

Issue 6 Jan 2024

The Social Scientist

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Kitty Genovese

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a Broken Child or a Deadly Killer?

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- The Economic Costs

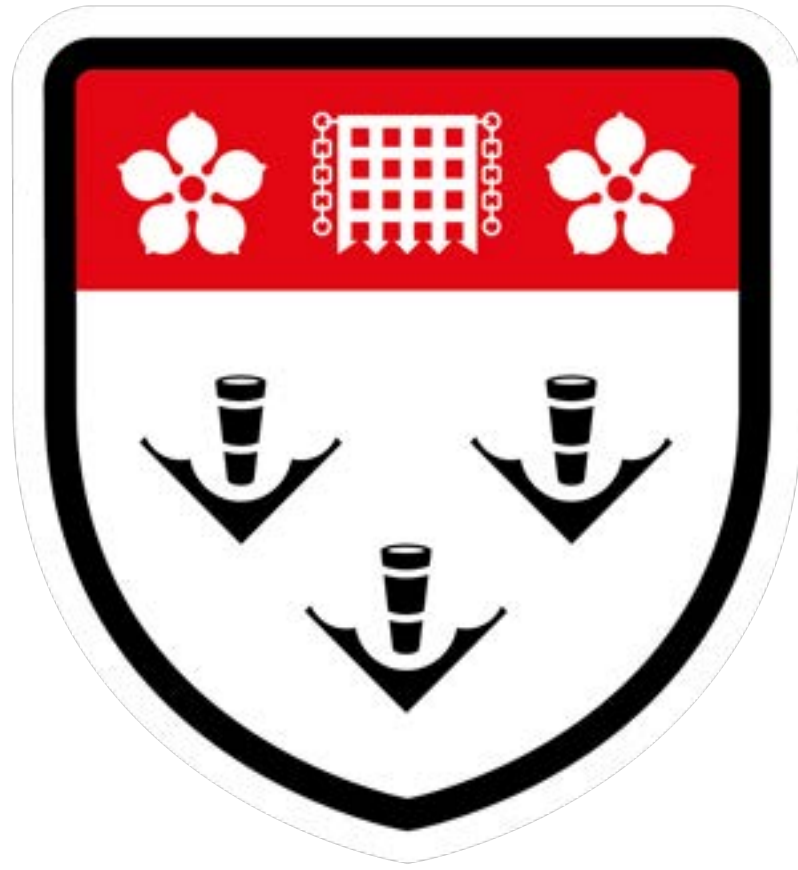
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Issue 6 Jan 24

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Martin Young

Head of Social Sciences

Welcome to Issue 6 of The Social Scientist. A journal that celebrates the passions and interests of Social Scientists at Rushcliffe Spencer Academy, Nottingham.

Each article reflects the passion and hard work of each individual student who has contributed to the journal. I hope you find this diverse issue a fascinating insight into the world of Social Sciences, and the perspectives of our young people.

Now more than ever, young people across the globe deserve to understand the world in which they live in.



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SPECIAL REPORT, VICTORIA WATTS

The Bystander Effect & The Murder of Kitty Genovese



VICTORIA WATTS

The Bystander Effect



What is the Bystander Effect?

When the presence of others discourages an individual from intervening in an emergency situation.

What prompted the studies which led to the Bystander Effect?

On the 13th March 1964, Catherine (Kitty) Genovese, 28, was murdered in front of her apartment building in Queens, New York, while 38 people looked on from their apartments and did nothing to help her.

Kitty Genovese was walking from her car to her apartment building at 3:20 A.M. after her night shift at a bar, when she saw a man in the shadows at the other end of the carpark stalking her. She started to go towards a phone box to call the police when the man attacked her. People in the building heard her shouts, turned their lights on and looked out of their windows. One man inside the building shouted “Let that girl alone!”. The attacker left and the lights in the apartments turned off. He then came back while she was struggling outside, wounded, at 3:35 A.M. and continued to attack her; the lights came on and he left again. However, he came back a third time and this time he stabbed her fatally.

It was 3:50 A.M. when the police received their first call and were at the scene in two minutes. Assistant Chief Inspector Frederick M. Lussen who is a veteran of twenty-five years of homicide investigations said that “The assailant had three chances to kill this woman during a thirty-five-minute period. He returned twice to complete the job. If we had been called when he first attacked, the woman might not be dead now”.

When interviewed by the police, and asked why they didn’t report the crime straight away, the bystanders replied: “I didn’t want to get involved”, “Frankly, we were afraid”, “I didn’t want my husband to get involved”, “I don’t know” and “I was tired... I went back to bed”.

“It was 4:25 A.M. when the ambulance arrived for the body of Miss Genovese. It drove off. ‘Then,’ a solemn police detective said, ‘the people came out.’” - New York Times.

Decision model of helping

Latané and Darley came up with a series of points that a bystander must think about before they provide help to someone in a crisis. These are:

- 1) The bystander must notice that something is amiss
- 2) The bystander must define the situation as an emergency
- 3) The bystander must assess how personally responsible they feel
- 4) The bystander must decide how best to offer assistance
- 5) The bystander must act on that decision

If the bystander answers ‘no’ to any of these questions, then there will be no help given to the victim by the bystander. This explains why people might not assist people when they are in trouble.

Explanations for the bystander effect

Diffusion of responsibility:

There are three ideas that categorise the diffusion of responsibility: People believe that another bystander will offer their help, the moral obligation to help doesn’t fall to one person and the blame for not helping can be shared between all the bystanders

Darley and Latané (1968) tested this theory by asking students to have a conversation about school over the phone while they were all in separate rooms. One of the students in the conversation was a recording. During the conversation, the recorded student would pretend to have a seizure. Darley and Latané found that the more people the participant thought were in the call, the longer it would take them to go and find help. They concluded that this was because the participants thought someone else would help so they felt less morally obliged to intervene and if they got in trouble, they would be able to share the blame of not helping between everyone at the scene.

Pluralistic ignorance:

Pluralistic ignorance is where a bystander starts to feel anxious about a situation but does not act because everyone else seems calm. They believe that because no one else is reacting, the situation is not dangerous.

This was proven by Darley and Latané (1968) when they made smoke (actually steam) pour into a room. The results show that 62% of people continued to carry on working in the room even as it filled up with what they would have thought was smoke, purely because no one else was reacting.

Evaluation apprehension:

This is when the bystander fears being judged by the other people present if they acted publicly. This may be because they think that there may be legal consequences if they give the wrong help or they will feel embarrassed if they give unwanted help. For example, if one of the other people present are more knowledgeable on giving assistance, then the bystander may feel inferior for trying to help and would therefore refrain from providing their own assistance.

Genuine ambiguity:

This can affect the answer given at step three of the decision model of helping - how personally responsible they feel.

Shotland and Straw (1976) found that when they staged two fights between a man and a woman, one where the woman screamed “I don’t even know you” and the other where the woman screamed “I don’t even know why I married you”, three times as many men would intervene in the first situation compared to the second.

This was also proven in the story of Kitty Genovese. When a housewife was asked why she and her husband didn’t step in, she said “We thought it was a lovers quarrel”. This shows that overall, people are less likely to get involved in a situation if they believe that it doesn’t require their personal interference.

Summary

When something goes wrong in a large group setting, and people don’t help, this could be down to:

- Them not thinking that the situation needs their personal help
- Them not knowing what assistance to offer
- Them thinking that they won’t help the situation if they offer assistance
- Them thinking someone else will offer assistance
- Them not identifying the situation as an emergency



**“37 WHO SAW
MURDER DIDN’T
CALL THE POLICE”**
- *The New York Times*
March 27, 1964



LAUREN DAMES

The Effects of the Russia - Ukraine war on businesses



The aggressive war, implemented by Russia on Ukraine, demonstrated the vast, negative effects war (even in the modern day) can have on businesses. This war in particular generated oil shortages outside of Russia and complete economic breakdown inside of Russia, with their banks and businesses completely shut out by the western countries. This became a huge catalyst for the recession in England following Covid-19 and Brexit whilst world-wide Russian companies were in complete bankruptcy. So, then this proves that the modern Ukrainian war, which started in 2020, was a huge challenge for businesses, one which they are drastically losing.

Ever since the declaration of war on Ukraine from Vladimir Putin, over 1000 companies (and still counting) have publicly announced their halt of operations in Russia. Some of them are huge companies such as McDonalds, shell and adidas. Adidas reveals that this would cut their 1% expected gross profit from 2020 to close their 500 stores in Russia. This was not the hugest of loss as adidas would still be comfortable. However, Companies like shell who relied completely on the oil and petrol business had astounding losses. Shell reported that its decision to leave Russia cost them £4 billion-£5 billion in the first quarter alone. An implication of this was, Shell was not able to provide as much petrol as one hoped, in mostly western countries due to their now poor relationship with Russia (who were massive oil providers) which meant not only did they lose money leaving Russia, but they would also have a massive loss of profits. The fundamental closing of stores and companies led to unemployment being post-soviet low of 3.9%. The effect of unemployment is a low GDP and then the surviving businesses in Russia are in a deteriorating environment where the economy is in active failure.

With the existence of NATO, many countries (Europe and America) have supported Ukraine with weapons and funds. The United States has so far given the most \$47.9 billion to Ukraine, but nearly all of it has been given in military and humanitarian aid. With all of this needing to be replaced and many other countries giving this support, the world bank suffers exponentially. Furthermore, the war reparations hoped for are estimated, by the world bank, that the cost of rebuilding Ukraine would be about \$349 billion, a number that is larger than Ukraine's pre-invasion GDP.



The Effects of the Russia - Ukraine war on businesses

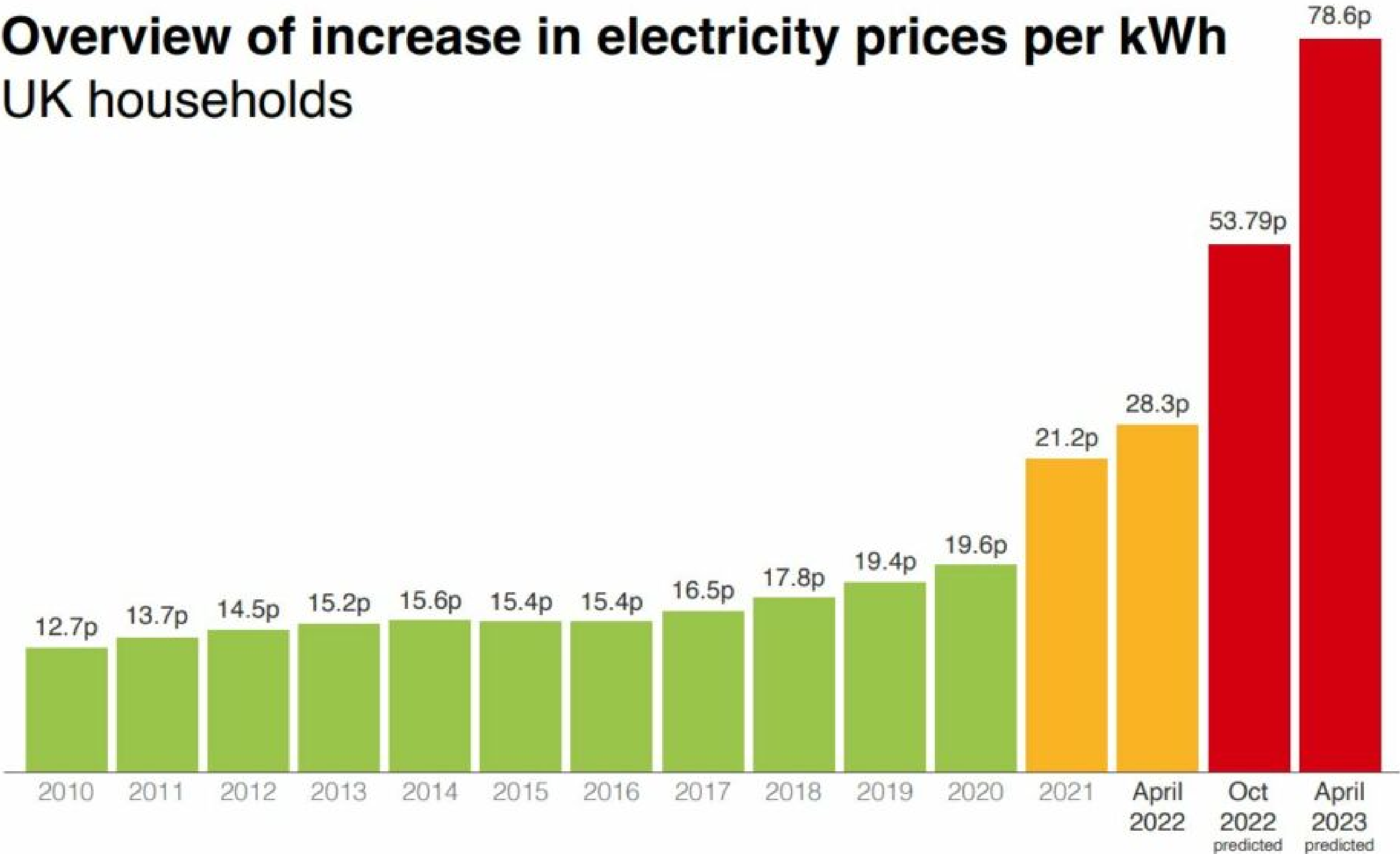
This causes GDP to be a low in many countries as proved by America providing 0.23% of its GDP to the war. It being low causes a lack of investment, low employment rates, high prices and a fall in regular customers. This is catastrophic for a business as it causes overall higher variable costs and a further decline in profits. This generates an uncertain market where companies struggle to survive and grow.

However, it can be argued that war is good for business as it can generate opportunities for profit in certain industries. This war has forced Ukraine to become the world's third-biggest arms importer in 2022 (mostly trading with America). Because of this, Americas ‘top 5’ military arms manufactures (Boeing, General Dynamics, Lockheed Martin, Northrop Grumman, and Raytheon) have earned an additional \$4.8 billion from the US government with their annual \$150billion worth of pentagon contracts. Individually, these businesses increased their annual market value by over \$10 billion since the start of the war. With the continuation of the war and the ominous growth of the arms industry, other businesses will invest into them and gain profits as a shareholder, may re-invest into their business and overall stabilise the economy. As a result of this, companies are more likely to survive as the environment is less harsh. Also, the current shareholders of the main arms businesses might invest into other companies which could mean many positive things: Higher cash-flow, confidence in the business, higher profits and higher morale in the workplace.

Russia was a major producer in global energy markets, accounting for 17% of gas and 12% of oil production globally in 2019. Since the invasion of Ukraine, countries who rely on Russia’s energy, have seen energy prices rise sharply and therefore led to inflation as they no longer trade with Russia. This means that household incomes are strained drastically. Businesses who sell luxury goods see demand fall and lose a great number of profits and customers change to inferior goods as their energy bill has raised by 54%. However, in 2022, Chevron, ExxonMobil, BP, shell and TotalEnergies made \$134 billion in excess profits, predominantly because of the war in Ukraine. This proves that although profits initially drop when leaving Russia, the profits made by the higher energy prices lead to those in the oil and energy business to excel while causing other companies selling other products have a vast decline in profits. Therefore, market is incredibly uneven as customers are simply only buying necessities.

With the Russian-Ukrainian war, it has caused global economic complications as a result of low GDP, recession and basic war expenses. These conditions repress businesses from expansion and simple survival which makes them desperate. They raise prices, attempt to expand their company, ridicule other companies and borrow money even with the scarce interest rates. However, a handful of companies make grave advances in profits. These companies are mainly military and energy/oil. Although some businesses benefit from the Ukrainian war, it is obvious that most recognise it as a great negative as they see fall in profits, customers, employees and many more vital factors to the survival of a business. Overall, many companies suffer a great deal with the war's inflation and their struggling to escape administration.

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Push yourself beyond the boundaries of your lessons..

Engage

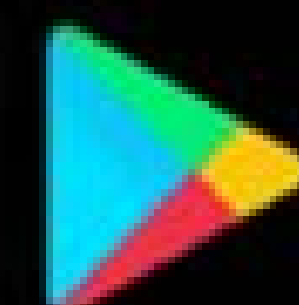
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KAI KERSHAW

The MacDonalds Triad- Warning signs of a Broken Child or a Deadly Killer?



The MacDonald's Triad is a 1963 theory developed by psychiatrist J.M MacDonald which he first proposed in an article as part of the American Journal of Psychiatry titled "The Threat to Kill". The triad provides a link between 3 key behaviors in childhood and violent, antisocial behavior in later life, often homicidal or sexual in nature. These 3 characteristics are: arson (fire-starting), cruelty to animals and bed wetting past a certain age (enuresis). It is often claimed to be an accurate predictor of serial killers by true crime researchers, but many have come to question the theory's validity with other studies claiming to have found insufficient proof that there is a link between the triad and violent offenders

So, is this a valid theory? It has been found through extensive research that it is a rare occurrence to find all three behaviors in violent criminals and instead it is proposed that any one of these symptoms alone could predict aggression in later life. Along with this, the triad could be used as an indicator for a dysfunctional homelife in children, and the points in the triad are all potentially just poor coping mechanisms for an abused child stemming from repressed anger. For instance; arson, enuresis and cruelty to animals were all found to be signifiers of sustained physical or emotional abuse towards a child along with childhood mental illness also potentially causing these behaviors. If we look at each symptom in depth, a wider picture of the triad begins to form. Arson in itself is more often than not a result of extreme pent-up anger and is seen as the first 'less severe' step in releasing aggression. We can apply this to serial killers specifically as many infamous killers experienced humiliation in their childhoods leading to low self-esteem and frustration. Much like fire-starting, animal cruelty is used as a way of venting frustrations.

During childhood there is no option for children to retaliate towards those who cause them extensive humiliation because they can often be a parental figure that the child deems too powerful to stand up too. So, they begin to take it out on animals that they view as weak and vulnerable with extreme violence. This is the beginning of the serial killer's victim selection process as students studying the triad later found that the method used to kill or torture animals in childhood is often the same method used on human victims in adulthood. In a study of 45 male prison inmates who were deemed violent offenders, McClellan (2003) found that 56% admitted to having committed acts of violence against animals in childhood. It was also found that children who abused animals were more often the victims of parental abuse than children who did not abuse animals. Lastly there is bed wetting or 'enuresis'. Enuresis is "unintentional bed-wetting during sleep, persistent after the age of five" and must continue twice a week for at least three consecutive months. Bed-wetting beyond the age of five can be humiliating for a child, especially if they are belittled by a parental figure or other adult as a result and because of this the child could use fire starting or cruelty to animals as an outlet for their frustration. This means we can view bed wetting as a response to humiliation acting as a trigger for the other two symptoms. Additionally, bedwetting has been found to be a sign of persistent sexual abuse along with other regressions in development (I.e. thumb sucking) so it is argued that it is unfair to label these vulnerable children 'potential serial killers' when in fact they could just be traumatized victims of abuse.

However, the MacDonald's triad can be applied to real infamous killers based on what is known about their childhood. Martain Bryant was the most dangerous lone gunman in America at the time of his attack in which he killed 35 people on a Sunday morning in April of 1996. As a child he was obsessed with fire and at just 12 years old ended up in hospital because he set himself alight with fireworks. He also had an obsession with guns and enjoyed shooting birds with an air rifle, often continuing to shoot long after they were dead. Another infamous example of a killer matching the MacDonald's triad profile is Jeffery Dahmer aka 'The Milwaukee Cannibal'. Over the period he was active, Dahmer murdered 17 young men and boys and after finding some of the victims' DNA on kitchenware in Dahmer's flat it was rumored that he also ate parts of the young men he killed. As a young boy he had a fascination with keeping and torturing animals and was known to keep insects in jars in his garden shed. At age 10 he began mounting and keeping parts of roadkill that he would find which coincides with murders he committed as an adult as he would often keep body parts after preserving them. Additionally, Dahmer was heavily bullied in school and had an extremely volatile childhood just like others who fit the MacDonald's triad theory. These are just two of the many examples of truly infamous serial killers that at least exhibit 1 symptom in the triad, others include: the BTK killer (Dennis Rader), the Boston Strangler (Albert DeSalvo) and Son of Sam (David Berkowitz). Although applicable to monsters like these, we must consider: is it fair to risk mislabeling frightened and abused children as dangerous and violent future murderers?

ED GIBSON

Exploring The Ethics of the Stanford Prison Experiment and The BBC's Adaptation of it



The Stanford prison experiment, conducted by psychologist Philip Zimbardo in 1971, has long been a subject of fascination and controversy. Over the years, various media adaptations have tried to explore the effects of this groundbreaking study such as the BBC, who did their own version of Zimbardo's prison experiment: The BBC Prison Study (2002).

Philip Zimbardo's study aimed to investigate the psychological effects of perceived power and authority on prisoners and guards within a simulated prison environment. Participants were randomly assigned to play the roles of prisoners or guards, and the experiment was initially planned to last two weeks. However, due to the rapid deterioration of mental and emotional well-being among the prisoners, the study had to be terminated after only six days due to ethical concerns brought up by a fellow psychologist of Zimbardo, Christina Maslach.

The BBC brought the Stanford prison experiment back to life again in their own TV series about it. The adaptation delves into the ethical implications of the study, exploring the impact it had on the participants and questioning the boundaries between scientific research and human welfare.

One of the key elements in any adaptation of the Stanford prison experiment is the portrayal of the characters involved. The BBC's version focused on capturing the nuances of the participants' psychological transformations, displaying the shifts in behaviour from both the guards and the prisoners.

Given the timeless nature of the Stanford prison experiment's themes, the BBC's adaptation drew connections to contemporary issues. Whether it's the abuse of power, the impact of authority figures on individuals, or the ethical boundaries of research, the adaptation aimed to resonate with audiences by highlighting the enduring relevance of Zimbardo's findings and how they are still important to this day and relevant in any study done about conformity to social roles, and still apply to many real world scenarios.

The BBC's version of Zimbardo's prison experiment is an interesting exploration of human behaviour, ethics, and the consequences of unchecked authority. The show contributes to the ongoing debate surrounding the ethical dimensions of psychological research and the lessons to be learned from the Stanford prison experiment. The experiment remains a powerful reminder of the human capacity for cruelty and manipulation, and the importance of setting ethical standards for psychological research. It also highlights the importance of questioning authority and holding those in power accountable for their actions.



ALICE RAMSEY

Failing Childcare Support for Women

- The Economic Costs



An effective childcare support system is essential to maintaining a successful economy and society. When this is not accessible, families experience financial hardship and stress, endangering the well-being and development of children- the future of our economy. Parents, especially mothers, are prevented from sustaining productive careers in the labour force, resulting in substantial productivity loss for employers. Despite the many negative economic impacts of a lack of accessible childcare and the government's objective of reducing unemployment, this is still a large issue within our economy that must be addressed. It is an undeniable fact that the high cost of childcare is holding back our economy.

Equality within parental responsibility

Whilst this has an incredibly negative impact on all parents, it particularly affects mothers – as the Trades Union Congress calculated that an average of 1.5 million women were unable to work as a result of caring responsibilities, in contrast to 230,000 men. To put this into perspective, that is almost 7 times as many women affected by a lack of sufficient childcare support. Furthermore, when coupled with the fact that 2/3 of UK women are estimated to have experienced childcare duties impacting career progression, it is no surprise that we have seen the UK gender pay gap widen for full-time workers. As we claim to be moving towards a more equal society, it proves imperative that there is a further emphasis on not only equally shared parental responsibility, but also support for these parents. For families, childcare should not be a luxury, but a right, allowing parents the ability to work full-time without the financial pressure of significant portions of their earnings spent on quality childcare.

How does this affect the UK economy?

Not only does this failing system of childcare support personally affect these parents, but in turn this has a substantial effect on our economy. A survey of over 2,500 mothers from the Centre for Progressive Policy (CPP) found that 27% of mothers (1.5 million women) aspire to work more hours but are unable to due to the lack of accessible childcare. Using these desired hours, CPP estimated at least £9.4 billion in additional earnings, which would potentially cause an additional economic output of 1% of UK GDP, (equivalent to between £27 billion and £38 billion).

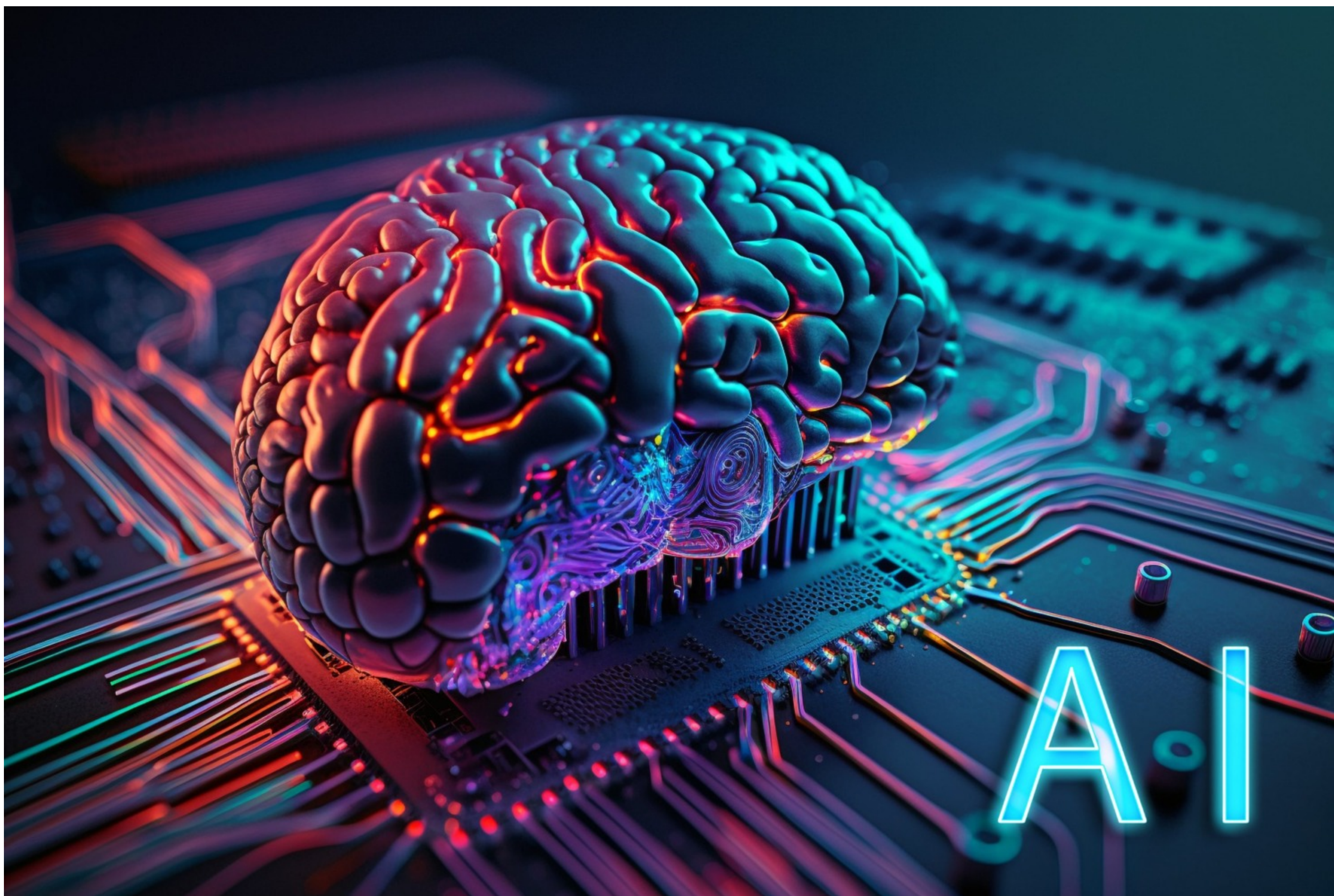
This proves that by denying parents access to suitable childcare support, the UK is also denying the economy billions through lost earnings, alongside restricting the necessary labour supply – shown through the 470,000 mothers who are estimated to have quit their jobs due to childcare duties.

The UK government spends the joint-lowest level on childcare, in contrast to other developed countries. Consequently, OECD data shows that UK childcare costs are among the most expensive in the world – so expensive that the average annual cost of sending a child (under 2 years old) to nursery has risen to £7,729. Therefore, it is no surprise that so many parents struggle to afford costs like this, or are forced to sacrifice large amounts of their hard-earned money. This is portrayed by the 1/3 of working mothers who spend over 30% of their wages on childcare. When we put this into perspective, in comparison to other countries, the support we offer women for childcare is undeniably inadequate and must be re-assessed. Norway is considered one of the most gender-equal countries in the world, and rather than mothers spending over a third of their income on childcare, their policies include no family paying more than 6% of total income on childcare.

How can we improve?

The statistics provide indubitable evidence that, as an economy, we must re-evaluate the way in which we nurture the generations to come. Childcare can be considered as infrastructure, an investment into the economic future of the generations to follow. To support this, it is essential to take steps such as employers rethinking the benefits they offer women, or governments aiding a lower hourly cost for childcare so it is accessible for more parents. Meanwhile, the quality of accessible childcare must be improved, not only the quantity, so it is important that there is an adequate number of children per childcare support worker.

The Economic Consequences of AI



The advantages of Ai are that they can carry out the simple tasks of humans in economics which will save time and money. We have seen this with economic models and use of simulations and predictions on how economies are going to evolve. They are quicker at figuring out algorithms, this massively advances Ai to the point where humans cannot keep up. This speed is likely to increase consumer demand forcing companies to increase supply which due to the new tech, firms could potentially keep up with. This would increase output and potentially increase economic growth due to companies now being able to keep up with demand and therefore can rise prices and increase output leading to more economic growth. We have already seen this with predictions of that Ai could contribute to more than \$15 trillion to the world economy by 2030. Furthermore, we have seen, even in the last decade in the UK, the number of machines working in economics triple from 80,000 to 240,000 showing how firms are beginning to trust Ai and its resources. Also, the increase in machines as they can potentially work 24 hours a day it pushes firms closer to being on the curve on PPF diagrams or even shift outwards as labour being one of the factors of production potentially being at productive maximum efficiency. Furthermore, enterprise could be improved by the algorithms and economy predictions could help improve one of the factors of production showing how much benefits the supply side of an economy and how it can push to its maximum or close to.

Consequences of Ai

However, the consequences come with Ai and how the difference with usual economic growth comes usually with reduced unemployment. In spite of this, here it is not the case as we see the negative macro-economic trade off of unemployment rising as suggested in recent years as Ai develops and people view the benefits, the need for humans becomes less and less so as economic growth increases the rise of unemployment comes with it when comes with Ai. This may begin people to ask questions on whether the increase in speed and efficiency is worth people's livelihood and at what point does it stop.

Another negative of the coming of Ai is the bias Ai has in factoring in diagrams as Ai can only be programmed to one of two theories being Keynesian or neoclassical ones. Ai bias are similar to those behind human cognitive bias: bias in the inputs (information and data) and bias in the methodology of looking at the data (algorithm). As economists might obtain different results depending on their methodological preferences when looking at the same or different data, whereas Ai do also obtain different results but their bias prevents them from considering both due to them having a bias towards a singular theory and unlike humans this bias cannot be managed, potentially suggesting how Ai may struggle to outpace until they can work away from bias and manage it like humans - showing humans have the psychological edge at present. The argument however is that the machines can focus on their particular theory, and this will be much faster but may cost more so argument may swing towards human again.

So why is Ai not everywhere?

The backlash is high is the simple answer but as you research in depth you see companies are reluctant to make the switch due to controversy of having to let go of so many people and at current time output from Ai isn't enough to warrant a full switch to technology. Firms are also struggling to justify this as people are seeing good jobs being destroyed and this is creating prejudice towards firms due to people still appreciating human to human contact so the challenge for firms is to create big enough benefits for people to embrace changes. Overall, through the data it will still be a significant time until we see Ai running economies.

Are consumers at risk from inflation?



In order to determine whether inflation is a cause for concern, it is essential to understand exactly what is meant by the term and how it interacts with firms, consumers and the government. As well as this an understanding of the UK's future inflationary rates and the government's target helps assess how at risk consumers are. Most importantly, an insight into what high and low inflationary rates cause within the economy provides a link back to consumers and daily life.

What is inflation?

By definition, inflation is the general increase in price of goods and services as well as the decrease in purchasing power of a currency. In simple terms, purchasing power is the value of a currency expressed by the number of goods and services a single unit of money can purchase. A rise in costs for goods and services can be due to an increase in disposable income for consumers (through pay rises or promotions). This then allows firms to increase their prices without forfeiting their current level of demand as the consumers are willing to pay the new price for a product.

How is inflation measured?

Rather than using a single good to measure the rate of inflation, the government uses a system called the consumer price index (CPI). The CPI is an index of 700 goods which are catalogued in the market basket. By tracking the rises and potential falls in prices of these goods, a total cost of the basket for a specific point in time is first calculated and then compared against the value of the market basket in the previous month. This comparison is used to calculate the percentage change in total price of the 700 products. This final percentage is the official indicator for inflation in the UK. When there is inflation in the economy, this value is positive. Disinflation occurs when this value is less than the previous month but is still greater than zero. If percentage change drops below zero, prices for goods and services are now falling indicating deflation.

The government's target for inflation

The government's economists try and achieve a controlled and manageable balance between objectives they wish to meet. For example, by increasing economic growth, there will be more money in the circular flow which may promote increasing levels of inflation. Governments cannot simply forfeit economic growth; therefore, a compromise is made. This means for the development of an economy; a certain level of inflation is necessary. However, the price stability brought by low, controlled levels of inflation are beneficial for making decisions regarding loans, savings and investments as it ensures a higher level of certainty regarding the impacts of those financial decisions. As a result, the government has set a target of 2% inflation as it is low, stable and doesn't have negative impacts on economic growth.

The effects of high and low inflation

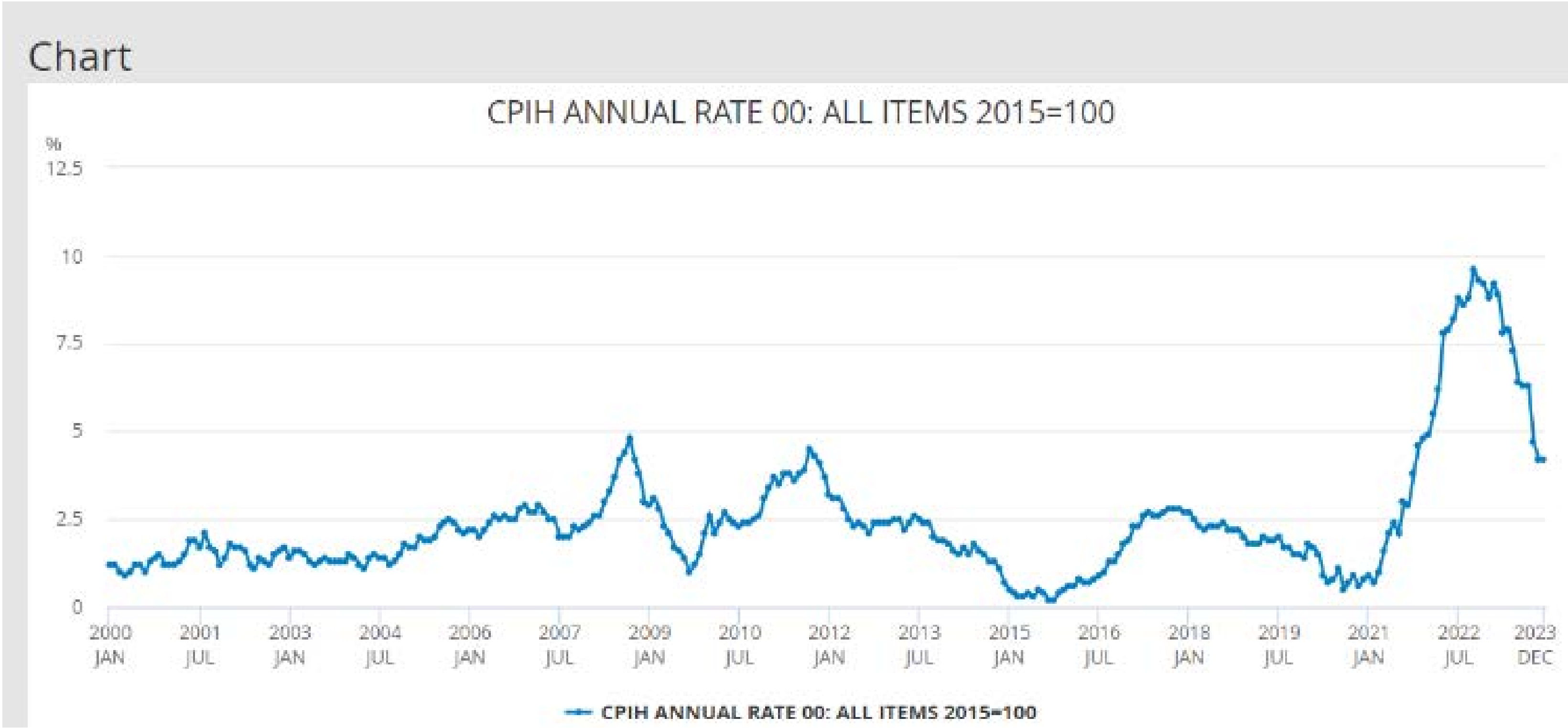
While it may seem desirable to have a near zero or even negative inflation rate as a consumer, this would indicate a plethora of complications within the economy. The most notable being the underutilization of the workforce leading to high and increasing levels of mass unemployment as firms are unable and unwilling to pay wages as a result of decreasing revenue. Even those in secure paying jobs are at considerable risk of wage cuts or even redundancy. Self-employed would also see a decrease in income as levels of aggregate demand decrease due to falling levels of demand for goods and services. Low inflation is correlated with stagnant or negative economic growth and activity.

Are consumers at risk from inflation?

On the other hand, high inflation is undesirable for consumers as it means a loss of purchasing power for saved and invested money. For example, if you had £100 in cash and inflation was 5%, it would now have a purchasing power of only £95, as the price for goods and services has increased by 5%. In addition, high inflation affects the volatility of investments making it unpredictable and more difficult to make profit.

Prediction for future inflation

In October 2022 inflation hit a peak of 9.6%, since then there has been disinflation within the economy (inflation is decreasing but remains positive). Throughout 2023, the trend continued with November and December 2023 ending at 4.2%. As we enter the first quarter of 2024, it is expected that this rate will further decrease to a value of 3.2%, this shows that the disinflation trend will continue however with a lower rate of decrease as we approach the government’s target of 2%. Advantages of this lower inflation include less pressure on firms to increase wages, greater stability for investments and an increase in saving protection as purchasing power decreases at a slower rate. However, there are also disadvantages to disinflation, including the increasing risk of deflation, where the economies general price level falls. This may lead to less profits for firms and overall decreasing their ability to produce goods and service at the same quantity and quality. As a result, the rate of GDP growth may fall or even send the economy into recession.



Fixed income and wage growth

People receiving a pension, or any other fixed income are highly susceptible to the affects of inflation. This is because as the general price for goods and services increases within an economy, their wages remain the same. This means that while the nominal wages have remained constant, real wages have decreased by the same percentage as inflation. For example, if someone were to earn a fixed income of £35,000 per year and inflation was 5%, after 5 years, their real wage would now be £27,000. This principle is why firms increase the wages for employees at regular intervals and why minimum wage rises occur every year.

Conclusion

For most consumers, the affects of inflation are difficult to notice in everyday life due to nominal wage increases and government policies, but this does not mean it isn’t crucial to be informed about present and future inflationary rates when making large decisions such as purchasing a home or making investments. Being aware of this can aid in financial decisions and by making plans for peak and minimum inflationary times, it can decrease the affects it has on individuals and households. Those on fixed income and those at elevated risk of increasing inflation should be constantly aware of how it affects them and adjusting spending habits accordingly. Overall, the economy is currently returning to the government’s target for inflation in a controlled manor. However, this does not mean inflation will always be steady and controlled. Eventually, the constantly changing economy will take a turn, but by taking the right measures, consumer risk can be mitigated.



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