VOLUME 2. ISSUE 1

LOGICAL ECONOMICS

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ECONOMICS IN REVIEW

Welcome to our first issue of Logical Economics in 2025/26; this termly publication has been designed by students for students to help better understand stories that happen around the world, with just a hint of Economic theory sprinkled in.

Reflection is always an important part of life and so falls quite aptly at the end of this academic year.

This year so far, global growth has remained modest as many countries around the world have been feeling the residual effects of the trade tensions between America and China. Additionally, there have been notible supply chain issues created by this uncertainty; reshoring/deshoring have become a commonly used buzzword for many Economists.

However, the UK looks to be on the rise; there has been more FDI coming with strong votes of confidence from the IMF, World Bank and several global Fund Managers. This confidence has been steadily growing which shows the progress the UK is making.

Domestic demand may be faltering, but the level of net trade and public investment has been helping the economy continue to push along, relative to other European countries. Lets see where 2026 takes us!

Mr. Shah

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E-Commerce & Logistics: The Hidden Costs of Instant Gratification

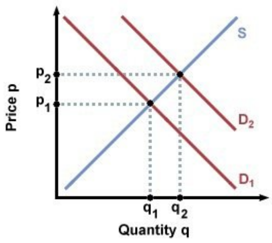
Vy Le & Lynn Ishac

Convenience in the Digital Economy:

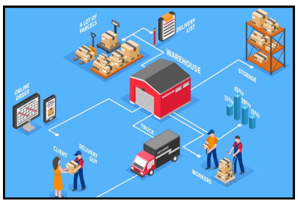
With just a few taps on a smartphone, a new pair of shoes, a phone charger, or even groceries can arrive at the doorstep the very next day- sometimes within hours. This level of convenience has become normal for consumers across the world. The rapid global growth of e-commerce, accelerated by recent global events and advances in technology, has fundamentally changed how people shop and what they expect from firms. While **private benefits** of this system are clear, greater convenience for consumers and higher abnormal profits for firms, the broader social costs are often ignored. The gap between **marginal private costs** and **marginal social costs** creates a market imbalance, resulting in market failure, where the free market produces an outcome that is not **socially optimal**.

The Private Market View: Benefits to Consumers and Firms

From a microeconomic perspective, the rise of fast e-commerce delivery can be explained by a significant significant **rightward shift** in demand. As online shopping reduces non-monetary costs such as time, travel, and effort, consumers are more willing to purchase goods online, particularly when delivery is fast and reliable. This shift from **D1 to D2** reflects changing consumer preferences driven by convenience.



Firms respond to this increased demand by expanding supply. Companies such as Amazon invest heavily in distribution centres, delivery networks and AI- driven logistics systems to improve efficiency and meet consumer expectations. These investments allow firms to benefit from **internal and external economies of scale**, including **technical** (from automation and AI in warehouses), and **managerial** economies of scale from centralised logistics planning, leading to market efficiencies from spreading costs over a larger volume of sales. External economies of scale arise as the growth of e-commerce encourages better infrastructure. More skilled logistics workers, and improved supply chain networks in the wider industry. As a result, consumers enjoy lower prices as lower average costs are passed onto them through lower prices, if firms are **rational**, and faster service, increasing **consumer surplus** and utility, while firms gain higher revenue and **producer surplus.** From the private market perspective, the system appears highly **efficient**.



Financial Times Article

The Hidden Social Costs

Every extra delivery van on the road contributes to urban congestion, a non-monetary cost that slows down other commerce, commuters, and emergency services. The World Economic Forum estimates that without intervention, the demand for urban last-mile delivery could lead to **36% more delivery vehicles** in the world's largest cities by 2030, adding an estimated **11 minutes** to the average passenger commute. This represents lost productivity and increased stress for millions of people — a direct social cost.

The drive for speed actively undermines logistical efficiency. Researchers have found that express options like **next-day delivery increase CO2 emissions by up to 15%** compared to a standard three-day delivery window. This is because the need for speed prevents the crucial process of cargo consolidation (fully loading vehicles, making shipping cheaper) and efficient route planning. The scale of this pollution is staggering. For instance, the emissions generated by just one major logistics company are equivalent to those of **8 million passenger vehicles** annually (EcoCart, 2021).

The sheer volume of disposable packaging — cardboard boxes, plastic film, bubble wrap — generated by e-commerce is overwhelming urban waste systems. This represents an economic cost for local governments and a huge environmental cost for the planet. One large retailer alone generated **465 million pounds of plastic packaging waste** in 2019 (EcoCart, 2021).

Policy Solutions: Internalizing the Externalities

To correct this market failure, governments must intervene to "internalize the externality" — that is, force the price paid to reflect the true social cost. This can be achieved through:

Imposing a congestion charge or carbon tax on delivery vehicles operating in dense urban areas. This makes the private cost (MPC) closer to the social cost (MSC), incentivizing firms to use fewer vehicles or shift to off-peak deliveries. The World Economic Forum suggests that effective collaboration between cities, regulators, and private companies could reduce delivery emissions and congestion by 30% by 2030.

The pursuit of instant gratification is a significant economic driver, it also necessitates a thoughtful economic evaluation. As consumers, we must remember that if we aren't paying the full cost, someone—or something—else is. Governments must use smart, targeted policies to ensure the cost of convenience is not at the long-term expense of social and environemntal decline.

How Ukraine’s War Is Impacting Your Shopping Basket

by Liliana Mazureac

Ukraine’s Grain & Fertiliser Freeze

Ukraine and Russia together dominate key agricultural markets, supplying around 30% of global wheat and 20% of fertilisers, as well as Ukraine supplying approximately 50% of global sunflower oil. In the 2025 the war impact on the supply had been clearly seen - bombed ports (Black Sea responsible for transportation); mined farmlands (20%); and massive logistical disruptions resulted in reduction in Ukraine wheat production by about 23% , hitting a 13 year low of 17.9 million tonnes with fertilizers from Russia are down by 80%, creating a leftward shift in supply curve as number of producers sharply decreased for an inelastic good like wheat that in short time cannot be massively increased in production; leading to higher prices.

How has European conflict turned your coffee to war tax?

The fertilizer disruption follows a similar path to wheat or sunflower oil, causing supply disruption that affects your coffee. Russia and Ukraine supply around 20% of global fertilisers and with ongoing sanctions and logistical blockages keeping prices tight and continuing to increase by 19 to 21% in the first 9 months of 2025 with cumulative effect from 2022 invasion surges as high as 150% in markets like Kenya.

Coffee giants Kenya and Ethiopia heavily rely on fertiliser and saw their reduced yields: Kenya's 2024/25 output decreased amid input shortages by over 6% to around 750,000 bags; Ethiopia, the world's fifth-largest producer, saw similar pressures: "The Ukraine-Russia conflict has further exacerbated the situation by driving up fuel prices, which in turn affects the cost of coffee transportation and production".

Global Arabica prices had spiked up to nearly 200% from 2022 due to this and other shortages, contributing to a ~20% rise in retail prices. Cafes pass these prices onto consumers causing cost push inflation: increased cost of production causing supply to shift to the left, raising the equilibrium, with coffee PED being ~0.3, around 90% of increase falls onto consumers. Your 3.50 latte? Now £4.20. Globalisation ensures the UK feels African cost strains, turning a European conflict into your daily expense.

Wheat shortage and how it adds fuel to tariffs and your jeans bill?

With Ukraine exports being disrupted (delays in Black Sea), US farmers stepped in to sell more wheat to Asia. Especially since many developing countries in Africa, the Middle East and Asia rely heavily on Ukraine’s grain, with 92% of Ukraine’s wheat exports going to these countries in 2016-2021. In Kenya, households allocate about 9% of their food budgets towards wheat and wheat products. This figure also ranges from 5 to 8% in Ethiopia. The crisis imparted marginal effects on welfare loss and food poverty, gap, and severity, irrespective of the divide in both counties.

This surge in US agricultural exports to China and Asia has also intersected with escalating US-China trade tensions, with China retaliating with 15% tariffs on US agricultural products. This tension extended beyond grain: to avoid new tariffs, clothing manufacturers shifted operations to countries like Vietnam and India, however creating longer shipping routes which increased their cost of production which they passed on to consumers like UK retailers - causing prices to rise up by 15% in some cases.
Your £20 jeans? They’re now £23, you paid an indirect "Ukraine tax" - spillover effect from war.

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"FITNESS UP, NIGHTLIFE DOWN: THE ECONOMICS OF A LIFESTYLE SHIFT"

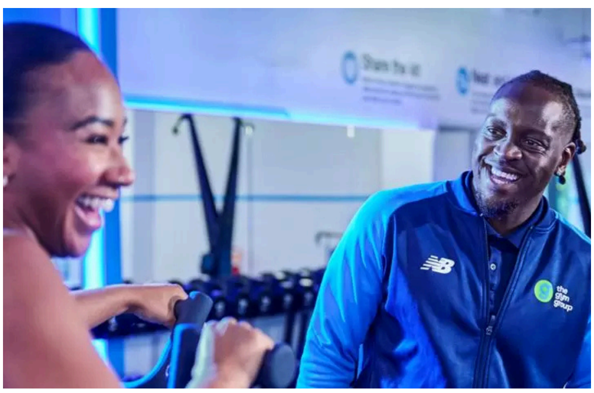
By Barkha Kaur

The Growth of Gyms

There has been an increase in gym members in the UK,11.5 million aged 16 and above are members of gyms in the UK, an increase of 1.6 million from 2022 post the Pandemic COVID-19.The COVID-19 pandemic fundamentally altered the way people spend their time and money in their daily life. During the lockdown, gyms became a symbol of personal responsibility and self-improvement, with many people turning to home workouts or outdoor activities. Working out while socialising in gyms made many consumers reflect on their choices relative to the changes brought by the pandemic in 2019. Post-pandemic, many people have maintained those habits, while bars and clubs have struggled to attract people back to their pre-pandemic habits.

LIFESTYLE SHIFT ? The increase in the gym membership is mostly driven by the young people. As there has been a shift toward health consciousness and wellness mainly amongst young adults which is likely caused by the change in behaviour of the consumers.Rational consumers are stronger at computational thinking about long term health risks of consuming alcohol or poor sleep leading to reduction of present bias as people value future health more.This lowers demand for pubs/clubs due to the changes in consumer preferences and taste which can also be one of the reasons for increased demand for a lifestyle change. As consumers derive more utility from activities that improve health.This causes a rightward shift in the demand curve for gyms and leftward shift in the demand for pubs and clubs.

Lower-cost gym chains and flexible memberships reduce the relative price of gym use, encouraging substitution away from nightlife.The Gym Group is an operator of British low-cost gyms, reported an increase in revenue by 8% to £121 million in the first six months of 2025, compared to the previous six months.Therefore as an impact ,the opportunity cost of going out (clubs/pubs) rises, consumers tend to shift to cheaper alternatives in this case it is gyms and a healthy lifestyle with a long term benefits.



Decline in Pubs/Clubs

According to the British Beer and Pub Associations, on average a pub is closing once a day. As pubs and clubs are facing demand and cost pressure.According to news in The Morning Advertiser, cost of living pressure is one of the biggest reasons which encouraged 54% of consumers say that they were cutting back on spending their income on alcoholic drinks due to financial constraints.Another trend in which younger people are less likely to consume alcohol due to slow income growth which would decrease their disposable income.This made higher proportion of youngster's willingness to spend elsewhere to fall causing a decline in demand for pubs and clubs.

As alcohol also exhibits negative consumption externality on the 3rd parties outside of the buyer and seller.In the UK in 2023, more than 10,473 alcohol-related deaths were recorded, which was the highest number on the record.Overconsumption of alcohol also causes higher crime rates, absenteeism, increases the costs for alcohol-related health treatment and prevention.This therefore increases the burden on NHS and taxpayers whose money goes into treatment of sick people suffering from different health issues. In many ways, alcohol may also lead to reduced productivity and higher insurance premiums for those who do not misuse alcohol, it also lowers the output derived from the potential workers.

Effects: Younger generations nowadays are well aware of the effects, consequences of consuming alcohol and overspending in clubs and pubs which could potentially increase their cost of living in the future as bills and utility payments have to be paid off.A lifestyle shift after lockdown has educated many people on this matter which lowers the demand for clubs and pubs,as many young adults prefer to focus on a healthy and productive lifestyle that they can achieve by being focused more on health to stay active using gyms as a substitute instead of spending on nightlife which may give them leisure time but may not last for longer.On the other hand, gyms provide different types of memberships and leisure facilities such as swimming pool, spa, sauna, indoor activities at a reasonable price for students, individuals and families throughout the month such as the premium gym like David Lloyd.Some research's indicates that a "generational shift" where many young adults (especially Gen Z) prefer to spend their time in gyms for socialising instead of traditional venues like pubs. This trend reflects changing lifestyles showcasing their priorities around health and wellbeing. As a result there has been a fall in demand for clubs and pubs not only in the UK but Worldwide.

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Giffen Goods: The Price Paradox and Its Rarity

by Giovanni De Souza

In economic theory, the inverse relationship between the price of a good and the quantity demanded is often stated as the law of demand, in other words as the price of a good increases the quantity demanded for that good will also fall, ceteris paribus.
However, like most theories the law of demand is also shadowed by an exception "Giffen goods", Giffen goods are a type of inferior good for which demand increases as price increases and vice versa. While the construct of Giffen goods is intellectually intriguing and commonly examined in economics, its scarcity in real world markets, especially in developed economies, poses a central question - WHY DO THEY ALMOST NEVER EXIST?
To answer this question will need to dive deep into the mechanics of Giffen goods and the influence of consumer behavior.
A Giffen good is the result of the income effect of a price rise outweighing the substitution effect, in other words when the price of a basic staple increases, consumers feel less wealthy and may be forced into buying more of the inferior good, while cutting back on more expensive alternatives. Economists use classic theoretical examples of Giffen goods like bread or rice among households from a lower socio economic background.

However, in developed economies such as the UK, the conditions required for Giffen goods to exist are rarely met. For example, most consumers have access to a wide range of substitutes and if the price of bread increases, consumers could substitute it for other carbohydrate rich foods like pasta, rice, potatoes, etc. Therefore the magnitude of the substitution effect will be higher than the income effect, ceteris paribus. Historically even for low income households, staple foods usually account for a relatively small proportion of total income, which further reduces the magnitude of the income effect.

Furthermore, the absence of Giffen goods in the UK markets, during the cost of living crisis can be used to illustrate and contextualise the above points. For example, as the price for staple goods rose sharply, consumers in the UK began substituting towards cheaper brands, shopping at discounted / cheaper stores or even reduced overall consumption, which is the standard behavior expected from consumers (law of demand).

Nevertheless, the construct of Giffen goods still holds significance, as it highlights the influence of consumer behaviour and the fact that consumers are not always rational. Furthermore, it adds emphasis on the fact that economic laws rely on assumptions about income, choice, and substitutes.
In conclusion, Giffen goods almost never exist in modern economies like the UK due to factors such as income levels and consumer choice. Despite this, studying them is still valuable because they help us visualise the different ways consumer behavior can change the demand for goods and understand the key concepts like the income effect, substitution effect, etc.