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TRUMP 2.0 - THE NEXT CHAPTER

AI IMPACT ON THE JOB MARKET

& MORE...

TRUMP 2.0: BUYING AND BORDERS - TRUMP'S PLANS FOR THE NEXT CHAPTER OF AMERICA

BY OLIVER & SENAN

The new "Trump 2.0" proposal not only introduces radical new policies on immigration but also seeks to transform America's position on the world stage. Trump envisions ushering the U.S. into a so-called "golden age," one in which the country adopts a more expansionist approach. Key elements of his plan include the potential purchase of Greenland, the return of the Panama Canal to American control, and the imposition of trade tariffs on America's largest trading partners. These moves aim to promote domestic trade and secure jobs for U.S. suppliers, reshaping both the nation's economy and its global influence.

President Donald Trump is looking to fully reform policy concerning immigration. This has been at the forefront of Trump's mind since his first term in 2017, and has certainly not been forgotten moving into his second. With deputy chief of staff, Stephen Miller, he has set out to decrease both legal and illegal immigration, despite immigrants, whom he believes to be "poisoning the blood" of America, accounting for 14.3% of the U.S. population today. For example, under the new Laken Riley Act, passed on January 7th, federal immigration enforcement will be required to detain and potentially deport any unauthorised immigrant accused of minor crimes including petty theft or shoplifting, which has been estimated to cost $29.6 billion. So how successful could this be?

What are the drawbacks of such a venture?

Well for one, there is the aforementioned cost and difficulty in deporting so many people, with Trump's goal being to deport 15 million immigrants. Second of all, there is a social cost, seeing how unpopular this could potentially be, since over 50% of all migrants have been in America for over a decade with jobs and families, many of which live in blue states that would not cooperate with President Trump's deportations.

Finally, and probably most significantly, mass deportations would cause a huge shock to the labour market as most immigrants travel to America for work - decreasing the economy's potential output. This was evident under The Obama Administration; deportations slowed home construction since many plasterers and bricklayers were deported.

So, how would this work? Where would these immigrants go?

Trump is pushing for immigrants travelling through Mexico to remain there, and Claudia Steinbaum, Mexico's president, recognises that helping the US with immigration enforcement will pay Mexico dividends later in any negotiation with Trump, hence leading her to show a willingness to help.

Of course, Trump's true aim is to deter future generations of migrants from moving to the US illegally, hence his use of a more 'theatrical cruelty' than an actual attempt at flushing out all illegal immigrants in the country, a seemingly impossible task. However, Trump's job is almost being done for him in a sense. In Biden's term, he faced an increase of 2.8 million migrants and chaos at the American border, which has subsided since, hence meaning that Trump has less to fix in the first place.

In line with his new expansionary mindset, Trump aims to amass new territory and expand the US border through the planned purchase of Greenland and retaking control of the Panama canal.

This is not to say America has not had a history with buying countries in the past. For example, Thomas Jefferson made the Louisiana Purchase back in 1803, more than doubling the size of the country. More famously, America's purchase of Alaska in 1867 from the Russians is largely considered to be one of the best deals made in American history. So will the purchase of Greenland be another one of these 'deals of a century' and a defining moment of Trump's presidency?

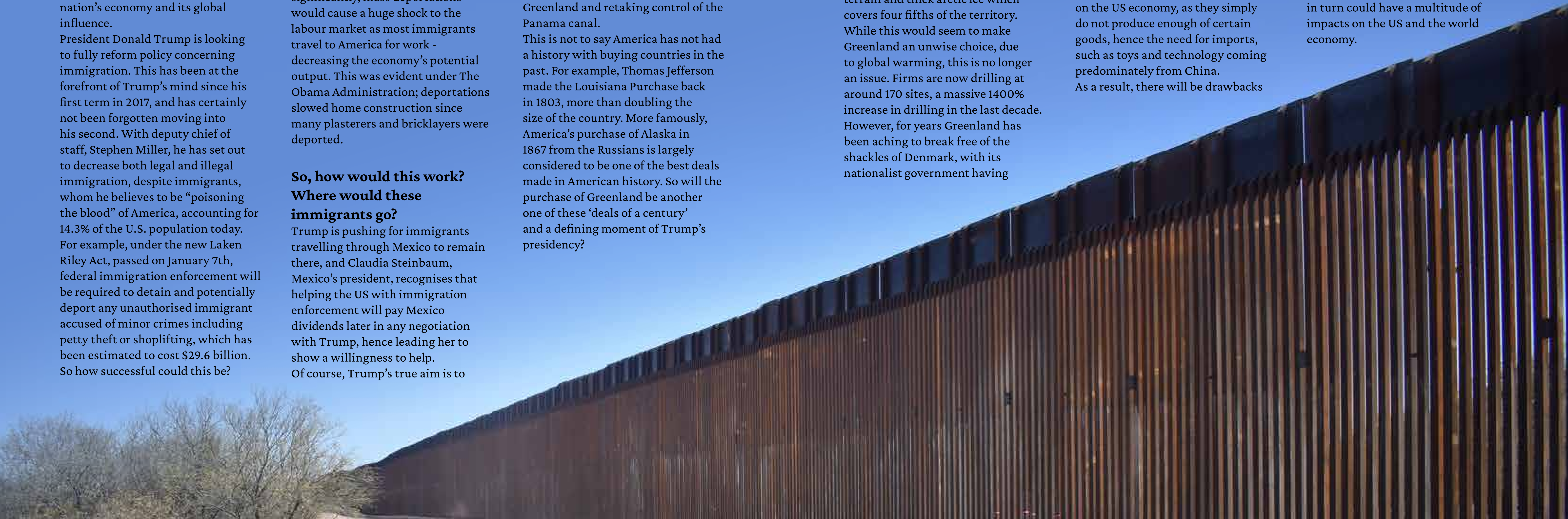
Now when it comes to expanding America, Greenland may at first come as a strange choice. Its GDP was a relatively low $3bn in 2021, a tiny fraction of the massive $23.36tn GDP of the United States. Moreover, despite being larger than any American state, it only has a population of 56,000 of which 43% are employed by the state. To further this, the territory relies largely on subsidies and fiscal aid from Denmark which pays the territory $500m a year. Yet despite this, perhaps the main reason for Trump's desire to acquire Greenland is due to its future strategic and economic potential. Firstly, the country is already home to the Pituffik Space Base fitted with missile warning sensors and protects the Northern Atlantic Ocean, which is an easy access route for Russian submarines to access America's East Coast. Furthermore, Greenland is rich in natural resources with the largest deposits of rare earth minerals outside China. 52 billion barrels of oil according to estimates in 2008 lie off the coast of Greenland, roughly 3% of all global oil reserves. The reason that these resources have gone mostly underexploited is due to the difficult terrain and thick arctic ice which covers four fifths of the territory. While this would seem to make Greenland an unwise choice, due to global warming, this is no longer an issue. Firms are now drilling at around 170 sites, a massive 1400% increase in drilling in the last decade. However, for years Greenland has been aching to break free of the shackles of Denmark, with its nationalist government having

significant control of the territory. So it will be unlikely that they would be taken by America with fiscal aid alone.

Another focus of Trump's new policy is imposing high trade tariffs on America's largest trade partners for the purpose of greater job security for American suppliers. However it is not so cut and dry. While on the face of it, it appears that this will solely be to the detriment of trade partners like China, Canada and Mexico, who will lose a lot of demand for their exports, a crucial part of their GDP and economic growth. However, there will also be a significant impact on the US economy, as they simply do not produce enough of certain goods, hence the need for imports, such as toys and technology coming predominately from China.

As a result, there will be drawbacks for many American industries. Manufacturing is an example of an industry that "depends on a supply chain that is spread across the three countries. If you disrupt that supply chain, you have massive disruptions in the auto market" as Maurice Obstfeld, a former chief economist at the International Monetary Fund, and a previous economic advisor to President Obama, stated. Hence, it is uncertain how the American economy will fare with the imposition of these new tariffs.

So with that all in mind, there are a multitude of drastic new changes under the 47th Presidency which in turn could have a multitude of impacts on the US and the world economy.



THE IMPACTS OF AI ON THE JOB MARKET - BLIGHT OR BLESSING?

BY YU YOSHIDA

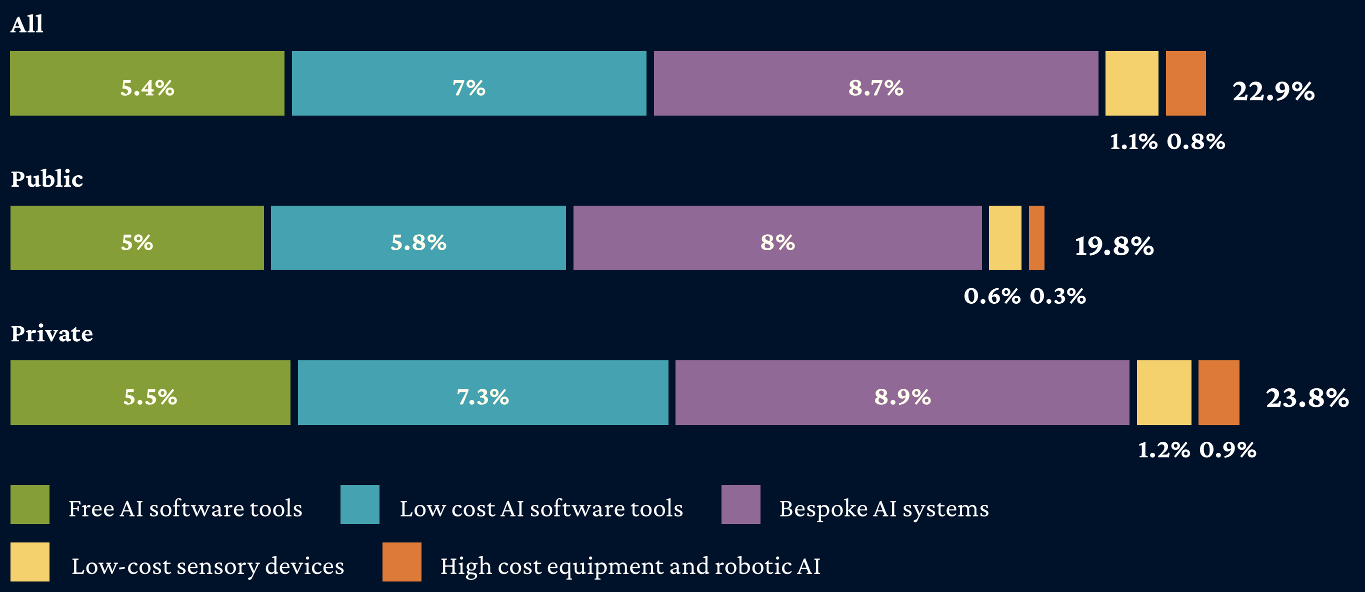
Artificial Intelligence, or AI, has been one of the biggest buzzwords of this decade, and for good reason. It has seen significant advancements in its development over the past few years, attracting considerable international interest. This has particularly led to the emergence of large language models (LLMs) such as ChatGPT, AI-generated art and animation, self-driving cars and drones, all under the umbrella term of ‘Narrow AI’.
Among the discussions surrounding AI technology are the concerning voices of many workers who find themselves at risk of unemployment due to this mysterious, powerful, and unstoppable creation. Others, however, may already embrace this revolutionary technology and the immense potential it holds for enhancing productivity, quality, and worker standards. As we explore the various facets of AI’s impact on industry, I will share my thoughts on the impending effects of AI on the UK job market, alongside references from the Tony Blair Institute (TBI).

Blessings of AI

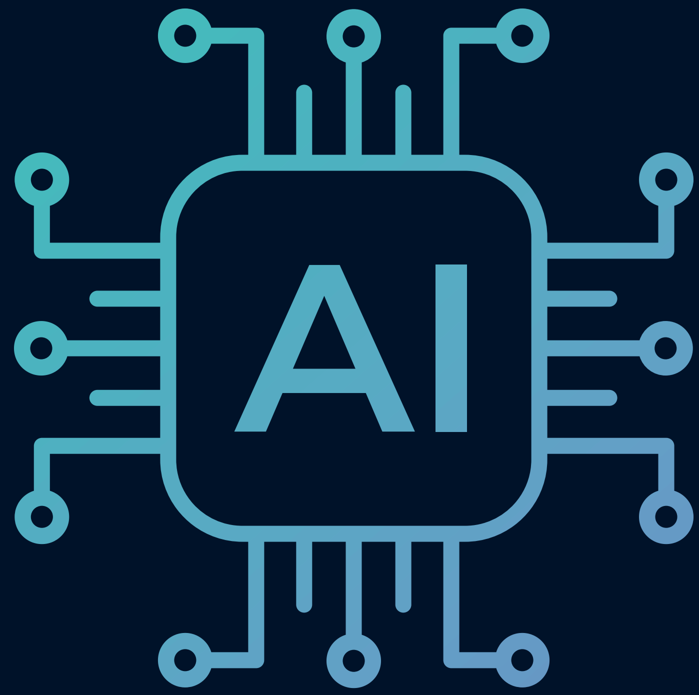
With the introduction of ChatGPT for global use, experimentation on how to fully leverage its functionality has become a central point of interest, from individuals to corporations alike. Clearly, many applications have been identified and are already being exploited, with many more waiting to be discovered.

Utilisation

The most straightforward application would be the automation of mundane tasks, such as creating a summarised report of a completed business transaction or organising a dataset into a visual bar graph. This leads to notable reductions in work times on certain tasks, as well as a rise in result quality, born from the high accuracy of AI technology in their results. The TBI has conducted an analysis of time savings for mundane tasks done per job:
The values show a general time reduction of over 20% by the full employment of technology. However, the majority of the reduction comes from low-cost implementation of AI (13.5% for all sectors), suggesting that early, low-risk investments into AI automation will already have substantial impacts on the productivity of most jobs.
These reductions in essential working hours could impact workers in two ways: cause substantial cuts in the workforce, which we will discuss later on, or reduce average working hours for employees, which will help make that job even more desirable for workers alike. According to the TBI, the trends of “whether firms choose to shed labour or retain their workforce… is uncertain”.



Source: TBI analysis using LFS and O’NET data.



Enhancement of Quality, Quantity and Efficiency

According to the TBI, the use of AI in the fields of education and healthcare will be very vital in improving the quality, quantity and efficiency of the labour force.
In improving labour quality, education has been particularly emphasised. The TBI suggests the implementation of AI co-pilots and the automation of repetitive tasks. This would assist in lesson planning by aiding teachers or freeing up some extra time, analysing student data, as well as alleviating stress. The TBI also advocates for the installation of AI tutor bots, which would similarly support students with personalised, real-time content and feedback, through “prompting questions, on-demand support and instant formative assessments”.
These educational developments are expected to gradually translate into economic growth, as the population receiving AI-supported education enters the workforce. The TBI estimates that by 2045, annual GDP growth from AI-supported education will peak at 0.15%, accumulating to 6% GDP growth by 2075.

Blights of AI

For as many benefits as AI brings, there will be a notable number of problems that accompany it. In the general case of job displacements, TBI estimates a peak cumulative net-unemployment effect of 340,000 in 2040 given what they refer to as a ‘tailwind scenario’. The tailwind scenario pertains to the rapid adoption of AI and a significant boost to growth. Service sector jobs, which are predominantly held by women, are the top occupations with the highest potential time saved through the implementation of AI. (45.8% administrative/secretary, 33.4% sales/customer service, and 27.5% associate professionals. This puts a large portion of service sector workers, and many women, in serious threat of being displaced from their jobs.
In regards to learning AI-related skills, many firms are increasing interest in boosting productivity through a workforce capable of utilising AI. Some firms may host retraining programmes to update their employees on their abilities. Others may lean towards replacing their employees with newer, more productive staff instead. According to the 2021 UK Census on GOV.UK, only 86% of 45-54 year olds have internet access ‘on the go’, while 25-34 year olds are at an astounding 97%. Given the lower internet literacy of older workers, many will find it harder to learn AI skills compared to younger, more tech-savvy employees. This added difficulty and cost may discourage employers from supporting older workers, thus creating a harsher future for many senior employees.
However threatening they may sound, the predicted impacts that they are thought to pose show relatively manageable figures. IBM predicts job displacements will “peak at between 60,000 and 275,000 jobs a year” in the UK, which does not deviate massively from the annual displacement of 450,000 jobs in the past decade.

Conclusion

With immense consequences from the distribution of AI resources in the UK, the benefits of AI’s increased productivity, improvements in living standards and further enrichment of cutting-edge research will become a very exciting point of focus. Alternatively, the devastation of livelihoods from AI-impacted job displacements and hardships brought about by ever-changing market demands will be constantly present in the form of media reports and online outcries and protests. To navigate through these changing times, we must recognise the realistic impacts each new development brings to the table and continue predicting what sort of future may await us.

GREGGS SALES GROWTH SLOWS AMID LOWER CONSUMER CONFIDENCE

BY FREDDIE & ESAH

Greggs, the popular British bakery chain, has seen a significant slowdown in its sales growth. In the first three quarters of 2024, the company experienced a 5.5% increase in sales, but this growth sharply decelerated in the final quarter, with only a 2.5% increase. The primary reason for this slowdown is a decrease in consumer confidence, which has been heavily influenced by the ongoing cost of living crisis. The crisis has particularly impacted workers in the primary and secondary sectors, who are now eating out less in an effort to preserve their disposable income. As a result, Greggs has experienced a noticeable drop in sales.

Furthermore, the cost of living crisis has forced many businesses, including Greggs, to raise their prices. One of the most notable examples is the increase in the price of Greggs' flagship product, the sausage roll, from £1.25 to £1.30. This price hike has stirred controversy and further deterred customers who are already tightening their belts. However, Greggs' CEO, Roisin Currie, has defended the price increases, explaining that they have enabled the company to offer its staff a much-needed pay rise. In December 2024, two-thirds of Greggs' workers received a 6.1% pay increase, which was made possible through the price adjustments.

Investor confidence in Greggs has also taken a significant hit. The company's stock has fallen by 30% from its peak of 3,250p in September 2024, with the share price continuing to decrease by another 20%. Despite this decline, Greggs' lower stock price has attracted interest from some new investors who believe that the company's sales will recover once consumer confidence rebounds.

A potential catalyst for this recovery could come in April 2025, when the new minimum wage is implemented. This will lead to a pay rise for many workers, with the minimum wage increasing from £11.44 to between £11.82 and £12.39.

While these recent setbacks are challenging for Greggs, the company is not without hope. The potential recovery of consumer confidence and the anticipated boost from wage increases may allow Greggs to regain its footing in the market. For now, the company will need to navigate the ongoing economic challenges carefully, balancing the pressures of rising costs with the need to maintain customer loyalty and staff satisfaction.

In conclusion, Greggs is facing a period of significant challenge, driven by a decrease in consumer confidence and the broader impact of the cost of living crisis. However, the company has taken steps to mitigate part of the financial pressure, such as raising prices and offering pay increases to staff. While investor confidence has dipped, the potential for a recovery in 2025, particularly with the rise in minimum wage, offers some optimism for Greggs' future. The bakery giant must continue to adapt to the changing economic landscape in order to regain its momentum and return to consistent growth.

SHEIN AND THE USE OF CHINESE COTTON AND EXPLOITATION OF LABOUR

BY KIERAN, MATTHEW & ARMAAN

Shein, a Chinese fast-fashion giant, has rapidly become one of the largest clothing retailers worldwide, offering ultra-low prices and lightning-fast production cycles. However, beneath these attractive prices lies a troubling reality of labour exploitation and questionable sourcing practices, particularly involving cotton from the Xinjiang region of China. This article delves into the economics and ethical issues surrounding Shein, its labour practices, and the role of Chinese cotton in its supply chain.

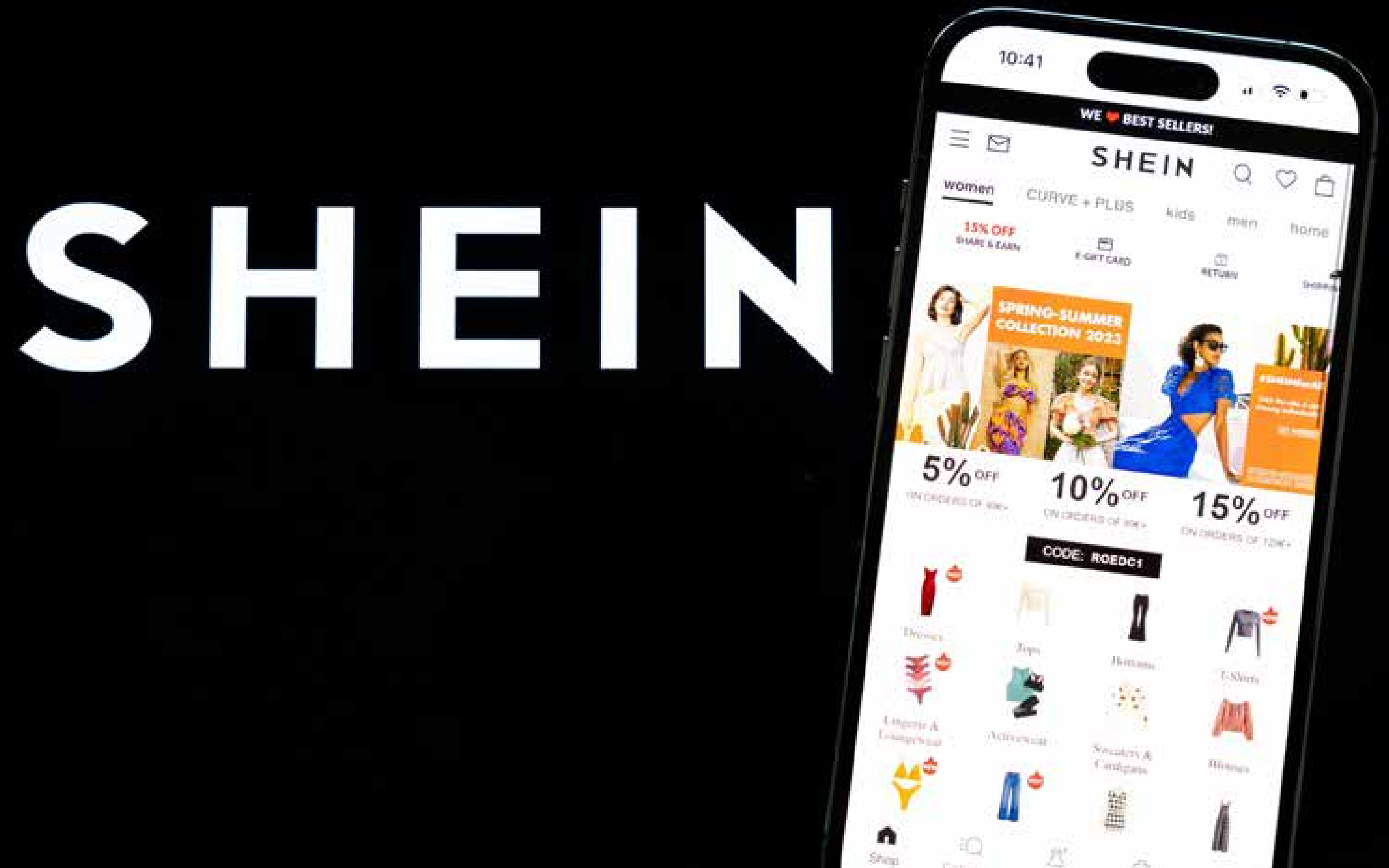
The Rise of Shein

Founded in 2008, Shein operates primarily as an online retailer, using data-driven models to produce clothing at unprecedented speeds. Unlike traditional brands, which take months to design, produce, and distribute products, Shein uses real-time data to design, manufacture, and ship clothes within weeks. This efficiency has allowed Shein to dominate the fast-fashion market globally, attracting millions of consumers, especially younger shoppers, with its low prices and wide range of products. However, the rapid production comes at a steep human and environmental cost.

Labour Exploitation and Unethical Working Conditions

Investigations into Shein's supply chain have uncovered concerning reports of exploitation. Workers in Shein's factories are often subject to long hours, unsafe conditions, and low wages, far below living standards. Reports have highlighted cases where workers earned as little as £400 per month while working 75-hour weeks without appropriate overtime pay. While these practices are not unique to Shein, its business model, which prioritises speed and cost-cutting, exacerbates the problem. Weak labor protections in the countries where Shein operates further enable these exploitative conditions.

In 2023, Shein was criticised for child labour found in its supply chain. The company responded by halting contracts with the involved suppliers, tightening security, and terminating the contracts of underage workers while ensuring they received their outstanding wages. Although these actions were seen as positive, the broader issue of unethical working conditions remains a challenge. Shein has tightened its policies, stating that any future child labour violations would lead to immediate contract termination with suppliers.



The Xinjiang Cotton Controversy

A more serious concern lies in Shein's potential use of cotton sourced from Xinjiang, a region where forced labour and severe human rights abuses have been reported. Xinjiang produces over 80% of China's cotton, making it difficult for global brands to avoid using products from the area. Despite international awareness of the forced labour allegations, Shein has been accused of insufficient transparency in its supply chain and failure to ensure ethical sourcing. Reports by human rights organisations and media outlets like the BBC have detailed how up to half a million Uyghur Muslims were forced to work in Xinjiang's cotton fields, leading many fashion brands, including H&M and Nike, to cut ties with suppliers from the region. However, Shein has remained silent on whether its products use Xinjiang cotton. On 7th January 2025, Shein's general counsel, Yinan Zhu, refused to answer questions from UK MPs about whether its products contained cotton from Xinjiang, which has sparked further concern about the company's commitment to ethical sourcing.

Economic Drivers of Unethical Practices

The economics of fast fashion inevitably push companies like Shein to minimise costs at every level. The demand for cheap, trendy clothing from consumers drives brands to produce quickly and cheaply, often at the expense of labour rights and environmental standards. Shein's use of economies of scale and a 'just-in-time' inventory system allows it to offer significantly lower prices than traditional competitors, but these cost-cutting measures come with significant ethical and social consequences.

The Role of Regulation and Consumer Awareness

To address these issues, a more comprehensive approach is needed, involving stronger international labour laws, better supply chain transparency, and heightened consumer awareness. Governments must hold companies accountable by enforcing legislation that requires companies to ensure ethical practices throughout their supply chains. Consumers can also play a powerful role by demanding more sustainable and ethical fashion choices. Recent initiatives like the Uyghur Forced Labor Prevention Act in the U.S. and the European Commission's Corporate Sustainability Due Diligence Directive are steps toward greater accountability. However, enforcement challenges remain, and the complexity of global supply chains makes it difficult to track and regulate these practices effectively.

Conclusion

Shein's rise to global dominance highlights the allure of fast fashion, but it also uncovers the darker side of the industry—one that relies on labour exploitation, opaque supply chains, and questionable ethical practices. As consumers and policymakers become more critical of these issues, the future of fast fashion depends on whether companies like Shein can address their social and environmental responsibilities. Ultimately, the industry must find a balance between rapid production, low prices, and ethical, sustainable practices that prioritise people and the planet over short-term profits.

NEGLECTS OF CUTTING COSTS OF PUBLIC TRANSPORTATION IN THE UK

BY NICO & EUAN

Public transport is often considered as a primary structure to the productivity of the UK economy as an efficient alternative to private vehicles. Yet, in the UK, the rising cost of public transport has increasingly marginalised those who depend on these services the most. The consumer price index of public transport has increased more in the last 4 years than it did between 2010 and 2020. Despite having a large contribution to the reduction of carbon emissions and traffic congestion, the affordability of public transport has been neglected in recent policy decisions, with commuters and daily travellers paying the price.

Between 2011 and 2023, cuts to bus provision were 10 times higher in England's most deprived areas compared to developed areas according to analysis by a leading think tank. These cuts resulted in annual bus miles driven per head to drop from 25 to 18. With fewer buses, many are starting to turn to taxis and cars as a more convenient and reliable means of transport. As a result, it is estimated that 1.1 billion additional miles were driven in 2023 alone, increasing congestion and pollution. Additionally, since the election of Keir Starmer and the Labour government, bus fares have seen the most significant changes with some rising from £2 to £3 in Greater London and Buckinghamshire. Despite policies being put in place elsewhere, such as greater Manchester which put a cap on the bus fare at £2, other areas have had to further reduce services and consequently raise their prices. This is likely to further deter consumers from using public buses, while also hindering access to education and jobs particularly for students who have limited access to private transportation.

In addition to a rise in bus fares, train fares have also risen in recent years and are continuing to do so. In October 2024, Keir Starmer's labour government announced a 4.6% increase in regulated train fares in England effective from the beginning of March in 2025, 1% above the retail price index inflation of 3.6% recorded in July 2024. This marks the second time where a fare increase has surpassed the retail price index inflation rate since 2013. Alongside fare increases, the cost of most railcards is set to increase by £5. Railcards offer discounted and affordable travel for specific groups of travellers such as young adults and the elderly. The government estimates that railcard users save up to £158 annually.

However, while some commuters may feel discouraged to continue travelling by train, the price elasticity of demand for train journeys is considerably lower compared to bus journeys, this likely means that rail firms will see a rise in revenue and profits which could be invested in advanced rail infrastructure, improving the UK's economic efficiency and productivity in the long run. In some cases, cutting costs of rail fares are ineffective in encouraging commuters to travel on trains, resulting in significant opportunity costs. In March 2024, London mayor Sadiq Khan introduced a £24 million "off peak fridays" scheme which offered cheaper tube and train fares on fridays. The scheme was introduced to reverse a trend of workers choosing to work at home before weekends by scrapping peak rates on lines such as the Elizabeth and Overground, saving between 10p and £2 per journey. However analysis by the TFL stated that "there was no noticeable difference in the number of 'pay as you go' journeys made at peak times during the trial compared to pre-trial", further questioning also revealed that pre-trial passenger growth had been 3.8% but fell to 3% during the trial, as a result many considered the scheme a 'flop'.

Investing in affordable public transport will pay long-term dividends to the economy and society of the UK. Subsidised fares and improved services mean greater social mobility, as it links areas of deprivation with education, employment, and healthcare. Schemes such as Germany's €9 monthly ticket prove how subsidised transport schemes cut congestion and pollution, boosting the numbers using public transport. Applying these measures to the UK would not only reduce regional disparities but also make sustainable solutions to help solve economic and ecological challenges.

Rising fares and cuts to services put at risk productivity gains due to increased reliance on private transport, meaning congestion, longer travel times, and higher emissions. Public transport is critical in urban, suburban, and rural communities together and is also threatened by the neglect of the UK's net-zero carbon target and economic efficiency. Policy makers must focus investment on fare capping, improved services, and greener transport so that people's faith can be regained in public transport - building a connected network which encourages growth and sustainability.

MRS CARR'S CHANA MASALA RECIPE

Ingredients:

2 tins of 400g chick pea tins (drained and rinsed)
2 tablespoons of sunflower oil
3-4 garlic cloves (crushed)
1 large white onion (finely chopped)
1 green chilli (finely chopped) or 1 frozen green chilli cube
2 inches fresh ginger or 3 frozen ginger cubes
1 tin of 400g chopped tomatoes
1 teaspoon of salt (or more dependent on taste)
½ teaspoon of turmeric
1 teaspoon of Kashmiri red chilli powder
1 teaspoon of garam masala
2 teaspoon of ground coriander
1 teaspoon of ground cumin
Fresh coriander (chopped finely)

Instructions

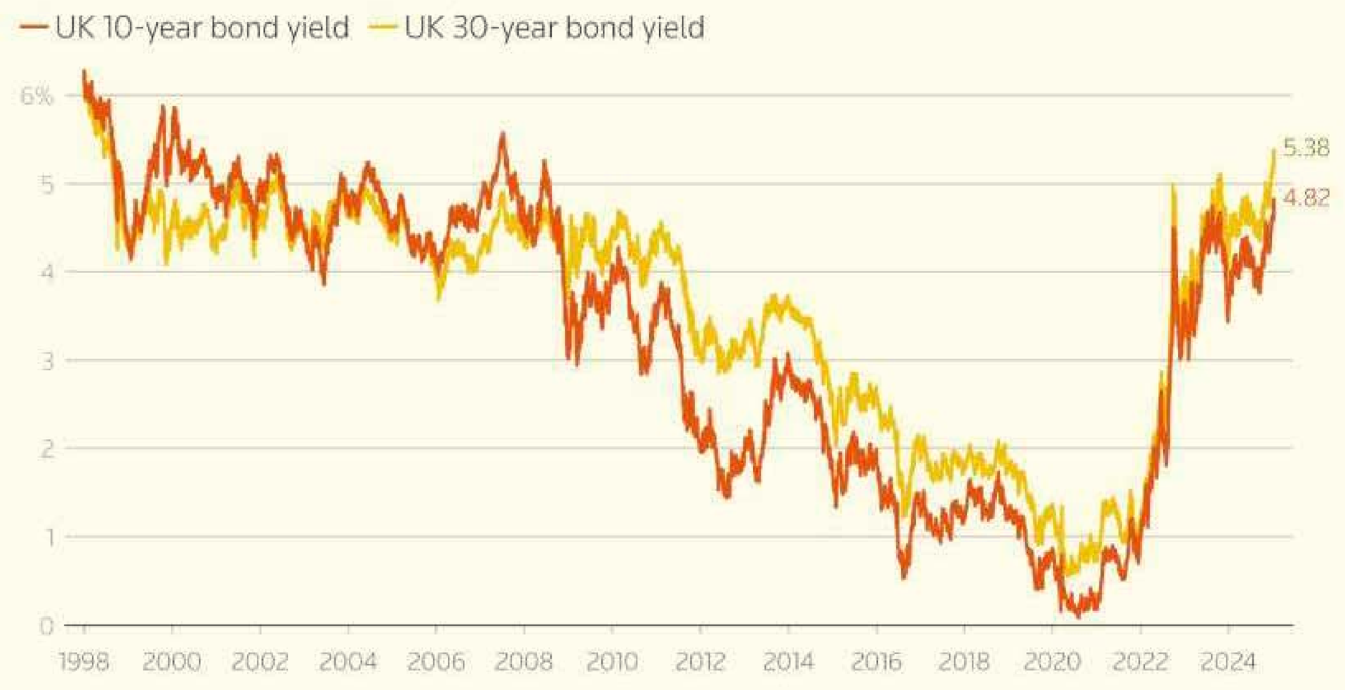
1. Heat a large pan and pour the sunflower oil. When the oil turns slightly hot, add the onions, and sauté until they turn light golden.
2. Add the ginger and garlic and sauté for a minute or two without burning.
3. Stir in the red chilli powder, turmeric, garam masala, coriander powder and cumin powder. Sauté until the masalas begin to smell good, a minute or two.
4. Add in the chopped tomatoes. Let it simmer/cook until it turns into a thick sauce like consistency.
5. Whilst the tomatoes are cooking add in the green chilli.
6. Add the chick peas in, along with a cup of water. Also, add your salt at this point too.
7. Cover the pan and simmer for 10-15 minutes.
8. Stir in fresh coriander leaves
9. Serve with either rice, naan or roti

BRITAIN'S BORROWING CRUNCH - HIGHEST BOND YIELDS SINCE 1998

BY JAY & HITARTH

The UK is facing a borrowing crunch as government bond yields soar to their highest levels since 1998
This surge in yields, which reflect the return investors demand to hold government debt, is increasing the cost of borrowing for the government. As yields rise, it becomes more expensive for the government to finance spending or issue new bonds, creating significant challenges for fiscal policy.
Government bonds, commonly known as gilts in the UK, are used to issue debt that allows the government to spend more than it earns from revenue. They represent a promise to repay investors after a set period of time, along with periodic interest payments. Rising bond yields typically indicate heightened risk, with factors such as high inflation, weak economic growth, or large budget deficits driving up the return investors demand to hold that debt.
The US treasury is often seen as the benchmark for bond yield due to the US dollar being the global reserve currency, and they are seen as one of the safest investments. The yield on a US 30 Year Treasury is approximately 4.84%, whereas the yield on a UK 30 Year Gilt is 5.21%, representing its highest level since 1998. This means that investors believe UK government debt is riskier to hold than US government debt, which could be due to several reasons.
Firstly, in response to COVID and the high inflation that followed, the Bank of England increased base interest rates, which currently stand at 4.75%, meaning that newly issued Gilts will also offer higher yields in line with the base rate. Additionally, stickier-than-expected inflation due to higher energy and food prices has led to investor fears about the ability of the Bank of England to fight inflation, along with investors demanding higher yields to offset the potential erosion in real returns due to inflation, leading them to price UK debt at a discount (lower bond prices lead to higher yields).
Another reason for the increase in UK bond yields is concerns related to fiscal policy and economic growth. The new Labour government budget has spooked investors due to a combination of tax-funded spending along with limited financial headroom for the Chancellor. Tax-funded spending can affect consumer and investment spending, leading to fears that economic growth will slow, and indeed UK growth in the third quarter of 2024 was just 0.1%, down from 0.5% seen in the previous quarter, raising fears due to slowing growth.
Additionally, limited financial headroom for the Chancellor means that she may need to issue new debt or raise taxes again, the latter of which may reduce growth further, with the UK tax burden already at its highest since World War II. This increase in UK gilt yield represents investor concern that the government may need to increase debt without corresponding economic growth.
Lastly, the Bank of England has started its Quantitative Tightening program, the process by which the Bank of England sells Gilts back into the market, with the aim of controlling inflation and stabilising the economy by draining excess liquidity – money used by investors to purchase these Gilts is out of circulation and can reduce inflationary pressures. In September 2024, the Monetary Policy Committee voted to decrease their stock of Gilts by £100 billion from October 2024 to September 2025. This flood of supply causes prices to decrease and yields to increase, helping to push gilt yields up to their 25-year high.
One immediate consequence of rising borrowing costs in the UK is the increased expenditure required for servicing government debt.
The UK has around 98.5% of GDP as government debt, meaning that a large proportion of government revenue is spent on servicing debt, leaving an opportunity cost, such as spending on infrastructure or healthcare. Furthermore, as a result of the UK's fiscal deficit worsening, there will be fewer injections into the economy, decreasing the multiplier effect and resulting in widespread job cuts.
Prime Minister Sir Keir Starmer may have to rethink his promises to boost spending and avoid tax increases on the working population, which helped his Labour Party win a landslide election victory in July.
Likewise, with the government, businesses with high levels of debt will struggle to pay off their debt, leading to a significant drop in investor confidence in that business and potentially insolvency proceedings and bankruptcy.
Moreover, small and medium-sized enterprises (SMEs) often rely on external financing to grow their revenue, and high borrowing costs mean that they will have to cancel investment plans, stifling growth.
This overall lack of investment results in stagnating long-term gross domestic product. In addition, for households, high borrowing costs result in more expensive mortgages, credit card debt, and personal loans. This would discourage people from investing in real estate, leading to a drop in house prices and the negative wealth effect, which would lower consumer spending.
Also, for households with existing mortgages, the interest burden would increase, leading to a drop in disposable income. Unfortunately, as the Bank of England is independent from the Government, the Labour Party has little influence on interest rates and borrowing costs. However, despite the low inflation rate (already 2.5% in the UK), deflationary government fiscal policy would potentially lead to the Bank of England having more confidence in the inflation rate staying low, making them more likely to stagger their quantitative tightening program, therefore decreasing interest rates and borrowing costs.
Furthermore, the government could also limit the effects of decreased investment into the economy by providing financial support to smaller businesses, allowing them to continue to buy capital goods and grow.
In conclusion, rising gilt yields and borrowing costs in the UK reflect investor concerns over inflation, fiscal policy, and slowing economic growth, placing significant pressure on government finances, businesses, and households. While the Labour government faces constraints in directly influencing monetary policy, targeted fiscal measures, such as support for SMEs, could help mitigate the economic impact and sustain long-term growth. Balancing fiscal discipline with growth-oriented policies will be crucial to restoring market confidence and economic stability

British borrowing costs surge as investors sell gilts



Note: Bond yeilds move inversely to price; data at 1334 GMT Jan 8
Source: LSEG | Reuters Jan 8 2025 By Harry Robertson

PERMANENT JOB VACANCIES IN THE UK ARE SHRINKING

BY BEN FLYNN & SOL

It seems as if the labour market slowdown of 2024 is set to continue into 2025 - with December marking the 14th month of decline in overall job vacancies, totaling a reduction of 24%, with the greatest reductions in the IT and executive/professional job roles.

This means that people are competing over fewer job opportunities, and thus the rate of unemployment rises above the average levels. Data from the Office for National Statistics (ONS) seem to indicate that, as interest rates increased, job vacancy hires began to reduce; from 1.30 million in 2022 down to 0.87 million in 2024. Jon Holt, chief executive of the KPMG group stated that "as we start the New Year, it's a muted one for the UK jobs market" also going on to note that the "hiring market could continue to show signs of caution in the short term."

Recent economic uncertainty has led to this increased volatility of the UK jobs market, as businesses weigh up the costs of adding new members to their workforce. Many are looking closely at the National Insurance Contribution hike of the October budget, revealed by UK Chancellor Rachel Reeves, as the main contributing factor to this shrink. Last month, the Bank of England (BoE) released a statement that said that many key aspects of the October budget have created "additional uncertainties" around the UK economy, particularly in the areas of job vacancies and inflation.

Not only is uncertainty at home part of the problem, but the vacancies crisis is also compounded by greater geopolitical and global economic insecurity. The wars in the Middle East and Ukraine have led to a ripple effect over the last few years, pushing up barriers, making imports and exports more expensive which is increasing inflation - translating to an overall reduction in the amount of people firms are willing to hire, due to increased costs.

If inflation begins to stabilise and slowly fall as expected, we could begin to see a recovery in the job market. This could also happen if the Chancellor were to undo some of her budgetary changes - although this is highly unlikely, with Reeves calling it a "non-negotiable". Recent inflation data has signalled that inflation has slowed to 2.5% - a good sign for Rachel Reeves and the government, paving the way for the BoE to continue its planned rate cuts throughout the year and hopefully boosting business confidence; and thus likelihood to invest in UK job creation.

Rather encouragingly, despite the current outlook, Jon Holt suggested that as we move through 2025 the situation could improve, as salary inflation indicators are at their "steepest in four months" - showing signs that UK firms are still willing to compete over labour. Continuing on from this, The Office for Budget Responsibility (OBR) looks set to release new forecasts for the UK economy in late March - a good indicator of how well the UK economy would have performed in 2025 so far, and a boon for the new Labour government's economic plans.

ROLLS ROYCE TO BUILD BESPOKE CARS FOR THE RICH

BY YASH

In the picturesque countryside of West Sussex, Rolls-Royce's Goodwood headquarters serve as a place for innovation, luxury engineering, and design. On January 8th, Rolls-Royce unveiled one of its most ambitious investments yet: a £300 million expansion of the Goodwood plant, a bold move in the world of automobiles, solidifying its commitment to creating bespoke cars for the wealthiest clientele.

In 2024, Rolls-Royce delivered 5,712 vehicles globally, a marginal decline from the 6,032 sold in 2023. However, this reduction in sales is not a cause for concern. CEO Chris Brownridge confidently remarked, "Our success isn't measured by units sold but by the unique experiences we craft for our clients." This ethos frames Rolls-Royce as not just a carmaker but a designer of individualised luxury.

This strategy reflects niche market targeting, where Rolls-Royce focuses on a highly specialised market to achieve premium pricing and higher margins, ensuring profitability at lower volumes. As a result, Rolls-Royce Holdings boasts a market capitalisation of approximately $50.32 billion, despite selling far fewer vehicles compared to other car companies.

Central to this vision is the bespoke program, now a major part of the brand's identity. Over the past year, bespoke features accounted for record-breaking contributions, with clients spending an average of 10% more per vehicle on personalised features, boosting both customer satisfaction and Rolls-Royce's revenue per unit. From custom paintwork to silk-lined interiors, every detail highlights the brand's dedication to craftsmanship. Notable examples include: Beyoncé and Jay-Z's vintage Silver Cloud convertible, Kim Kardashian's matte silver Ghost with pink velvet interiors, and Drake's Rolls-Royce (as seen in the image above), influenced by Chrome Hearts and featuring quilted leather seats.

To bring these dreams to life, Rolls-Royce offers exclusive access to Goodwood and four private design offices in cities like New York and Dubai. These collaborative spaces allow clients to work alongside designers to craft unique vehicles, enhancing both profitability and brand prestige with services that go beyond the core product.

The planned expansion of the Goodwood plant is a pivotal step not just for scaling bespoke operations but also for Rolls-Royce's transition into their 'electric era.' As the automotive industry shifts towards sustainability, Rolls-Royce aims to lead by blending new technology with renowned craftsmanship. The additional space will accommodate more bespoke projects, including coach-built models designed entirely from scratch. This strategic investment also positions Rolls-Royce to capitalise on the growing demand for electric vehicles, a market projected to reach $1.3 trillion by 2030, according to economic forecasts.

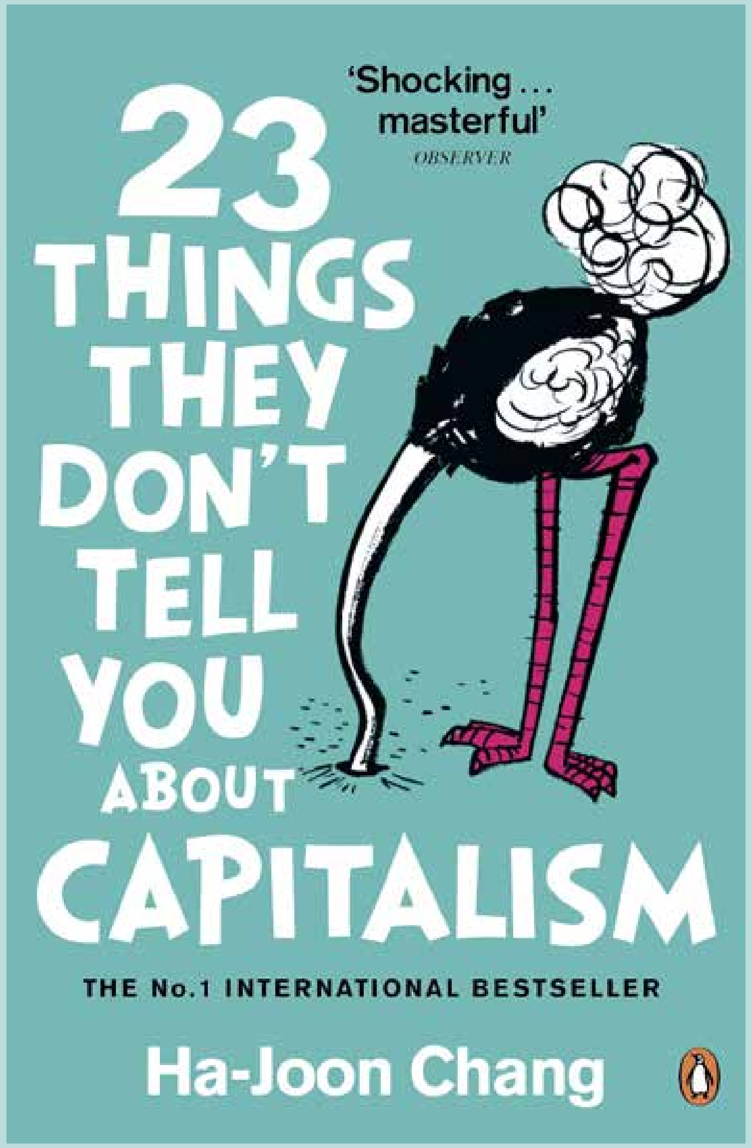
While the automotive industry races towards digitalisation, Rolls-Royce remains focused on artistry and human connection. This commitment to craftsmanship allows the brand to maintain its status as a Veblen good (a luxury good), where higher prices drive demand among affluent consumers seeking exclusivity.

For BMW, Rolls-Royce's parent company, the Goodwood expansion underscores the brand's importance as a symbol of excellence and prestige. Rolls-Royce is not just shaping the future of luxury cars but also cementing its role as an economic powerhouse in the automotive sector. This genuinely is luxury redefined, one bespoke vehicle at a time.

THE PRICE IS SKY-HIGH: 2024'S HOUSING MARKET CLIMB

BY HITARTH & BILAL

At the end of 2024, Nationwide - a UK financial institution - reported that house prices rose by almost £12000 as the cost of an average home in December was reported to be £269,426. It marks the strongest rate of annual price inflation since Nationwide recorded 7.2% in October 2022. Both rates of increase come at a time after a budget with the UK such as in October with Chancellor Kwazi Kwarteng and Lizz Truss's mini-budget and Chancellor Rachel Reeves' budget in October 2024. It begs the question: what does this mean for the future of the UK economy? Will the budget play a role in activity in the market with the stamp duty tax?
These rises in house prices come at the end of a strong quarter in 2024. Despite this, it seems that house prices still rose but below the high that it was in 2022. Robert Gardner - chief economist at Nationwide - reported that across 2024, the number of mortgages approved for houses rose each month and rose beyond pre-pandemic levels by the end of the year.
Across the country, Northern Ireland had the highest percentage increase in house prices by up to 7.1%. Within England, the highest can be seen in the North of England with a 5.9% increase. Areas with less of an increase in house prices can be found in London and the south with around a 2% increase in house prices. The lowest house price increase is in East Anglia where there was only a 0.5% increase in prices.
There are some other factors which will affect the housing market to come. Focusing more on taxation, stamp duty is an indirect tax which is levied on the purchase of a house. In September 2022, the government temporarily increased the nil rate of stamp duty. This is the price before you start paying stamp duty. It was at £300,000 to £450,000 for first time buyers and £125,000 to £250,000 for additional homes. Rachel Reeves mentioned within the 2024 October Budget that this would be scrapped by the 31st March 2025. This would cause a rise in the number of houses purchased followed by a period of three to six months of weakness in the market.
It is clear that with a fall in this nil rate along with the rise in house prices, there will be no incentive for people to buy a house for some time and instead save their money. There will be generated volatility in the market and many buyers will make early purchases to avoid paying additional stamp duty tax. Consumers will only be burdened with the tax and firms will have increased production costs for houses (although it will take time for these firms to react and allocate resources based upon that).
A rise in house prices indicates that there will be a positive wealth effect. This is the idea that consumers with assets in housing property will be better off. It will encourage consumers to spend more and therefore be a cause of economic growth. In November 2024, for example, despite being very small, there was a 0.1% increase in real GDP mostly in services. It is also clear that with a rise in house prices, the North-South divide grew. Across England, overall prices went up by 3.1% but the price of a house in the North increased by 4.9% whereas in the South there was only a registered increase of 2.2%. There is this clear disparity between the housing market in the north and south.
To conclude, the appreciation of house prices at the end of 2024 is highlighted by a mix of economic events encompassing taxation policy, economic growth and regional divides. As this growth in prices could create a positive wealth effect in economic growth, it also reflects increasing inequality between the North and South of England. Upcoming changes to stamp duty may further accelerate market volatility: there will be a short-term surge in purchasing followed by possible slow-down as the stamp duty tax nil rate increase is scrapped by the October budget. These trends therefore show the significance of the housing market to the economic forecast of the UK.



BOOK REVIEW: 23 THINGS THEY DON'T TELL YOU ABOUT CAPITALISM BY HA-JOON CHANG

BY AAYAN

Ha-Joon Chang's "23 Things They Don't Tell You About Capitalism" boldly challenges the dominant economic ideology of neoliberalism, offering readers a provocative yet accessible critique of free-market capitalism. Divided into 23 digestible chapters, Chang addresses key assumptions underpinning modern capitalism and dismantles them with sharp wit, historical context, and empirical evidence.
For A-level Economics students, the book provides a fresh perspective on foundational ideas and invites readers to question the systems they often take for granted.

The Reality Behind Markets and Productivity
One of Chang's most provocative arguments is his rejection of the idea that markets are "free." In Thing 1 ("There is no such thing as a free-market"), he explains that all markets are shaped by rules and regulations influenced by politics and culture.
He argues that the concept of a "free market" is often used to justify deregulation, which ultimately benefits the powerful rather than creating fairness. This is a thought-provoking perspective, particularly for students conditioned to see market efficiency as inherently good.
Related to this, Thing 3 ("Most people in rich countries are paid more than they should be") highlights the artificial barriers, such as immigration restrictions - that perpetuate global income inequalities. Chang's argument challenges the common view that wages are determined purely by productivity. He demonstrates that geographical privilege plays a significant role, raising ethical questions about the fairness of international economic systems.

Development, Globalisation, and Inequality
Chang's critique of free-market policies in developing countries is another focal point. In Thing 7 ("Free-market policies rarely make poor countries rich") and Thing 15 ("People in poor countries are more entrepreneurial than people in rich countries"), he argues that neoliberal reforms have hindered development rather than encouraged it. For instance, he contends that nations like the USA and Britain achieved their economic success through protectionism and government intervention, not unfettered free markets. These arguments challenge students to rethink the "one-size-fits-all" development model often taught in economics classrooms.
Chang's claim that poorer countries are inherently entrepreneurial is particularly striking, as it flips the narrative of underdevelopment being a result of cultural or institutional deficiencies.

The Role of Government in Markets
A central theme in Chang's book is the necessity of government intervention in the economy. In Thing 21 ("Big government makes people more open to change"), he argues that welfare states and job security create economic enthusiasm by reducing the fear of failure. He contrasts this with the instability and inequality of laissez-faire systems (a policy of minimum governmental interference in the economic affairs of individuals and society) making a strong case for a more active government role in managing capitalism.
However, not all his arguments are without flaws. For example, in Thing 18 ("What is good for General Motors is not necessarily good for the US"), he promotes industrial policy, suggesting that governments should direct resources toward "winning" sectors. While the historical evidence he cites is compelling, the risk of regulatory capture —where powerful firms manipulate rules to their benefit— cannot be overlooked.

Conclusion
Chang's 23 Things challenges readers to move beyond the simplistic black and white of "free markets" versus "state control" and instead grapple with the complexities of economic systems. For A-level students, the book offers valuable lessons in critical thinking, encouraging them to view economics not just as a science but as a discipline deeply intertwined with politics, philosophy, and history. The book leaves us with a profound question: if capitalism has indeed delivered innovation and growth, why does it also perpetuate inequality and environmental degradation? Is it possible to retain its benefits while addressing its failures? Chang suggests that the answer lies in rethinking our values and accepting that no system, however successful, is above reform.
This reflection serves as both a critique and a call to action for the next generation of economists and policymakers.
In an era of growing social and environmental challenges, 23 Things They Don't Tell You About Capitalism is an essential read for anyone seeking to understand the world we live in.

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