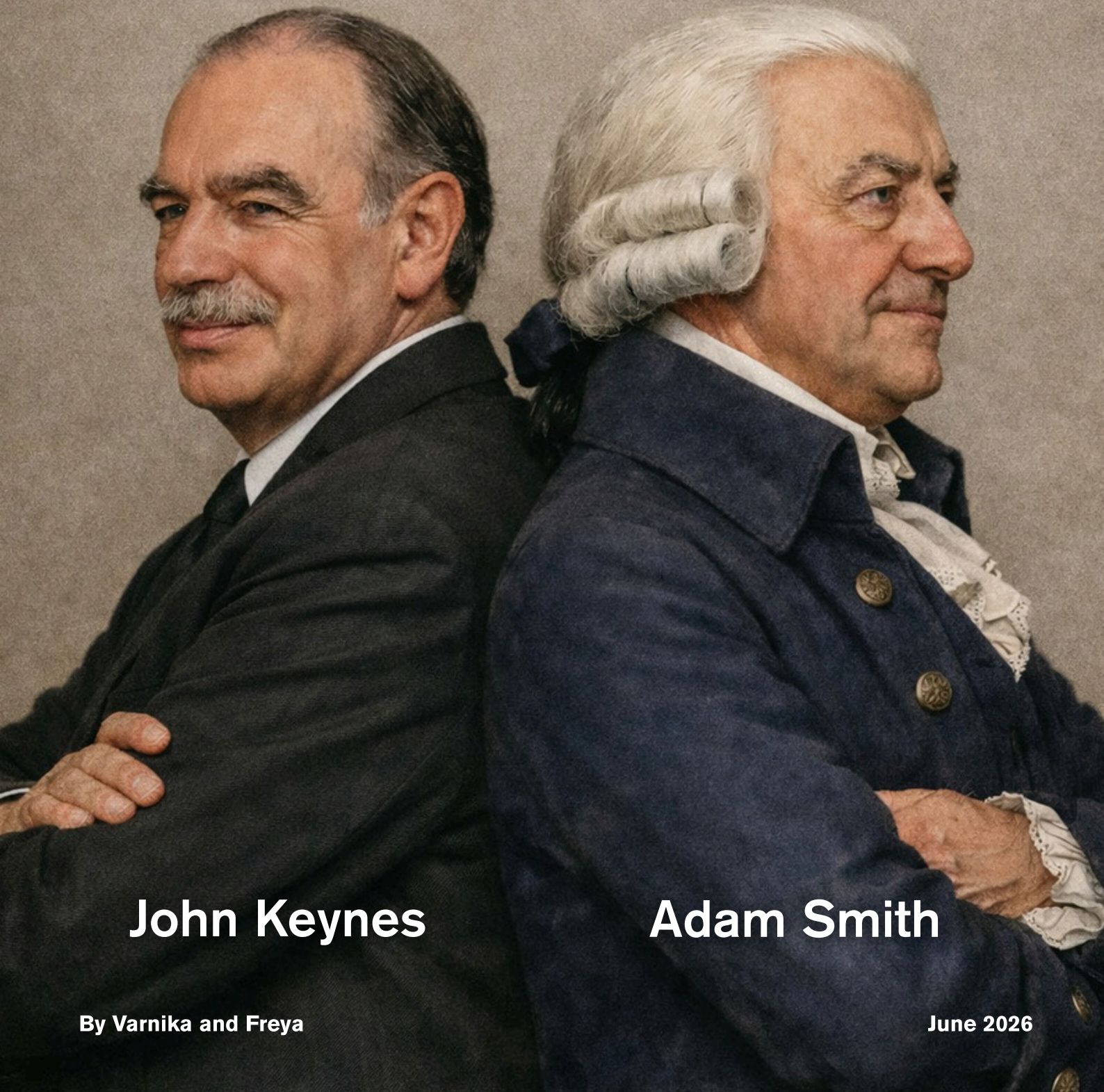


Edition I

Chelmsford County High School

Econ Journal

From the Psychology of Choices, to the Wealth of Nations



John Keynes

Adam Smith

By Varnika and Freya

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The Silent Food Crisis

We have all heard of the Strait of Hormuz - a major maritime choke point for global trade - being largely blocked by Iran since late February 2026 and consequently a panic resulting from rising oil prices (soaring by over 55% to \$126 per barrel at its peak). While global headlines continue to focus heavily on crude oil spikes, the conflict in Iran has triggered much more than a threat to the stock market, or a rise in the cost to fill up your next tank. It has created a severe agricultural crisis. It is vital to understand the Strait of Hormuz is not just an energy corridor, but rather, a critical geographical bottleneck for global food production. This narrow maritime passage serves as the primary gateway for roughly one-third of the world's traded fertiliser ingredients, including 45% of global urea supplies sourced from Gulf producers. A substantial increase in localised military actions and soaring marine insurance premiums (200-300% on average but 1000% in extreme cases), have led to a decrease in ships willing to travel via this route with many being forced to undertake lengthy detours around Africa.

The economic ripple effect is immediate and compounding. As fertiliser supplies dwindle, global market prices have skyrocketed between 20% and 70%. Farmers world wide - particularly in Europe and North America - face crippling input costs, forcing many to ration fertiliser usage. This isn't the first time the world has faced this issue, it emerged during the Russia- Ukraine conflict in 2022, where there was a 70% decrease in fertiliser production, leading to concerns about food security and reduced yields.

The detrimental consequences of a low supply of fertiliser was also seen over 100 years ago during WW1 and WW2, which resulted in collapsed agricultural output and severe civilian starvation. This creates a catastrophic feedback loop. Extreme weather is already lowering crop yields by damaging plant tissue, disrupting crucial growth phases and accelerating soil erosion. When paired with the removal of necessary fertilisers, the probability of crops surviving plummets. The economic fallout of this dual crisis is profound and far reaching. Lower agricultural yields translate to severe spikes in grocery prices, affecting low income nations and developing nations the hardest. Importing nations may have to spend vital foreign currency reserves at hyper-inflated rates to secure scarce food alternatives globally. The UK in particular may be forced to deploy multi-billion dollar agricultural emergency subsidies to keep domestic farms afloat to prevent rises in inequality, potentially worsening its £132 billion deficit.



Varnika

Trade and Tarrifs



A tariff is a tax placed on imported goods to make foreign products more expensive and protect domestic industries. Donald Trump introduced tariffs to reduce the U.S. trade deficit and encourage Americans to buy more domestically produced goods. Many criticisms stem from the view that the tariffs would increase prices, harm international trade, and be used as political weapons rather than economic tools.

In the first year, some American industries benefited from the tariffs, particularly steel and aluminium companies. Since imported metals became more expensive, American producers faced less foreign competition, and demand for domestic products increased. Supporters argued this protected manufacturing jobs and encouraged investment in U.S. industry. However, many businesses that relied on imported materials faced higher production costs, which often led to higher consumer prices.

Now, higher costs for imported goods continue to affect both businesses and consumers, while global supply chains have been disrupted as companies move production to avoid tariffs. Trade tensions have also created uncertainty in international markets, making businesses more cautious about investment. Overall, whilst Trump's tariffs have provided short-term protection for some American industries, they also increased costs and created tensions in the global economy, sparking political issues.

“Just-In-Time”

Why Companies Are Moving Away from “Just-In-Time”

For decades, firms have made supply chains extremely efficient by using Just-In-Time production, which is when a firm holds no stock and instead relies upon deliveries of raw materials to arrive exactly when they are needed. This reduces a firm's costs by a significant margin due to a reduced amount of rent for storage warehousing, and a reduced risk of wastage as inventory may go out of date or fashion. These reduced costs mean that profit will be greater, allowing for reinvestment of these profits to make a firm's overall factors of production more efficient.

However, Just-In-Time has its drawbacks that have only be exacerbated by the current economic climate. For instance, since 2023, there have been ongoing attacks on commercial vessels going through the Red Sea and Suez Canal, leading to the Red Sea shipping crisis. Firms are forced to reroute these vessels around Africa's Cape of Good Hope, adding upwards of 14 days to journey times. Not only did this significantly increases shipping costs but also induced global supply chain pressures for firms relying on Just-In-Time production. Delays in receiving goods from suppliers leads to these firms having to stop production altogether, therefore negatively affecting a firm's ability to survive.

Recent events have exposed how fragile the Just-In-Time system can be, especially when there is weakening business confidence influenced by Middle Eastern conflicts. Just-In-Time appears to be too reliant on a consistent global supply chain: something that we might not currently have. Firms may now be prioritising resilience over pure efficiency, finding a comfortable middle ground between survival and profit maximisation.

Political Economics

Polarisation

The economic impacts of political polarisation
You've probably heard that politics is becoming more polarised, but what does this actually mean? Political polarisation is the splitting up of a country into two opposing ideological groups. Citizens become entrenched in their views and it increases the distance between people of differing beliefs. Politicians have incentives to feed off of this 'us vs them' idea because it helps them slander their opponent and gets them more votes.

This leads to legislative gridlock because of a lack of agreement among people in power meaning that less change is made. Actual political processes get lost along the way because politicians are less likely to make compromises. The entire legislative process slows, having impacts on infrastructure, healthcare and education. This affects investment and economic stability.

Low confidence from businesses and consumers can contribute to low investment with the UK having the lowest growing economy of any of the G7 countries. Low investment decreases aggregate demand and real GDP of the economy. This decreases economic growth and may increase cyclical unemployment as the demand for labour is proportional to the performance of the economy.

Polarisation also leads to less FDI (foreign direct investment) due to uncertainty and risk. This impacts the current account – the difference between exports and imports plus primary and secondary income (bearing in mind, the UK is in a 77 billion pound deficit) because to counteract a current account deficit, there needs to be a surplus on the financial and capital account which FDI heavily contributes to.

Brexit

What has Brexit actually done for our economy?

The argument for the 'Vote Leave' campaign prior to the 2016 Brexit referendum claimed that leaving the EU would allow the UK to regain parliamentary sovereignty and in particular benefit the economy. Supporters believed Brexit would create new trade opportunities as we would be able to make independent trade deals, and that it would allow Britain to spend more money on public services instead of contributing to the EU budget. However, nearly ten years later, the economic results remain highly debated.

One major impact has been slower economic growth. Prior to the referendum, trend growth averaged between 2% and 2.5%. However after Brexit, any businesses faced increased paperwork and delays when trading with European countries. Since the EU was the UK's largest trading partner, these barriers made exports more expensive and less competitive. Smaller businesses in particular struggled to adapt to the new rules, and growth has fallen since then, with growth being 1.3% only.

On the other hand, supporters of Brexit argue that the UK now has greater independence to negotiate its own trade deals and create laws suited to the British economy. Trade agreements with countries such as Australia and New Zealand are often presented as examples of this new freedom, also transitioning around 70 existing EU deals to new Free Trade Agreements.

Overall, Brexit has increased economic uncertainty and created challenges for trade and growth. Whether its long-term effects will eventually benefit the UK economy remains one of the biggest political and economic questions of modern Britain.

Financial Law

The Legal Concerns of using AI in Finance

The UK's principle-based approach to protect consumers from algorithmic harm has increasingly become viewed as insufficient. Artificial intelligence is becoming increasingly important in financial services, with banks and also insurers using AI to detect for fraud, check credit scores, profile customers, and also it helps with investment advice. This appears as very useful because it improves efficiency and reduces costs making it seem extremely beneficial and worthwhile. However, there are severe issues that need to be addressed and therefore means that AI is required to be regulated and controlled rather than used without care as it can cause serious legal concerns.

AI systems can produce biased or unfair outcomes, especially where decisions are based on historical data that may reflect social or economic inequality. The UK has chosen to take on a principles-based approach to AI and rather than introducing one specific AI law, regulators such as the Financial Conduct Authority rely on existing rules including data protection and equality law under the UK GDPR, and the Consumer Duty which is a regulatory framework introduced by the Financial Conduct Authority (FCA) that sets higher, clearer standards of consumer protection across the UK's financial services industry. There are some clear advantages with this as it allows regulation to remain flexible and encourages innovation in a fast-moving financial sector. In theory these rules already require firms to treat customers fairly and ensure their systems are properly governed as well as not restricting them.

However, this flexibility also creates uncertainty as existing financial regulation may not be detailed enough to deal with the specific risks of algorithmic decision-making. For example, if a consumer is denied credit by an AI system, it may be difficult for them to understand why. Furthermore, under the Consumer Duty, firms must deliver good outcomes for retail customers, but the rules do not clearly explain how firms should audit algorithms, test for bias or explain automated decisions which reduces accountability. Similarly, UK GDPR provides rights relating to automated decision-making, but these protections may be limited where firms claim that human review is involved.

To combat this, the FCA and the ICO are expanding their regulatory toolkits and are leveraging the Senior Managers and Certification Regime to ensure senior executives are personally responsible for the outcomes of algorithmic models. The ICO's Prevent Harm, Promoting Trust strategy requires firms deploying AI and biometrics to undergo stricter governance and privacy assessments. To conclude, the UK's principles-based approach is useful but incomplete. Its flexibility allows regulators to respond to technological change, but it may leave consumers without clear legal remedies when algorithmic decisions cause harm and action is required.

Aadrika

History of Economics

Why do most major economies no longer use fixed exchange rates?

In the modern society, most major nations, including the United Kingdom, United States and Japan, operate under a floating exchange rate. This is where currency fluctuates according to supply and demand within the economy, giving central banks the ability to better respond to recessions through policies such as lowering interest rates or increasing the money supply to change the cost of borrowing. However, this was not always the case. In the early twentieth century, countries commonly operated under the gold standard which was a fixed exchange rate system. Although this system was introduced with the intent to create international stability, its role in the length and extent of the Great Depression proved this way of management to be weak, ultimately changing the exchange rate policy on a global scale.

The Great Depression began after the 1929 Wall Street Crash where a speculative bubble (a spike in the stock prices) driven by excessive borrowing, over optimism and industrial overproduction, burst. This led to a mass panic amongst investors in America, who all simultaneously rushed to sell their shares beginning a significant prolonged decline in the global stock market. However, the financial crash alone does not explain the severity of the following economic downturn. Industrial production in the US fell by almost 47% between 1929 and 1933 while unemployment reached approximately 25%. International trade also collapsed by more than 60% during the 1930s. Many economic historians argue that the gold standard played a major role in the worsening of this economic shock.

Under the gold standard, governments had to maintain fixed exchange rates by holding large stocks of gold reserves in the countries' central bank. Under the gold standard, expanding the money supply was considered high risk as it could cause investors to exchange paper money for gold due to gold being a more stable asset to hold during periods of expected currency devaluation, which would reduce national reserves, threatening the already weakened exchange rate.

By the early 1930s, many governments concluded that continuing the usage of the gold standard was economically unstable, with Britain being the first nation to abandon the policy in September 1931 after a general increase in the number of investors converting their pounds into gold, putting huge pressure on national reserves. Leaving the gold standard allowed the British government to intentionally cause a depreciation of the pound through lower interest rates. When the pound depreciates, British exports become cheaper abroad, increasing their competitiveness, helping to stimulate economic recovery. This decision was followed by the US in 1933, after which, an increasing number of nations also stopped the usage of the gold standard, leading to its eventual collapse in 1971. This modern system has been crucial to the UK economy, allowing the nation to recover from recent shocks such as COVID and the 2008 financial crisis at a much quicker rate in comparison to the recovery period for the Great Depression.

Elissa

Behavioural Economics

Irrational Choices

The economic choices we make in our daily life all falls down to behavioural economics (the branch of economics that studies the choices people make in real life, under the influence of psychological, social, and emotional factors). In today's world, we, as humans, make a considerable number of decisions every day, but have you ever thought whether the choice you made is rational or logical? In economics, every decision made can be explained by Simon's theories on bounded rationality. This theory suggests that when we make decisions, they cannot be fully rational optimal due to some realistic limitations, such as information failure, limited time, and the inability to process and evaluate every outcome. Instead, our decisions are "good enough" within the bounds of our cognitive constraints, rather than being the best viable option. For instance, when you are at the supermarket and see eggs labelled "cage-free," you pick this brand because it satisfies your desire to be ethical. Yet, your knowledge of whether they are actually "cage-free" is insubstantial, so it is uncertain whether purchasing this brand of eggs is your best option. As we are all human, we are bounded by a limited brain capacity, time, and amount of information available to us, to solve this, we use mental shortcuts called heuristics. Heuristics are mental shortcuts that facilitate problem solving and probability judgement and use strategies like generalisation and rule of thumb to reduce cognitive load. Although they enable us to make quicker judgements, they can limit our ability to exercise logic, which can lead us towards less thought-out decisions. When we broaden the scope of this theory to include economic agents (e.g. firms), the situation tends to be more complicated as it abandons the traditional assumptions that economic agents are perfectly rational and omniscient.

Sofia
Chinenye

Sharanya
Alisha

It's not your fault you overspend

Have you ever been out with friends and suddenly one quick tap on Apple Pay somehow turns your £5 coffee into a £50 shopping trip? Well- there may be a reason behind this. Humans fundamentally hate to lose, this is called 'loss aversion'- the pain we feel from losing something is twice as intense as the joy of gaining an equivalent thing, for example you would fear losing £100 twice as much as you would feel excited that you found £100. This means that spending money leads to an emotional negative response 'the pain of paying'. With cash, you must get the money out of your pocket, count it up and hand it over creating the greatest emotional pain. In contrast, contactless allows you to simply double tap a button on your phone or present a small plastic card with no visible reminder of how much money you actually have and what you are losing. This results in less physical discomfort allowing you to shamelessly spend an entire month's wages in the blink of an eye. Furthermore, studies show that contactless card users struggle to remember how much they spend compared to cash users as cash users have a visual reminder of their limited funds (their wallet), a plain card gives the illusion of unlimited resources thus making you think you can spend without limits. With an increase in contactless spending and some shops even rejecting cash it is becoming increasingly difficult to escape temptation to overspend. So, is overspending really just a lack of self-control or are cashless payments designed to make spending feel painless?

Freya

Econometrics

Intro into econometrics

What if numbers could tell us whether a government policy actually works?

That is exactly what econometrics sets out to do. Econometrics is the development of statistical methods for estimating economic relationships, testing theories and evaluating government policy. It is most importantly used to forecast macroeconomic variables, such as interest rates, inflation rates and GDP.

For example, if the government spends more on school resources, does student performance actually improve? Econometrics gives us the tools to figure that out.

Econometrics is distinct from standard statistics because of the nature of the data it uses. Unfortunately, in the real world, economists can't run a control experiment to compare data to, so instead, they must work with observational data (data gathered from the real world). However, a major problem lies in the fact that everything is connected. For example, people who drink coffee tend to earn higher salaries, but coffee does not equal success; these 2 events must be linked by a third factor, like working longer office hours. This idea is called confounding (when an observed relationship between two variables is distorted by a third variable), and when occurred at a large scale, it can become extremely confusing to pick out the relationships.

However, this problem can be solved by the backbone idea of econometrics- multiple regression analysis. This lets you hold all the other factors constant while you determine the relationships between the two events you care about.

Econometrics touches every area of modern policy and finance- so it is a very helpful tool for economists!

The Phillips Curve

A financial market bubble occurs when the price of an asset rises significantly above its true value, driven by speculation, confidence and easy access to credit above what people could realistically afford based on wages and income. A major example of this is the UK housing bubble linked to the 2008 financial crisis. In the early to mid 2000s, UK house prices rapidly increased, primarily due to low interest rates, which made mortgages cheaper and easier to access due to lower repayments. Banks and building societies were also more willing to lend money, meaning that people were increasingly able to borrow and enter the housing market. As a result, the demand for housing rose sharply, leading to house prices increasing even further. At the same time, purchasing property was becoming viewed as a means of making money as people were purchasing homes not just to live in, but in the hope of selling them later on to make a profit if house prices kept increasing in this same way. This behaviour continued to increase demand and created a cycle where these rising prices encouraged even more buying. However, this growth was not fully sustainable due to people's incomes and the long-term affordability of the housing market. When financial pressures started building around 2007-2008, bankers reduced lending, making borrowing more difficult. This meant that demand started to fall, and confidence in the housing market weakened. As a result, house prices quickly fell, leaving some homeowners owing more on their mortgage than their property was worth. This contributed to financial instability and a wider economic slowdown in the UK. Overall, the bubble shows how rapidly housing markets can become unstable when prices are driven by confidence and borrowing rather than real affordability

EconSoc So Far



Game Theory

Nysa Bindal explained game theory using the Prisoners' Dilemma and explained the concept of the Nash equilibrium.

Development Econ

Holly Bailes discussed how, now, first-world countries lifted themselves out of poverty through FDI and government policies.

Foreign Aid

Varnika Jain discussed the impacts of foreign aid on individuals and institutions globally, as well as delving into the history of aid.

Behavioural Economics

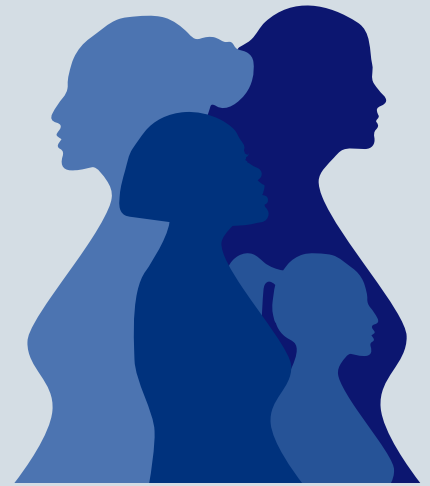
Sharanya Malik outlined the idea of behavioural economics and focused on prospect theory and loss aversion.



Why does Argentina keep defaulting?

Freya Daley explained the cycle of defaulting that Argentina is stuck in, with 9 defaults to date. She also shared her future predictions of whether or not they will default again.

Women in Economics



Claudia Goldin

Claudia Goldin is an American economist known for her research in labour economics and economic history, with a particular focus on gender inequality in the workplace.

She studied how women's participation in the labour market has changed over time, helped explain the causes of the gender pay gap, argued that the pay gap is due to more than just discrimination, helping to introduce ideas regarding job structure and workplace design and showed how family responsibilities and career patterns affect women's earnings and opportunities.

She found that while women's employment has increased over time but pay is still unequal. Additionally, she found that the gender pay gap is strongly linked to career breaks, working hours, and job flexibility which are all major issues women suffer with primarily as a result of pregnancy and childcare showing that economic and social structures both play a role in shaping inequality.

She has had a very successful career and highlights include winning the Nobel Prize in Economic Sciences (2023), becoming the first woman to be tenured in the Harvard Economics Department and was made President of the American Economic Association in 2013.

Claudia Goldin's work has changed how economists understand gender inequality in the labour market. Instead of viewing the pay gap as a simple issue, she showed that it is shaped by complex economic and social factors.

Charlotte





Quick Quiz



1) Which country is home to the world's largest stock exchange?

- a) UK b) China c) USA d) Japan

2) What is the currency of Sweden?

- a) Euro b) Złoty c) Krona d) Peso

3) Which economist wrote the Wealth of Nations?

- a) John Maynard Keynes b) Karl Marx c) Adam Smith d) Milton Friedman

4) What does GDP stand for?

- a) General Domestic Product b) Gross Domestic Product c) Gross Development Process
d) Genral Development Product

5) Which company was the first to reach a market value fo \$1 trillion?

- a) Microsoft b) Amazon c) Apple d) Tesla

6) Which country has the highest humber of millionaires?

- a) Germany b) China c) USA d) Japan

7) What is the most traded currency in the world?

- a) Euro b) Yen c) Pound Sterling d) US dollar

8) Which famous economist appears on the £20 note?

- a) Adam Smith b) John Maynard Keynes c) David Ricardo d) Milton Friedman

9) What does 'inflation' mean?

- a) Falling prices b) Rising average prices c) Rising unemployment d) Increasing exports

10) Which fast-food is sometimes used as an informal measure of purchasing power across countries?

- a) Whopper b) Big Mac c) McNuggets d) Subway Melt

Answers: 1C, 2C, 3C, 4B, 5C, 6C, 7D, 8A, 9B, 10B