an income stream that better reflects the quality of service provided.
- Improved Quality – Higher tuition fees for high-demand or resource-intensive courses would allow universities to reinvest the additional income into faculty, research, and facilities, improving the overall quality of education and student experience.
- Greater Market Efficiency – Students will be encouraged to make economically informed choices, as tuition fees would align with job market prospects and future earnings. This will also ensure that courses offered in universities adequately represent labour market needs.
- International Competitiveness – A flexible system would allow British universities to remain competitive globally, particularly compared to countries like the United States and Australia, which attract large numbers of international students.

Cons

- Reduced Accessibility – Higher tuition fees for high-demand courses could price out students from lower-income backgrounds, widening the socioeconomic gap in education and reducing university enrolment.
- Risk of Overcommercialisation – Universities might prioritise profit over academic integrity, favouring lucrative programmes over social sciences and humanities, leading to a potential decline in certain disciplines, thus reducing educational diversity.

Conclusion

British universities are close to a breaking point, with institutions facing significant financial constraints. Without decisive reforms, universities will face reduced research capacity, closures, and declining global competitiveness. The removal of the price caps, paired with a supporting targeted tuition subsidy, will provide a path to restoring the financial sustainability of universities. More importantly, it will help uphold the broader goals of a well-functioning university system, which are protecting equitable access, strong quality of teaching and research, and developing skilled labour that represents labour market demands. The time for debate is over, and the time for action is now. If policymakers fail to act, British universities risk falling behind on the global stage.

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The Case for Expanding Carbon Pricing

Ben Pearson

Government, Welfare and Policy

Introduction

Climate change is a very prevalent and real threat, which is why governments actively look to curb the risks it imposes. The impacts of an ever-warming planet are now a part of daily life, from floods in the UK to wildfires in America, as well as southern Europe and record-breaking heatwaves worldwide. The key factor is carbon dioxide, the most prominent greenhouse gas, which drives global warming. One of the most powerful and effective tools available to policymakers is carbon pricing. Carbon Pricing is a strategy that places a monetary cost on emitting CO2 onto firms, as a result internalising the environmental damage caused by fossil fuel use. This essay argues that the expansion of carbon pricing is not only an economically efficient solution to climate change, but also a socially balanced and politically achievable one if appropriately implemented.

Policy Description: What is Carbon Pricing?

Carbon pricing comes in two primary forms: a carbon tax or a cap-and-trade system. A carbon tax directly sets a price per tonne of CO2, providing a clear incentive to reduce emissions. A cap-and-trade system, by contrast, sets an overall emissions limit and allows companies to trade permits to emit CO2. These permits create a market for pollution, where firms with lower reduction costs can sell their excess allowances to those facing higher costs.
This mechanism minimises the total cost of achieving a given emissions reduction, thereby making it a good example of market-based regulation (Pettinger T, 2019).

The UK, for example, operates using the UK Emissions Trading Scheme (UK ETS), which took over after leaving the EU's version of this scheme. The scheme currently covers power generation, energy-intensive industries, and aviation. However, coverage remains limited. Expanding carbon pricing would mean raising carbon prices, phasing out free permit allocations, and extending coverage to sectors like agriculture, heating, and road transport. Special focus should be given to the agriculture sector as it produces 11% of total greenhouse gases in the UK and 2% of all CO2 emissions (DEFRA, 2024). These sectors often involve diffuse and harder-to-measure emissions sources, making them more challenging to incorporate immediately into pricing schemes.

Free allocation aims to prevent carbon leakage, preventing the relocation of emissions-intensive industries to areas without carbon constraints, which would maintain the competitiveness of domestic firms. However, as carbon leakage risks are increasingly addressed through measures like the Carbon Border Adjustment Mechanism (CBAM), phasing out free permits becomes essential to prevent market distortions and to enhance environmental effectiveness. Removing free allocations ensures all sectors fully internalise carbon costs, creating stronger incentives for decarbonisation.

Current Implementation in the UK

The UK government implements carbon pricing primarily through the UK ETS, which covers over 1,000 energy-intensive installations and features an annually declining emissions cap aligned with Net Zero targets. Permits are allocated via auction with a minimum reserve price to maintain a stable carbon price (Climate Change Committee, 2025). Complementing this, the Carbon Price Support (CPS) tax is applied to fossil fuels used in electricity generation, reinforcing the carbon price signal in the power sector. Together, these mechanisms have significantly reduced coal use in electricity over the past decade (UK Energy, 2024).

Additionally, the UK's Net Zero Strategy outlines plans to extend carbon pricing to more sectors, including buildings and transport, and to align with international efforts on carbon border adjustments. The government's Seventh Carbon Budget confirms the central role of carbon pricing in its Balanced Pathway to Net Zero by 2050. Sectors such as buildings and transport are being prioritised due to their high emissions and easier decarbonisation options, such as electric vehicles and energy-efficient heating (Department for Business, Energy & Industrial Strategy, 2022). However, other sectors are excluded or delayed. Industries like steel, cement, and aluminium are particularly exposed to international competition, raising the risk of carbon leakage where emissions are effectively outsourced to countries with more lenient climate regulations (Reinaud, 2008). This undermines the environmental integrity of domestic climate policy while also disadvantaging UK industries.

To address this, the UK plans to implement a CBAM alongside the UK ETS to ensure that imported carbon-intensive goods like iron, steel, fertiliser, and aluminium face similar carbon costs as domestic products (HM Treasury, 2023). This helps protect UK industry, incentivises global climate action, and reduces carbon leakage. Carbon pricing is currently less viable for sectors lacking cost-effective reduction options and those with political sensitivity, such as agriculture and household energy use. Nonetheless, policies like border levies on lower-carbon-priced imports aim to bolster the system's fairness and effectiveness (HM Treasury, 2023).

Economic Analysis: Efficiency and Market Failure

Carbon pricing is the best solution to the market failure of pollution. When firms and individuals do not face the full cost of their emissions, they over consume fossil fuels, leading to excessive greenhouse gas emissions. By putting a price on emissions, carbon pricing internalises the external cost, aligning private incentives with social welfare and reducing deadweight loss (Gruber, 2016; Barr, 2020).

This approach ensures allocative efficiency: marginal reduction costs equal the social marginal benefit. In a market with no price on pollution, there is overproduction; carbon pricing corrects this by making firms pay for the negative externality they impose on others.

Moreover, carbon pricing helps the market identify the lowest-cost emission reductions, including energy efficiency, renewables, and carbon capture. Carbon capture, utilisation, and storage (CCUS) is particularly relevant for hard-to-abate sectors such as cement, steel, and chemicals, where full electrification is not yet feasible (Kumar, et al, 2024). By putting a price on carbon, firms are financially incentivised to invest in CCUS as a compliance strategy to avoid paying higher emissions costs. The Intergovernmental Panel on Climate Change (IPCC) highlights that effective carbon pricing can drive large-scale transitions across sectors and achieve substantial emissions reductions, especially when combined with complementary policies such as the trade policies of the UK (IPCC, 2018). By ensuring rigorous and fair carbon pricing, it will force firms to spend money on R&D, including CCUS, to increase production efficiency while lowering carbon intensity.

Equity Considerations and Revenue Recycling

A major concern with carbon pricing is its distributional impact. Low-income households spend a greater share of their income on energy and transport, making carbon pricing potentially regressive (Känzig, 2023). However, the policy's regressivity is not certain. If revenues from carbon pricing are returned to households, from governments, through lump-sum payments or invested in public services, the policy can be made progressive.

Fremstad and Paul (2019) show that using carbon tax revenues to fund equal per-capita dividends would benefit many households in the U.S., particularly those in the bottom half of the income distribution. Similar outcomes could be expected in the UK, where fuel poverty remains a concern. Additionally, investing revenues in home insulation, public transport, and green jobs could amplify alternative benefits and ease the transition for vulnerable groups. This aligns with the UK's legal commitments under the Climate Change Act and the government's just transition pledges (Climate Change Committee, 2025).

Cost-Benefit Perspective and Empirical Evidence

The case for expanding carbon pricing is not only theoretical. Empirical data supports its effectiveness. The EU ETS has led to measurable emissions reductions in its covered sectors. The UK's carbon floor price, introduced in 2013, was key in phasing out coal from the electricity mix.

From a cost-benefit angle, the Stern Review found that early action to reduce emissions is far less costly than inaction, with climate damages potentially amounting to 5–20% of global GDP annually if emissions continue unchecked (Stern, 2006). The 2023 IPCC report updates this, warning that climate impacts are accelerating and threatening sustainable development across all regions (IPCC, 2023).

The Seventh Carbon Budget highlights the economic rationality of carbon pricing: investment now prevents far higher costs later. For instance, delayed action would mean more abrupt transitions, stranded assets, and greater inequality (Climate Change Committee, 2025). A recent NBER paper finds that global GDP could decline by 12% per 1°C of warming, a six-fold increase from previous estimates, reinforcing the urgency of ambitious mitigation policies such as carbon pricing (Bilal and Känzig, 2024).

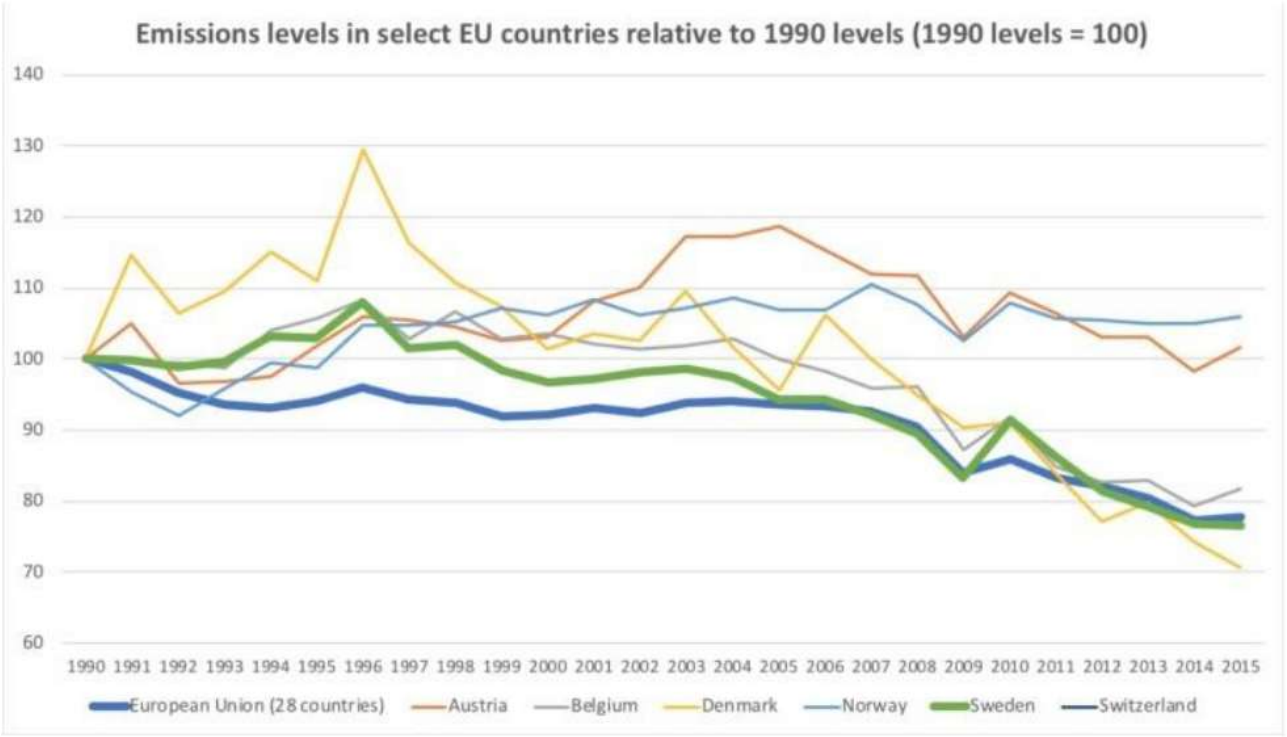

Figure 1: (Tejvan Pettinger, 2020)

The graph highlights how successful carbon pricing has been in the reduction of emissions levels. Sweden introduced a carbon tax of €33 per tonne in 1991; over time, the tax was increased to €120 per tonne (Pettinger T, 2020). As shown, emission levels in Sweden and the EU have fallen by over 20%, making it one of the more successful EU countries in reducing emissions whilst also maintaining strong economic growth (Pettinger T, 2020).

Policy Recommendations

Expanding carbon pricing is politically challenging but feasible with the right implementation. Policymakers should:

- Communicate the health and environmental co-benefits of pricing carbon transparently to build public trust (e.g. cleaner air, lower asthma rates).

- Use revenues to deliver tangible benefits to the public, including direct dividends and energy efficiency grants.

- Align carbon pricing with wider Net Zero strategies, such as those in the UK's Seventh Carbon Budget (Climate Change Committee, 2025).

- Introduce a carbon price floor to address volatility in permit markets and ensure investment certainty (Nordhaus, 2007).

Internationally, the outcomes of COP28 call for stronger domestic policies aligned with global climate goals. The UK, as a climate leader, should strengthen its ETS, collaborate with partners on carbon border adjustments, as they are doing now with CBAM, and press for a global carbon price floor (Climate Change Committee, 2024).

Conclusion

Expanding carbon pricing is essential for meeting climate goals efficiently and equitably. While technical and political challenges remain, the economic rationale to implement this is very clear, and the social case can be strengthened through careful design. As the costs of climate inaction mount, this essay has set out clear points that the UK government and the rest of the world should follow, carbon pricing stands out as a cornerstone of any serious climate strategy. The time to expand and strengthen these policies is now.

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