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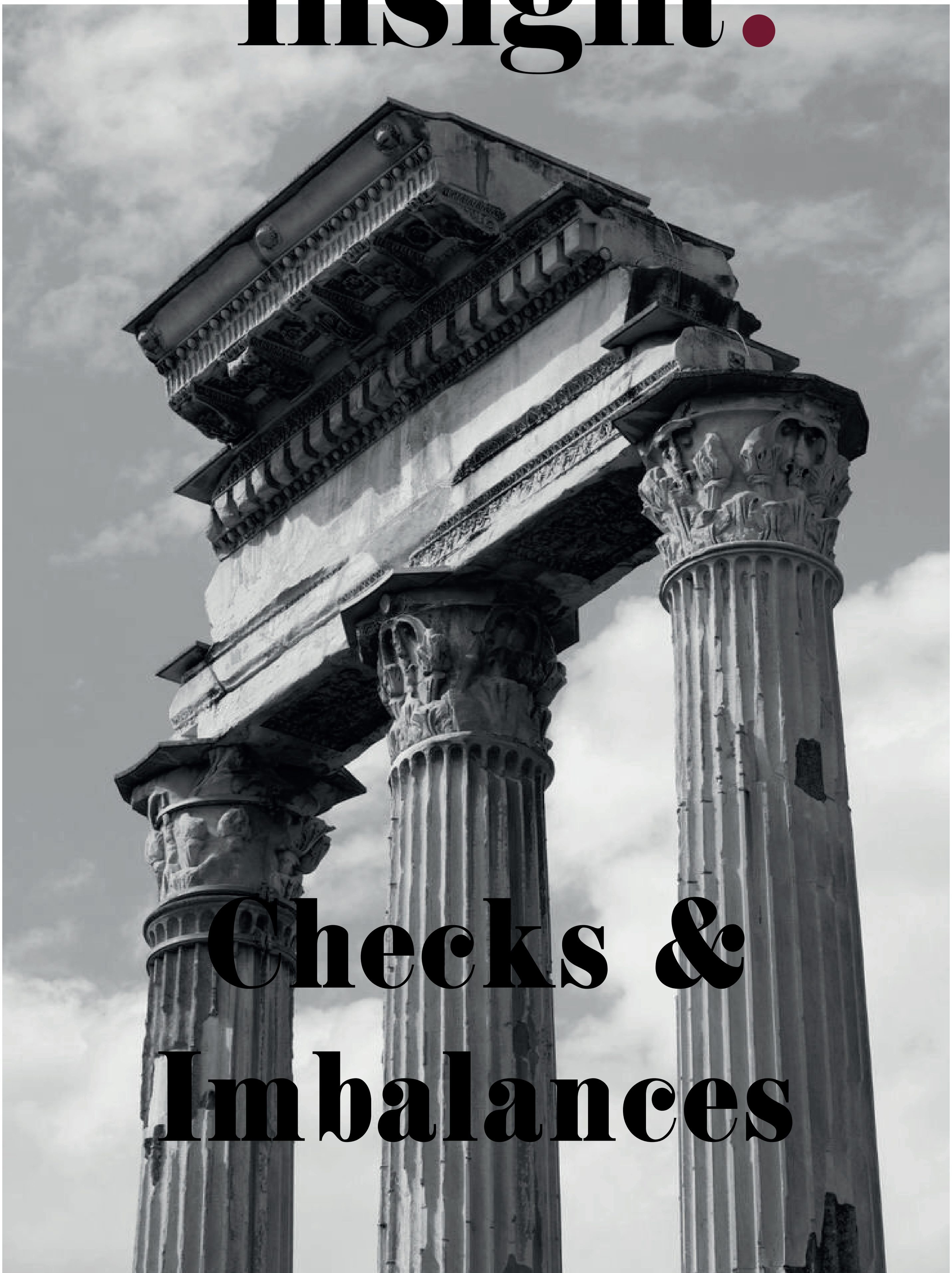

# Checks & Imbalances

# Letter from the Editor-in-Chief

Welcome to the 31st Issue of Insight Magazine!

I am thrilled to introduce 'Checks and Imbalances', an issue dedicated to the mounting pressures confronting post-war economic institutions and the challenges they have struggled to resolve. In this issue, our writers explore deteriorating fiscal positions, structural shifts in global reserve currencies, the erosion of international governance frameworks and the overlooked realities of domestic labour in Southeast Asia, amongst other critical topics. We are also pleased to feature a collaboration with Prosper Social Finance, offering a measured assessment of sustainability initiatives across the global financial sector.

I would like to extend our sincere thanks to the School of Economics for their continued support of the magazine, without which this publication would not be possible. Their support empowers students to experiment with ideas, explore emerging trends and engage critically with the world around them. Finally, my thanks also go to our writers alongside our editorial and production teams, for their commitment and hard work in bringing this issue to fruition.

All the best,

**Gabriel Pais Gaspar**

*ggaspar*

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# The Fiscal Balancing Act

# When Stability Breeds Instability: The OBR's Paradox

*Frederick Graham explores the advantages and limitations of the Office for Budget Responsibility, as he unpacks whether the OBR truly is an improvement from previous Treasury forecasts.*

Each time the Office for Budget Responsibility (OBR) publishes a forecast, Westminster holds its breath. An institution designed to calm Britain's fiscal nerves has become a source of uneasiness. The OBR was created to ensure responsible policy-making and give forecasts the economic credibility that the previous Treasury-forecasts, perpetually criticised for being too optimistic, could not. Yet several factors in the OBR's design and political environment — an obsession with arbitrary headroom levels, its ability to cause decision-making distortions, and the frequency of forecasts and fiscal events — mean that Britain's guardian of fiscal stability has contributed to the country's habit of short-term thinking.

**Born from Panic**

With the budget deficit at 10.1% of GDP in 2009, Britain was grappling with how to take control of public finances as the worst global financial crisis faded. To enhance the UK's credibility, and differentiate from the previous government's optimistic Treasury-led forecasts, George Osborne created the OBR in 2010 as an independent watchdog producing twice yearly forecasts on the UK economy. It worked. Even as borrowing climbed during the uncertainties of Brexit and Covid-19, there was relative fiscal stability and investor confidence. When Liz Truss, now infamously, tried governing without it, markets revolted. The 30 year government bond, a proxy for long-term fiscal credibility, jumped by 1.5 percentage points in the days following the budget. The OBR's absence proved its importance and its authority was cemented ushering in a new era of policymaking more tightly bound by its forecasts.

**Headroom Headaches**

Fiscal policy in Britain rests on a number so small it would be less than a rounding error in the national accounts. That being the fiscal headroom, the few billions the chancellor of the day leaves aside to meet their self-imposed borrowing rules, which dominates the policy discussions in the run up to any budget for fear of another market revolt. Now, part of the problem is how small recent headrooms have been – just £9.9 billion, a fraction of the UK's £2.5 trillion national output.

Yet the real problem is the fixation on arbitrary fiscal rules and an even more volatile forecasted headroom. The Institute for Fiscal Studies analysis notes tvhat a 0.1% drop in productivity assumptions would erase the 'headroom' entirely, prompting ministers to tinker with taxes and spending to restore the figure. However, the tweaking of the long-term fiscal strategy based on a best-guess projection at the economy five years down the line seems slightly impractical.

**The Scorekeeper's Dilemma**

Britain's watchdog is influencing the game it was designed to judge. Such is its authority that government policy is now designed with its verdict in mind. Treasury officials routinely propose multiple fiscal options to the body to see which performs best – such as the decision whether to cut income tax or national insurance. Like an overenthusiastic referee who blows their whistle at every tackle, eventually the players focus less on scoring goals than on avoiding their disapproval. This dependence has bred tension. Instead of being a neutral observer, policy decisions are made with the OBR's outcome in mind. The lobbying for the government's proposed planning reforms to be included in the forecast demonstrates an over-reliance on one arbiter at the expense of ministerial authority and mandate.

**A Better Balance**

The aftermath of the 2022 mini-budget proves that the creation of the body was technocratically rational. Yet it was its success that gave it outsized political power over government policymaking. The obsession with fiscal headroom and of the OBR's, not the country's, tick of approval has created a paradox: the institution mandated to ensure sensible governance has unintentionally distorted it.

While forecasts and fiscal rules are important, the government should seek a balanced approach, combining short-term prudence with their long-term goals to prevent slight changes in the forecast leading to policy volatility. Both politicians and the media must move on from their obsession with short term forecasts shaping long-term tax and spending decisions. Credibility based on constant ever-changing measurement risks undermining the very stability it was meant to secure. A government confident to look beyond the next forecast can prove that technocracy and its long-term vision for the country need not be at odds.

# The Price of Generosity: Can Scotland's Welfare Model Withstand a Fiscal Squeeze?

*Arran Robert Bridgeford examines Scotland's mounting fiscal challenges, exploring whether the nation's commitment to universal public services can endure within a tightening fiscal framework*

When the Scottish Parliament reconvenes following the Holyrood elections on 7th May, 129 newly elected MSPs will enter the debating chamber facing the toughest financial challenges since the advent of devolution in 1999. According to the latest forecasts from Scotland's independent economic forecaster, the Scottish Fiscal Commission (SFC), by the financial year 2029–30, the Scottish Government will be facing a predicted £4.7 billion black hole in its £68 billion budget. Bound by the current fiscal framework, MSPs will face a harsh choice: cut spending or raise taxes.

This looming black hole stems from both the limits of the current Scottish fiscal framework and the political choices that have shaped spending since 1999. Around 60% of the Scottish budget is received from the UK Government through the block grant or the Barnett Formula. The other 40% is raised from taxes devolved to the Scottish Parliament, primarily in the form of Scottish income tax. Currently, the Scottish Government is permitted to borrow up to £450 million for day-to-day expenditure and up to £3 billion for capital spending.. To unilaterally raise revenue, the Scottish Government is highly dependent on income taxes.

Since the creation of the Scottish Parliament in 1999, the Scottish Government has been run by parties of the centre-left. The Scottish Labour and Liberal Democrat parties ran a coalition government until 2007, and since then the SNP has been in charge. From 2021–24, it also brought into government the Scottish Green Party. All these parties have backed the principle of universalism in public services: everyone, regardless of income or need, receives the same service for free. This has resulted in Scots being able to take advantage of services such as free prescriptions, personal care, university tuition, and bus travel for under-22s or over-60s. Very few of these services exist for free in other parts of the UK, meaning the Scottish Government must find the revenue to pay for them from within its existing budget; there is no extra revenue received to fund this.

Following the 2014 Scottish Independence Referendum, representatives from the five Holyrood parties formed the Smith Commission. The commission's remit was to decide what new powers were to be devolved to the Scottish Parliament. Some of the most significant powers devolved were the complete power to set income tax rates and bands (except for the personal allowance). Control over several welfare payments were also devolved, including all disability payments and the power to create entirely new schemes.

Devolution of income tax meant that, for the first time, Scotland was responsible for raising a significant share of its budget. Since the tax powers came into force in April 2017, the SNP Government has repeatedly reformed the Scottish rates of income tax. What that means today is that anyone earning more than £30,318 a year in Scotland (approximately the median UK income) will pay more income tax than if they lived in another part of the United Kingdom, whilst anyone below that figure pays slightly less than their UK counterparts. Under the most re-

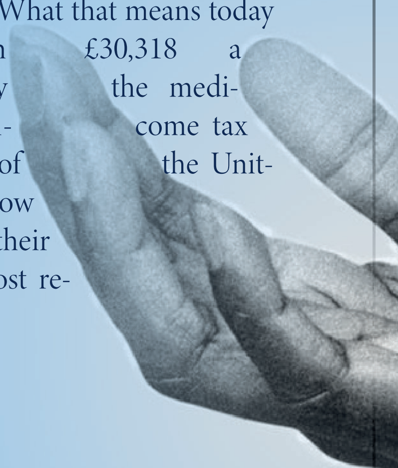


**Table 1: Scottish Income Tax Bands**

| Name of Band | Band (£) | Rate of Scottish Income tax |
|---|---|---|
| Starter | 12,571 - 15,397 | 19% |
| Basic | 15,398 - 27,491 | 20% |
| Intermediate | 27,492 - 43,662 | 21% |
| Higher | 43,663 - 75,000 | 42% |
| Advanced | 75,001 - 125,140 | 45% |
| Top | Over 125,140 | 48% |

**Table 2: United Kingdom Income Tax Bands**

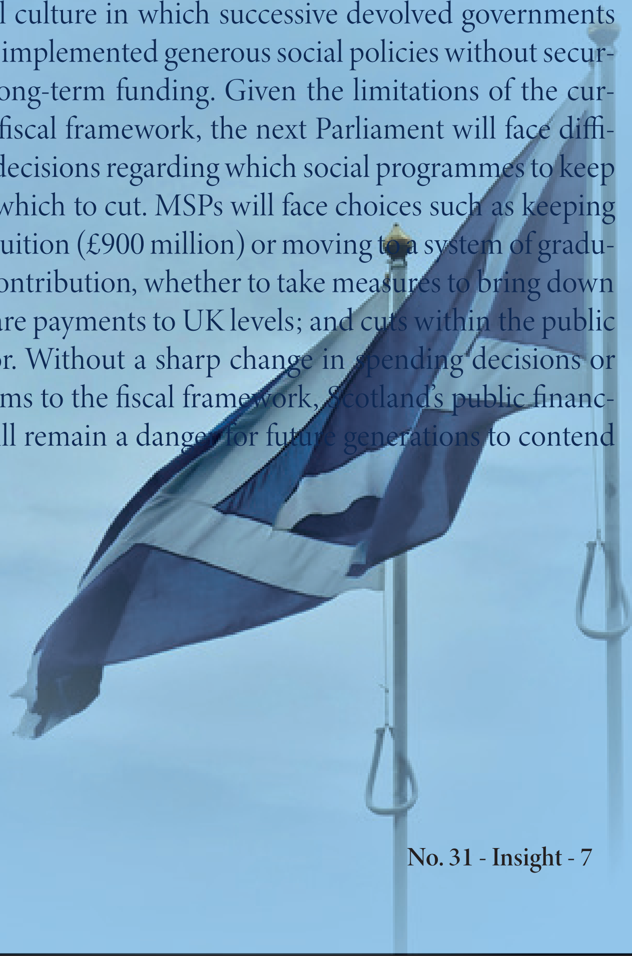
| Name of Band | Band (£) | Rate of UK Income Tax |
|---|---|---|
| Basic | 12,571 - 50,270 | 20% |
| Higher | 50,271 - 125,140 | 40% |
| Advanced | Over 125,140 | 45% |

These higher rates of tax have resulted in an extra £1.7 billion per year in revenue for the Scottish Government. However, this extra revenue is being generated from a relatively weak tax base with a large proportion of revenue being generated from a small number of higher earners. The most recent set of data relates to the 2023–24 tax year before the introduction of the Higher rate and increases in the Top rate, but what we can see is that 0.8% of Scots pay the 47% rate yet supply 17.8% of all income-tax receipts, the broader 42% band covers 17.3% of taxpayers and delivers 46.4%. So in Scotland, we see that one-fifth of the population pays nearly two-thirds of its income tax. Estimates from the SFC when the 2024-25 budget was published in December 2024 show that, after behavioural changes were considered, the introduction of the Advanced rate was estimated to raise £74 million, a figure approximately half of the static costs. For the increase in the Top rate to 48% pre-behavioural change, this measure should have raised £53 million, but the SFC estimated that it would, in fact, raise only £8 million, supporting the theories of prominent economists such as the infamous Laffer curve. Any increase in the tax bands — especially at the higher levels — is unlikely to bring in significant levels of extra revenue. Indeed, at this year's SNP conference, Finance Secretary Shona Robison admitted as much, saying, "I think we've reached the limits of what we can do around income tax and therefore we need to look beyond that."

The devolved welfare system is a more generous and therefore costlier one compared to that in the rest of the UK. As elsewhere post-Covid, Scotland has seen a rapid increase in labour-market inactivity, primarily due to individuals being diagnosed as long-term sick or disabled. The Scottish Government is responsible for the welfare payment to these individuals, called the Adult Disability Payment (ADP). As of April 2025, 476,295 people were in receipt of ADP, representing a 50% increase since March 2022. Over the same period in the rest of the UK, there was a 32% increase. This now costs the Scottish Government £3.6 billion annualy. The funding the Scottish Government receives for ADP is based on the UK's equivalent Personal Independence Payment (PIP). The number of people in receipt of ADP is 33% higher in Scotland than under PIP, resulting in the Scottish Government spending at least £381 million more per year on ADP than it receives from PIP block-grant adjustments. Using powers from the 2016 Scotland Act, in February 2021 the Scottish Government introduced the Scottish Child Payment to tackle child poverty. Under the scheme, low-income families receive £27.15 per week for each child under 16. The benefit has no UK equivalent, so the Scottish Government must fund it from its own budget. In the last financial year, the total cost was £457 million.

In addition to higher welfare spending, the size and cost of the public sector also adds significant pressure to the Scottish budget. Scottish public sector employment accounts for 22% of the workforce compared to 17% in England and the median hourly wage for these employers is about 5% higher compared to the rest of the UK. This gap opened after 2019 and widened sharply in 2023 and 2024. This is because, to avert public-sector strikes, the Scottish Government agreed with trade unions on large, inflation-busting pay increases that were far higher than those awarded across the rest of the UK. The additional cost of having a larger and better-paid public sector ultimately must come out of the Scottish Government's own budget. Even if the Scottish Government were to match the percentage increases in a given year awarded to the public sector workers in the rest of the UK, the revenue received through the block grant would not be enough to cover the cost due to the higher baseline levels of both pay and staff. Given that staffing costs account for half of the overall revenue budget of the Scottish Government, if cuts are to be made, it is likely that the size of the public sector will have to be reduced. Indeed, this is something that both current finance secretary Shona Robison MSP and her predecessor, deputy first minister Kate Forbes, have acknowledged.

Scotland's £4.7 billion black hole is the end result of a political culture in which successive devolved governments have implemented generous social policies without securing long-term funding. Given the limitations of the current fiscal framework, the next Parliament will face difficult decisions regarding which social programmes to keep and which to cut. MSPs will face choices such as keeping free tuition (£900 million) or moving to a system of graduate contribution, whether to take measures to bring down welfare payments to UK levels; and cuts within the public sector. Without a sharp change in spending decisions or reforms to the fiscal framework, Scotland's public finances will remain a danger for future generations to contend with.



# Double it and Give it to the Next Person:

## The challenge of fiscal responsibility during Colombia's 2026 election

*Jaroslav Vlasak examines Colombia's game of fiscal hot potato, where every administration spends beyond its means in order to ensure its re-election.*

Colombia is playing a dangerous game of hot potato debt as it enters its 2026 electoral cycle. As Gustavo Petro's presidency comes to an end, the country's looming fiscal condition is at the center of precandidates campaigning strategy. In 2011, Colombia enacted a fiscal rule that capped public debt to 70% of GDP and cannot exceed deficits of over 1.08%. Since then, the fiscal rule has been broken consecutively two times, effectively allowing the government in power to borrow without limit. First by Petro's predecessor, Ivan Duque, in response to the COVID crisis in 2020, and now by Petro in 2025 to finance his social spending interests. The current predicament is encapsulated within Colombia's 2026 electoral cycle. Within a highly polarized environment where candidates on the right describe the situation as dire while those on the left describe it as a heyday, a point of consensus is the necessity to embellish fiscal responsibility. Despite this, uncertainty remains as fiscal responsibility is strained during electoral cycles due to the interest of the party in power to spend and the innate political unpopularity of fiscal cuts.

### Campaign Promises

Attempting to fulfil his campaign promises and embellish his achievements, Petro has further strained Colombia's budget. Yet, his intentions do not line up with the country's fiscal capacities. For example, his pending pension reform, a core tenant of his government program that seeks to expand the reach and benefits of the scheme, holds significant challenges. Both the Ministry of Finance and the Department of Social Prosperity have pointed out the lack of funding and infrastructure to carry out the project. Fiscal irresponsibility such as this is further exacerbated by Colombia's current debt and deficit, an inheritance from COVID and a high-cost subsidy scheme for gasoline. As a result, Colombia's investment grading has been demoted by agencies such as Moody and S&P by one tier, "baa3" and "BB" respectively. Critically, this is below the investment grade, especially important for international investors lending to middle income economies.

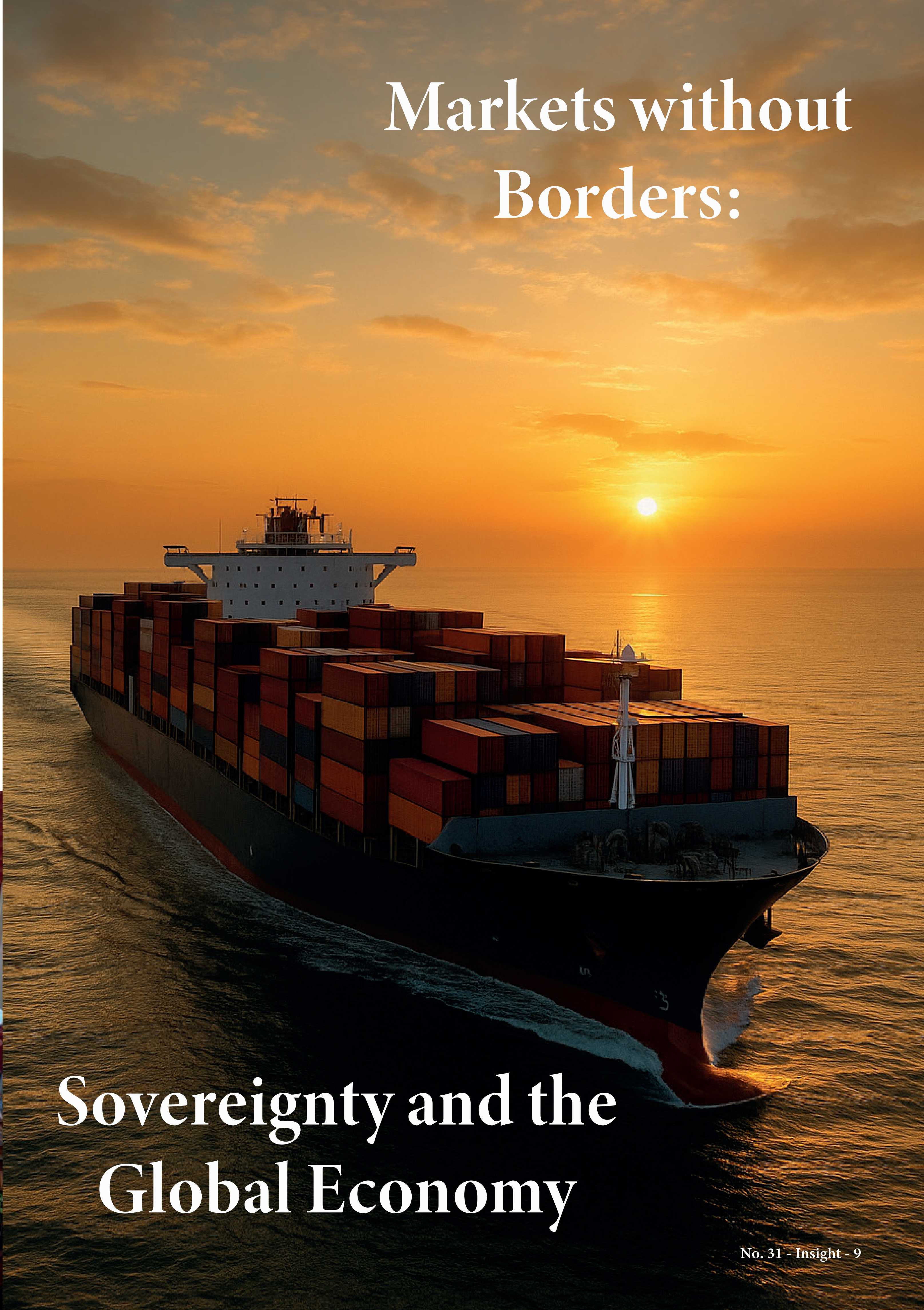
### Doubling Down

Despite the situation, Petro's administration has doubled down in pursuing further expenditures as shown by his 2026 national budget which depends on enacting a tributary reform to finance it. But such is easier said than done. Such a reform would hinge on being approved by a highly politicised congress which would challenge increasing taxes, especially as they approach an electoral period. This increase in expenditures is an attempt to further highlight the achievements of his coalition, Pacto Historico, as Petro reaches the end of his term. The tendency of governments to increase their expenditures during electoral cycles goes beyond Colombia as developing economies increase primary deficits by around 0.6 percentage points of GDP during electoral cycles, an effect that tends to be cumulative.

### Electoral Suicide

Simultaneously, fiscal responsibility innately holds unpopular political implications. While there is a consensus on the need to cut costs, precandidates continue to be silent about what sectors or redundancies should be targeted. This coincides with the fact that a significant amount of cost increases carried out by Petro relate to actions politically difficult to retract. Constant increases to minimum wages, a massive expansion of pension coverage, and massively creating provision of services contracts are political actions that are not easy targets of fiscal cuts given how it affects a significant voter base. Candidates abroad have been successful running on promoting fiscal responsibility, Milei's Argentina being a recent example. Yet unlike Argentina, Colombia is not in crisis as the impacts of high fiscal spending and consumption led growth have cushioned the effects of falling investment. As economic instability is a looming threat rather than an active one, maintaining support of significant voter bases such as government employees and other significant voter groups has led precandidates to steer clear from specifics when dictating where to cut. In addition, precandidates also run on the basis of increasing spending in sectors such as security and other critical topics in electoral debates. Such objectives limit a candidate's policy space as it enters the electoral race.

Colombia seems to be stuck in a trend of doubling it and giving it to the next person as Petro's presidency has furthered the government deficit. While fiscal responsibility is at the top of the discussion board in the 2026 electoral cycle, the implications it holds over both the government in power and candidates make it difficult to solve. Despite this uncertainty, much is still to be seen as Petro continues to push his array of reforms in the next months and precandidates compose their proposal repertoire for such a crucial election.



# Markets without Borders: Sovereignty and the Global Economy

# Suing the State:
## Private Courts and Public Money

*Esmé Thornhill-Davis reveals how the deliberately vague phrasing of international law became a weapon for corporations to rewrite the rules of global governance.*

When Ecuador terminated its investment agreement with Occidental Petroleum (Oxy) in 2006, the company sued for $1.77 billion – exceeding the nation's healthcare budget. Ecuador's move seemed justified: Oxy had sold 40% of its venture to Encana, another oil company, without government permission and in clear violation of their contract. Ironically, despite Oxy's initial wrongdoing, the arbitration tribunal deemed the company a victim of unlawful government interference in its legitimate business activities.

The ruling set a dangerous precedent: corporations can exploit vague wording in decades-old 'ISDS' investment agreements to sue states for enormous sums. As of June 2024, a total of $113 billion has been awarded against states to investors, with over half of all such cases filed after Oxy's 2012 award.

### The Logic Behind ISDS (Investor-State Dispute Settlement)

Foreign investors, typically publicly owned companies, establish business operations abroad but view some countries as 'riskier' investments than others. Low- and middle-income countries (LMICs) are perceived as higher risk due to concerns about corruption, asset seizure, and weaker institutions. These institutions are responsible for enforcing rules, protecting private property rights, and providing public services and utilities. For a mining corporation, fickle electricity supply or threats to business property create operational risks that might deter them from establishing in that country in the first place. Nevertheless, 'risky' countries can attract investment by credibly signalling their trustworthiness.

Enter ISDS, an obscure set of rules that allows foreign investors to directly sue countries for violating their investor rights. Signing onto ISDS is marketed by organisations like the World Bank's ICSID (International Centre for Settlement of Investment Disputes) as a commitment device that makes a country more attractive for Foreign Direct Investment (FDI).This might seem like a neat economic solution to a classic prisoner's dilemma situation: the country attracts more FDI, investors gain safer entry into new markets, and both parties gain more than they would have when they distrusted each other.

### The Big Imbalance

The way the ISDS system is set up makes it one of the most overtly biased parts of the global economic system.

The main criticism is the major imbalance between the rights of investors vs states. Investor rights are set out in investment agreements between the investor's home state and host state. Most agreements grant foreign investors the right to "full protection and security", "fair and equitable treatment", and the right not to be "directly or indirectly expropriated" without full compensation. The vagueness of the protection is purposeful and critical.

For instance, what constitutes "fair and equitable treatment"?

In line with its Paris Agreement commitments to reduce fossil fuel emissions, Italy banned oil drilling within 12 miles of its coastline. This led to Rockhopper Exploration successfully suing Italy for £210 million in 2022 for introducing a policy that would affect their future earnings. In this instance, "fair treatment" of Rockhopper was not being subject to critical environmental laws. The right to compensation for "expropriation" allowed Rockhopper to sue for the current value of their investments, £33 million, but also the future value of their investments, £177 million. In other words, Rockhopper could sue for damages equivalent to whatever they claimed was going to be the company's projected profits over the next 20 years. This is not an isolated concern. ISDS is written into the Energy Charter Treaty (ECT), signed by 53 countries, including the UK. This means energy companies investing in any of these countries can sue over the passing of similar environmental policies.

Regulatory chill is therefore another potent consequence of ISDS.

The average cost of legal fees per case is $8 million and the average duration of proceedings is 3.5 years. Knowing this, investors may sue countries even when they know they will lose to delay the passing of undesirable regulations and to discourage other countries from passing similar legislation. Tobacco company Phillip Morris, employed this tactic in 2011, suing the Australian government for $4.1 billion for mandating plain cigarette packaging with graphic health warnings. Phillip Morris argued that the public health measure breached its investment agreement with Australia because it would damage its marketing and company profits. Even though Phillip Morris lost, the case continued until 2015 and delayed the state's ability to pass legislation to the benefit of public health. Moreover, the threat of being confronted with a similar case, and incurring millions in legal fees had a chilling effect beyond just Australia: plans to introduce similar laws were suspended in New Zealand and other countries in Africa and Asia. To this day, over 30 African countries still allow cigarettes to be sold without graphic health warnings.

The imbalance at the country-level is stark: 81% of investors suing under ISDS are from developed countries, while 62% of sued countries are developing. Yet even when developed countries are sued, as with Italy and Australia, the regulatory chill disproportionately impacts developing countries. These nations, with fewer resources to spend on protracted legal battles and the greatest vulnerabilities to climate change, are more likely to abandon progressive policies than risk potentially billion-dollar penalties.

The imbalance worsens with ISDS's single-party liability clause.

This means the justice ISDS delivers is only available to investors, i.e. governments cannot sue companies even if they break domestic laws or violate human rights. This is a major problem because, as in the case of Ecuador and Oxy, even if the investor breaches the contract first, pursuing any kind of recourse exposes the country to the risk of being sued. The fact that investors are free of even the most basic corporate responsibilities under ISDS has led fossil fuel companies to abuse it as a powerful tool against climate legislation. One third of all ISDS cases involve fossil-fuel industries. In Latin America alone, governments have had to pay investors $33.6 billion which is 33% more than the amount 50 years of climate disasters have cost the region.

The ISDS arbitration process lacks accountability, is highly enforceable and cannot be appealed even when tribunals have made mistakes or misunderstood the facts. Tribunals are generally composed of three arbitrators: one appointed by the investor, another by the state and the third jointly.

There is only a small pool of arbitrators appointed repeatedly, the majority of whom are officials from developed countries. This commonly leads to narrow and elitist interpretations of international law. Even when the investor and state agree on an interpretation of their agreement, tribunals may depart from that in favour of their own. Tribunals also often draw on previous ISDS decisions, meaning the trend of massive awards will likely continue. On average, states

agreement, tribunals may depart from that in favour of their own. Tribunals also often draw on previous ISDS decisions, meaning the trend of massive awards will likely continue. On average, states pay $169.5 million per loss. This is again particularly consequential for LMICs, where awards consume resources that would otherwise fund development. And what's more - if states fail to pay, investors may even seize government assets.

**A System Born Out of Colonialism**

ISDS is not a modern invention. It was first devised in the 1950s due to growing concerns amongst multinational corporations that newly independent states might nationalise their natural resource industries and expropriate colonial investments. Initially, as illustrated below there was little interest in signing bilateral investment treaties (BITs) underwritten by ISDS. The 1970s boom in commodity prices had consolidated the economic power of Global South countries and resulted in an increasing number of expropriations as countries sought to harness the increased revenues. Only with the onset of the 1980s debt crisis, when commodity prices fell and countries became desperate for new sources of financing, were the World Bank and Western governments able to successfully promote ISDS. In the 1990s, the signing of ISDS investment treaties exploded, with the majority negotiated in mere hours or days. But it was not until the 2000s that the threat ISDS posed to national sovereignty became apparent, even to the Western governments that designed it.

The profound imbalances of ISDS, single party liability, vague investor rights weaponised against public policy, and rulings that drain public resources, represent a crisis for the legitimacy of global economic governance. Few systems have sparked more controversy or public backlash than ISDS. Sustainable reform requires new dispute mechanisms that balance investor protection with state priorities and sovereignty. Progress has been slow, but in an era of declining faith in international systems, ISDS is one area where countries are still working collectively toward reform. The question is, will they go far enough?

# De-Dollarisation and the Struggle for Sovereignty

*Lucy Reeve explores the global trend toward de-dollarisation, tracing how nations are challenging the U.S. dollar's dominance to reclaim economic sovereignty in an increasingly multipolar world.*

**"The dollar is our currency, but it's your problem." - John Connally, U.S. Treasury Secretary, 1971.**

The dollar has long been central in global trade and finance. Since May 2023, Argentina has settled trade with China in yuan, rather than U.S. dollars, signaling a shift away from dollar dependence. Similar arrangements in Russia, India, and Saudi Arabia further raise questions about the future of the dollar's global role and reflect a growing desire among countries to reclaim economic sovereignty.

Dollarisation refers to the process by which a country adopts a foreign currency, most commonly the U.S. dollar, for domestic use. This may mean using the dollar alongside a local currency or replacing the national currency entirely. In simple terms, dollarisation means people or governments in that country use the dollar rather than their own money to buy goods, save money, and measure prices. This practice is especially true in foreign reserves, international trade, and debt repayments.

The U.S. dollar's dominance is both practical and symbolic. Practically, it held 58% of global foreign reserves in 2024. This shows its role in stabilising currencies and facilitating trade. Symbolically, the dollar sign ($) is one of the world's most recognisable icons; it appears in pop culture, fashion, and art. The dollar represents not only currency, but also capitalism and U.S. power.

This dual identity means de-dollarisation is not a mere technical shift—it is a challenge to the political and economic order that the dollar has come to represent. Above all, de-dollarisation has become a modern struggle for economic sovereignty.

The roots of dollarisation trace back to the Bretton Woods system, established in 1944. Under this framework, gold was convertible into dollars, and other currencies were pegged to the dollar; this is when a country fixes its exchange rate to the dollar. By 1947, the U.S. held over two-thirds of global gold reserves, entrenching the dollar's dominance. Aside from gold, Bretton Woods also established processes for conducting trade and for accessing the dollar-based capital markets.

The dollar's position changed in 1971 when President Nixon ended its convertibility into gold, known as the 'Nixon shock.' This ended the Bretton Woods system, a post-World War II arrangement that fixed exchange rates using gold, and began fiat currency regimes, in which money is not backed by a physical commodity. Paradoxically, the dollar's dominance deepened in the years that followed. Why? This was because by 1971, the dollar was already deeply embedded in the global economic architecture, and no viable alternative had emerged. The U.S. was a global superpower. Financial markets were centered there. Oil was priced in dollars. Together, these factors reinforced its central role.

Even after 1971, the dollar's dominance was strengthened by economic crises. High inflation was a recurring issue throughout the 20th (and even 21st) centuries, prompting widespread dollarisation. Countries like Ecuador, El Salvador, Zimbabwe, and Timor-Leste experienced prolonged inflation and currency depreciation. As their currencies weakened, governments and citizens turned to the dollar as a more stable alternative. In many cases, it became a reserve asset held by central banks to stabilise exchange rates and a trusted medium of exchange, offeringprotection against volatility. This reliance reflects the dollar's role as a financial tool and a symbol of economic security.

Despite this historic centrality, shifts are becoming apparent. If most people regard the dollar as the cornerstone of global financial stability, why do countries like Argentina and Brazil settle trade in Chinese yuan, and why is the dollar's share in global foreign exchange reserves declining?

These developments are less surprising when viewed through the lens of historical volatility and external dependence. Brazil has faced major economic fluctuations due to the dollar's appreciation and depreciation. The Federal Reserve's interest rate hiking in 2023 triggered capital flight from emerging markets, making dollar-denominated debt harder to service. In contrast, short-term borrowing in yuan has become cheaper due to interest rate differentials. In economies with de facto dollarisation, where residents use the dollar for daily transactions and savings, monetary policy becomes less effective as central banks lose control over liquidity and inflation targeting. This reduces monetary autonomy and makes domestic economies more vulnerable to external shocks.

One of the greatest drivers of de-dollarisation has been the recent use of sanctions as a tool of U.S. foreign policy. Russia faced substantial financial restrictions following its renewed invasion of Ukraine in 2022, such as the freezing of dollar assets held by Russian citizens and the Russian Central Bank. This prompted Russia to sell commodities in non-dollar currencies as a workaround. It has also reminded other countries of their exposure to dollar-based systems and sanctions. Other states followed suit and reassessed their exposure to U.S.-controlled financial systems.

As a result of facing U.S. sanctions, South Africa and China have explored the petroyuan—oil traded in Chinese yuan—as an alternative to the petrodollar, which refers to oil traded globally in U.S. dollars.

The use of long-arm jurisdiction has raised concerns about the durability of dollar-based systems. When the Trump administration withdrew from the Iran nuclear agreement and reimposed sanctions, it sparked debate over how countries can protect themselves from unpredictable U.S. policies. The dollar's volatility, such as its 10% depreciation against other major currencies following a single national election, shows the risks of overdependence. Since 2017, China's rate of dollar use has declined, coinciding with rising geopolitical tensions with the U.S..

This decline has occurred alongside the development of the digital yuan, or e-CNY, which is China's central bank digital currency (CBDC). Unlike wholesale CBDCs, which serve only financial institutions, the e-CNY is a retail CBDC used by the general public for everyday retail transactions. While its core purpose is to replace physical cash within China's domestic economy, its integration into Hong Kong, where it is now accepted in shops, signals China's broader ambitions for internationalisation. Beyond Hong Kong, China is working with the Bank for International Settlements and several other central banks to develop a cross-border payments platform using CBDCs. These efforts suggest that the e-CNY could soon play a more prominent role in global finance.

Most economists agree that the dollar will remain the world's dominant currency for the foreseeable future; no single alternative matches its liquidity and infrastructure. Yet the landscape is shifting. Loans are increasingly denominated in yuan, and countries such as India and Malaysia now settle trade in rupees. This suggests movement toward currency diversification rather than replacement. The motivations behind de-dollarisation are also its potential advantages. Countries start seeking greater monetary autonomy. In commodity trade, shifting away from dollar pricing reduces the need for precautionary dollar reserves, freeing capital for domestic priorities.

De-dollarisation also challenges privileges long enjoyed by the United States. The dollar's global role allows the U.S. to finance deficits cheaply. Borrowing costs for the US are also low, as international investors consistently purchase U.S. Treasury bonds, helping to keep rates low. If demand falls, the U.S. may need to offer higher rates to attract buyers, weakening its leverage. For countries dissatisfied with the status quo, this is an opportunity to recalibrate the global hierarchy.

Still, the transition carries risk. The global financial system is deeply embedded in dollar-based infrastructure, and untangling it requires time and coordination. Investors may view de-dollarisation as destabilising, prompting capital flight and currency depreciation. Unpegging from the dollar can reintroduce exchange-rate volatility —the very issue many countries sought to avoid. While alternatives like the yuan and rupee are gaining popularity, they face skepticism over political risk and transparency.

For now, the dollar remains entrenched. Dollar deposits are growing across emerging markets, and the USD still dominates foreign exchange volumes. But its supremacy is no longer absolute.

The irony is that the dollar has long served as both a check on global instability and a source of imbalance. Its dominance gives the U.S. unique privileges, but for many countries, those privileges translate into vulnerability and dependence. At its core, de-dollarisation is not just a reaction to volatility; it is the assertion of sovereignty—a recalibration of a global order that has disproportionately served some while exposing others to risk.

# Green is the New Gold:

## But Can Sustainable Finance Be More Than a Feel-Good Facade?

***Satvik Singla** as Head of Strategic Relations at Prosper Social Finance examines the promise and paradox of sustainable finance, exploring whether markets can genuinely balance profit with purpose or if the green transition risks becoming little more than a feel-good façade.*

Finance rarely behaves itself. From the speculative frenzies of the 17th century to the 2008 collapse, markets have lurched between booms, busts, and reform. A new attempt at self-correction,—couched in the language of sustainability and responsibility, is underway. The ambition is familiar: to curb excess without curbing growth.

Sustainable finance is central to this shift. It aims to guide capital flows with non-financial metrics, embedding environmental, social, and governance factors into investment decisions. Think of it as a built-in brake system for markets, a way of aligning finance with public good without abandoning profit. But can an amoral system learn to behave?

Once a niche practice among religious and ethical investors, Socially Responsible Investment (SRI) has entered the mainstream. Das's work on fund performance during crises suggests that SRI funds with high ESG ratings tend to outperform peers in downturns, suggesting values-based investing offers both resilience and conscience. Yet the relationship between ESG scores and financial performance remains inconsistent over the long term.

Green finance takes a more technical approach, tying environmental outcomes directly to financial instruments. Green bonds, sustainability-linked loans, and transition finance vehicles promise to fund the energy transition in ways that are both profitable and provable. Issuers access better rates if they hit emissions targets; investors can track impact alongside returns. In theory, responsibility is rewarded and failure is punished. However, the ideal meets friction in day-to-day application. In practice, green finance's greatest weakness mirrors much of the ESG ecosystem: inconsistent standards. In emerging markets, weak regulation often lets foreign investors and parent companies dictate the rules, resulting in a fragmented environment. This patchwork punishes ambition and misallocates green capital, leaving first movers disadvantaged against less principled rivals.

ESG frameworks were meant to solve this. By quantifying corporate behaviour, ESG promised transparency and comparability. But as Cesarone points out in his study on ESG rating inconsistencies, ratings agencies often disagree on both scoring methods and definitions.One study found correlations between ESG scores from different providers as low as 0.3—roughly the same level of agreement as between horoscopes and personality traits. These inconsistencies do more than confuse, they create fertile ground for greenwashing. As ESMA's 2024 report notes, regulators still struggle with data, enforcement, and clear rules—allowing sustainability claims to outpace verification.

Examples abound: some companies issue green bonds while expanding fossil fuel operations; others claim ESG compliance while investing in carbon-heavy industries. Dempere shows how selective reporting and vague language can conceal poor environmental performance.

In the loan market, the rise of sustainability-linked instruments has been accompanied by increased scrutiny. This is not just an emerging-market issue. A 2023 KPMG review found that over half of EU green claims were unsubstantiated or misleading. Even the EU Taxonomy faces lobbying and dilution, reminding us that at its core the financial sector is deeply political.

Meanwhile, ESG capital flows remain highly unequal. According to the Network for Greening the Financial System, the vast majority of sustainable investment flows to already low-emission sectors in developed economies. Carbon-intensive sectors in the Global South, those in most need of transition, are often locked out by risk perceptions and data gaps. This is not just a problem of fairness—it is a failure of effectiveness.

Can investor actions fill the regulatory gap? Shareholder activism has surged, as pension funds and asset managers push for ESG alignment. Some use proxy votes to demand board or policy changes. This pressure sometimes works, but activism's reach is limited by scale and structure. Most global finance remains short-term focused, and without enforcement, stewardship is often ignored.

What would effective checks and balances require? First, a shared language: harmonised taxonomies, metrics, and required disclosures. Verification tools matter too. ESMA's push for better technology and data is a start, but change is slow. Second, broaden access. Blended finance, transition bonds, and credit enhancement can channel capital into high-need regions, but not yet at scale. Third, impact must be measured, not merely signalled. ESG investing has too often relied on inputs (policies, intentions) rather than outputs (emissions reductions, human rights outcomes). That must change. As the NGFS notes, aligning capital with climate goals is not just a moral imperative but an economic one. Without structural change, the financial system itself may become a source of systemic risk.

Some argue that all of this misses the point, that finance is incapable of policing itself, and that only public policy can provide genuine discipline. There is truth in that. Markets respond to incentives, not ethics. But in a global system where governance is fragmented and enforcement patchy, financial self-regulation is often the only game in town.

Sustainable finance remains more promising than practiced—but it is a promise worth pursuing. Some argue, as Prosper Social Finance does, that resilience, equity, and accountability must be treated not as externalities but as core market functions. If finance is to deliver long-term returns, it must also deliver trust. And that requires more than green labels. It requires rules, consequences, and above all, clarity.

Whether sustainable finance becomes a safeguard or another bubble depends not on its principles, but on its plumbing. The checks are being written. The question is whether the balances will follow.

# Special Feature:

# Public Health

# When Cures Don't Pay:
## The Collapse of the Antibiotic Market

*Antibiotics play a crucial role in modern medicine, tackling microbial infections that plague the world. However, the immense costs of innovation and production limit its supply. **Carolina McVey** illustrates the struggle of the antibiotics market in solving the current international shortages, while proposing potential solutions to address them.*

Few products have done more for humanity, and earned less from it, than antibiotics. Their success has become their undoing: the better they work, the less they sell. Drugmakers have moved on to more profitable ailments, and the antibiotic pipeline has quietly run dry. Meanwhile, as antimicrobial resistance (AMR) proliferates, our current antibiotics become less effective against resistant mutants. Without novel antibiotics, what was once modern medicine's most reliable safety net is now fraying, and the toll is starting to show.

According to global estimates, 4.71 million deaths in 2021 were associated with AMR, far surpassing HIV and malaria's death toll. At this pace, annual deaths are forecasted to reach 8.22 million by 2050, resulting in an additional $1 trillion in healthcare costs. These are daunting numbers, but not fate. With the right incentives, the world can outsmart the microbes yet. A combined approach of improved treatments, enhanced vaccination programmes and, most importantly, antibiotic innovation, could reduce costs by $97 billion.

It seems an odd predicament. Drugs that underpin all modern healthcare are no longer worth developing. Understanding why quickly leads from biology to balance sheets.

The antibacterial market's value sits at around $42 billion. A large number certainly, but, at 3% of the pharmaceutical market, it pales in comparison to oncology, inflammation and diabetes. Antibiotics, being the miraculous drugs they are, typically involve treatments lasting less than two weeks. Their revenues are no match to those generated by chronic-disease drugs, characterised by long-term, repeated use. This has large implications for costly research and development investment.

Antibiotics are expensive to develop, more so than other drugs. Drugmakers must overcome the scientific hurdles of creating medicines that target live pathogens while navigating costly clinical trials (pre and post approval). The leap from preclinical research stage to achieving regulatory approval can take between 10-15 years, with a success rate under 3.5%. Unsurprisingly, investors aren't keen to take the risk, leaving a notable funding gap often referred to as the "valley of death". When these costs are weighed against potential revenues, antibiotic development becomes an unattractive proposition.

Generally, sustainable annual revenue for drug developers hovers around $300 million, yet most antibiotic companies make between $15 and $50 million in annual sales. In comparison, chronic diseases generate over $800 million annually. This stark difference highlights the challenges facing the financial sustainability of the antibiotic industry.

The antibiotic market faces several problems that limit profitability. For one, antibacterial drugs were among the earliest to be developed and marketed, with the sulphonamides in the 1930s and penicillin in 1945, making it a highly genericised market by now. Secondly, there is often a significant time lag between approval and clinical guidelines. Finally, more recently in the past decade, stewardship programs, while vital to combating AMR, can also reduce sales. They implement policies that curb unnecessary or excessive antibiotic prescribing, which while being recommended by the WHO, has led to a 10% reduction in prescriptions and roughly 28% drop in consumption rates.

Nonetheless, global antibiotic sales volumes have increased due to rising demand and broader use. Paradoxically, this has coincided with a stagnating total market value, which does not bode well for rising AMR.

The antibiotic industry has been shrinking in plain sight. What was once a crowded race among pharmaceutical giants has thinned to a handful of small biotech firms and university labs. The numbers tell the story. Big pharma's share of antibiotic R&D has tumbled from roughly 75% in the 1980s to under 20% today. The pipeline has withered accordingly: 21 approvals in the 1990s, 6 in the 2000s, and barely a dozen since. Of the latest batch, a third have already been shelved, their makers bankrupt or sold off before profits materialised. Achaogen, for instance, brought Plazomicin to market in 2018, only to file for bankruptcy a year later. Melinta Therapeutics followed a similar path. What remains of the field now rests with small biotech ventures and academic projects, neither equipped to supply a future with effective drugs against resistant pathogens.

The effects are not confined to the laboratory. As investment and capacity have ebbed, even the manufacture of long-established antibiotics has become precarious.

Shortages have gradually developed from mostly temporary local incidents to persistent worldwide phenomena, especially in low and middle-income countries. Shortages are common in the pharmaceutical industry, but, worryingly, they are 42% more likely for antibiotics. Fragility in antibiotic supply reflects the same incentives that have thinned innovation. With low margins, high compliance costs, and heavy reliance on imported raw materials (notably active pharmaceutical ingredients from China and India), manufacturers have little reason to maintain excess capacity. A single factory outage can leave whole regions short of essential drugs.

When antibiotics run short, doctors must improvise: Doctors may delay treatments, or be forced to turn to broader-spectrum alternatives that, although reasonably effective, may act as breeding grounds for resistance. During the 2023 amoxicillin shortage, nearly half of hospital databases in the US, UK, and Belgium reported drops of a third or more in use, forcing widespread substitutions and rationing. Pharmacists spend hours juggling backorders, wards report cost overruns and patients stay longer in care.

Governments and health institutions have not been idle. Stewardship programs, regulations, and incentive schemes aim to curb resistance and stabilize supply. Yet, despite these measures, the imbalance persists.

Push incentives have been introduced, notably CARB-X, which provides partial public and private funding for early R&D. This support is critical for developers pursuing needed antibacterials. Unfortunately, none of these well-meant incentives shield a company from commercial failure. Achaogen's collapse, often blamed on overspending and a narrow market, also exposed a flaw that runs deep: the economics of antibiotics simply do not add up. Once a new drug is approved, stewardship limits its sales, leaving small biotechs without steady revenue to offset the hundreds of millions sunk into development. With investors wary and larger firms long gone, these companies survive on dwindling cash and short-term funding rounds. Reaching break-even for a single antibiotic can cost $250–400 million, yet the average antibiotic developer on NASDAQ is valued at barely a tenth of what's needed to raise that sum. The result is a market where innovation succeeds scientifically but fails economically.

Pull incentives, much like the UK's PASTEUR Act and similar "subscription" or "market entry" models, delink profit from sales volume, aligning with stewardship goals by discouraging overuse. However, compared to push incentives, they lag behind and have been underfunded, struggling to scale up.

Regulation and slow approvals remain considerable deterrents. Paratek Pharmaceuticals, for example, suspended antibiotic development for around four years due to uncertainty around FDA guidelines and trial endpoints, delaying market entry and causing substantial financial loss.

Reviving antibiotic innovation requires a coordinated approach linking regulation, funding, and industry engagement. Harmonised regulatory requirements, paired with clear, science-based guidance on trial endpoints, would reduce uncertainty and shorten development times. This acts as a small but critical nudge that makes investors reconsider what currently looks like a high-risk, low-return market. Predictable regulatory frameworks also amplify the impact of incentives. Early-stage grants from CARB-X or the AMR Action Fund foment discovery, but without large, reliable pull rewards (such as €500 million market entry prizes or EU-level subscription schemes) investment alone cannot sustain a pipeline.

Additionally, public-private partnerships illustrate how collaboration between governments, academia, NGOs, and industry can pool expertise, share risk, and tackle challenges that no single actor could resolve. At the same time, enticing large pharmaceutical firms back into the space is essential, as their scale, regulatory experience, and global reach amplify the impact of both incentives and partnerships. Integrating these levers could finally revive the market. It would begin to correct the systemic imbalances that hollowed it, creating an environment where innovation, stewardship, and accessibility reinforce one another rather than work at cross-purposes.

Amid the calculus of profit and loss, the stakes are clear. Antibiotics underpin surgeries, cancer therapies, and pandemic response. Without new effective drugs, medical progress will stall. The economic burden of antimicrobial resistance already reaches billions annually, and unchecked, it could escalate into trillions through lost productivity, longer hospital stays and strained intensive care capacity. In a world still recovering from COVID-19, the absence of innovation risks intensifying future outbreaks, as secondary bacterial infections become harder to treat.

Systemic reform is needed: coherent push and pull incentives, streamlined regulatory frameworks, and renewed engagement from large pharmaceutical firms through public-private partnerships could restore a sustainable pipeline. Without alignment between public health priorities and market incentives, the consequences will extend beyond mortality to disrupt health systems and economic stability alike.

# Unequal Exchanges

## The Economics of Power & Privilege

# Taxing the untouchable: How and Why Institutions Protect the Powerful

*Zara Spendiff explores political tax avoidance, discussing why this pattern of weak accountability has arisen and what institutional changes are required for increased robust enforcement.*

As John Maynard Keynes said: "Avoidance of taxes is the only intellectual pursuit that carries any reward." From the ultra-wealthy to elected officials, tax avoidance has become a marker of privilege rather than a moral failing. Institutional economics, which views economies as patterned systems shaped by political and cultural contexts rather than individual choices, helps explain why checks and balances so often fail to hold elites accountable. The recent controversies surrounding Angela Rayner and Akshata Murty reveal not just personal transgressions but a deeper imbalance: institutions shielding the powerful rather than holding them to account.

Angela Rayner, the former deputy PM and Secretary of State for Housing, admitted she underpaid stamp duty on her £800,000 flat in Hove. By declaring it her only property, she paid £30,000 instead of the £70,000 due on a second home. Her previous property had been placed into a trust for her disabled son, which, under tax law, means she is still deemed to be the owner of the home. Rayner claimed she was "badly advised," yet her experience made this defence seem careless. She resigned after it was ruled that she breached the ministerial code, but she still holds her seat as MP for Ashton-under-Lyne. The sanction came only after sustained media and public pressure, highlighting how accountability mechanisms react to scandal rather than prevent it.

Similarly, Akshata Murty, wife of former Prime Minister Rishi Sunak, has legally avoided millions in tax through her non-domicile status, which exempts overseas income from domestic taxation. As a shareholder in her father's company Infosys, she earns approximately £11.5 million in annual dividends, mostly taxed in India at 20%, leaving only 19.5% that can be taxed in the UK, rather than the full 39.5%. Since 2015, it is estimated that she has avoided over £15 million in taxes. Whilst lawful, this arrangement blurs ethical lines given her husband's political status, demonstrating how those closest to power can bypass the systems they influence.

Together, these cases illustrate the erosion of checks and balances. Parliamentary standards, ethics committees, and media scrutiny are designed to uphold integrity; however, they have become increasingly politicised and reactive. In Rayner's case, investigation followed headlines, not principle; in Murty's, scrutiny was softened by proximity to power. These are not isolated failings but symptoms of what institutional economics calls path dependency. Tax avoidance by politicians is not just about individuals exploiting loopholes but represents a bigger institutional culture of politics and accountability.

Within elite political circles, attitudes, such as viewing tax avoidance as acceptable, are socially acquired through enculturation: minimising tax liability is normalised as "smart" rather than unethical. Over time, evolution ensures institutions adapt away from fairness and toward the interests of those who dominate them. Once an institutional arrangement, such as favourable tax treatment for elites, is established, vested interests will defend it. This explains how path dependency protects tax loopholes and why they are slow to close, even after public scandal.

In practice, political bargaining and selective enforcement shape institutions, changing only when the interests of the coalitions that dominate them shift. Politicians and elites play a repeated game: weighing short-term gains of avoidance against potential costs. When enforcement is weak and coalitions are strong, the rational move is to continue such practices. Weak methods of accountability lower the "penalty" payoff, while the cost of exposing wrongdoing brings greater personal or political cost than benefit. This tacit "non-aggression pact" preserves stability but erodes accountability, making avoidance more attractive. If elites repeatedly evade taxes without serious sanction, norms shift and avoidance becomes institutionalised. Avoidance is not an exception; it is an outcome of how global institutions, society, and technology serve capital over fairness.

Ultimately, these patterns of reactive oversight, politicised enforcement, and elite privilege, expose how checks designed to ensure accountability reinforce inequality on a structural level. However, institutional economics also reminds us that systems do evolve. It's principle of empiricism stresses the importance of learning from cases like Rayner and Murty to reveal how power operates within rules and policy. Reform is possible but restoring public trust and some form of legitimacy in the tax system requires more than punishing individuals, but also rebuilding institutions to reward fairness rather than strategic self-interest and ensuring that those who write the rules are bound by them.

# Who Cares for Caregivers: The Unseen Side of Migrant Domestic Work in Asia

*The role of migrant domestic work in shaping the workforce in Asian countries today often goes overlooked. Diya Sarizal Yusman shines light on this invisible labour force and the challenges they endure.*

Over the past 40 years, rising female labour force participation has transformed Asia's economy. In Hong Kong, the share of women in the labour force has increased from 45.7% in 1980 to 52.2% in 2023. In Singapore, it surged from 44.4% to 62.6%, and in Malaysia from 36.8% to 55.8% over the same period. These figures not only reflect the greater educational attainment and progressive labour policies, but also the often overlooked contributions of domestic workers.

By shouldering household chores, childcare and eldercare, domestic workers allow women to join the formal labour market, making them a key enabler of dual-income households. They quietly sustain economic growth in Asian countries, where approximately 40.8% of the world's 52.6 million domestic workers are employed. Despite their key role in Asia's economic growth, their importance remains unacknowledged, and countries often fail to appropriately enforce the institutions that protect them from exploitation.

**The Economic Importance of Domestic Work**

Many Migrant Domestic Workers (MDWs) leave behind families in rural or impoverished areas, under the allure of better wages and the chance to support their families' livelihoods. In exporting nations, such as the Philippines, Indonesia and Myanmar, domestic work is a crucial source of remittance income. For instance, in the Philippines, remittances from overseas workers account for nearly 9% of GDP, supporting household consumption and regional development. Remittances that boost consumption could assist human development through indirect investments in healthcare, schools and real estate.

For receiving economies such as Hong Kong, Singapore and Malaysia, MDWs are essential to maintaining high levels of labour participation among women, sometimes being acknowledged as the backbone of Asia's emerging economies. In Malaysia and Singapore, there is evidence that increasing demand for MDWs is aligned with the increasing female labour force participation rate. Moreover, employing an MDW costs around £260-320 per month in Malaysia and £480 in Hong Kong. This is a small price to pay for middle and even working-class families in return for alleviating the stress of the "double burden" of work and care. This affordability remains a key reason why MDWs are rampant in Asian middle and high-income countries, such as Hong Kong, where MDWs make up about 10% of the city's workforce.

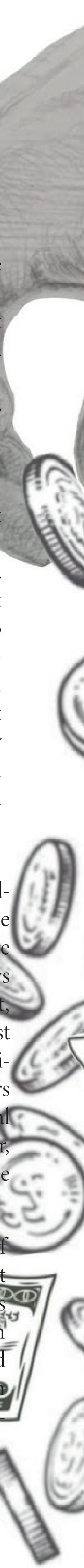
**Abuse and Exploitation of Domestic Workers**

Despite their vital contribution, many MDWs endure severe exploitation. The informal and unregulated structure of the domestic work market creates the perfect conditions for information asymmetry and exploitation. Workers know little about local labour laws, contractual terms or reporting mechanisms, allowing employers and recruitment agents to wield unchecked authority.

The cycle begins with recruitment agencies who target women and girls from rural areas, sometimes underage, promising secure jobs and lucrative pay abroad. Agencies frequently forge documents, inflate placement fees, and impose debt bondage, requiring MDWs to surrender their first six or seven months of wages to repay recruitment costs. These excessive fees keep them in prolonged debt, giving them no other option but to stay in an exploitative field in fear of harassment by agents. Weak regulation and a lack of access to formal credit markets force workers into inescapable financial dependency before they even begin employment

Upon arrival, live-in laws legally bind MDWs to residing in their employers' homes, making them vulnerable to abuse. In many cases, passports and work permits are withheld, restricting workers' mobility. Their workdays stretch from before dawn to late at night, with little rest, privacy or fair overtime compensation. Although most Asian jurisdictions guarantee a weekly day off, compliance is rarely monitored and often falls on employers to uphold standards. The lack of enforcement by formal authority severely limits an MDW's bargaining power, leaving them with little to no choice but to adhere to the demands of their employers.

Abuse can also be psychological or physical. Reports of verbal harassment, confinement and even sexual assault persist. Documented cases of physical abuse include acts of slapping, choking, hitting and even burning skin with irons. In the most severe cases, sustained abuse has led to death, as in the case of Piang Ngaih Don, who died in Singapore in 2017 after months of starvation and physical assault.



### Why This Situation Persists

The persistence of such abuse stems from a combination of market and institutional failures. Information asymmetry between agents and workers, missing labour market protections and social norms that devalue domestic work all reinforce one another.

In sending countries, a lack of accessible information about wages, job types and working conditions leaves workers vulnerable to deception. Governments must strengthen oversight of recruitment agencies, verify documentation extensively to prevent the poaching of underage girls into the industry and improve welfare standards within the industry. These regulations help establish the moral expectations of an institution by setting clear standards of conduct and holding themselves accountable for the fair employment of MDWs. However, a major flaw of imperfectly implemented policies can lead to side effects that are even more harmful. For example, after several high-profile cases of domestic worker abuse, the Myanmar government banned women from seeking domestic work abroad in 2014. While the policy aimed to protect women from exploitation, it instead led to the growth of a black market for overseas employment, where agents demanded higher fees and used bribes to circumvent restrictions. The failure of this policy is evidenced by the 50% growth of Myanmar maids in Singapore between 2013 and 2015. For policies to be effective, governments must combine regulation with proper enforcement, accessible information campaigns and collaboration with receiving countries to ensure that protection mechanisms do not only look good on paper.

From a broader perspective, poverty and limited job opportunities in rural areas push families to depend on overseas domestic work as a form of livelihood insurance. Investing in local job creation and rural infrastructure would reduce the demand for risky overseas employment. Improving local job opportunities and rural infrastructure could reduce the demand for risky overseas employment. In Indonesia, initiatives such as the SDG Indonesia One aim to boost connectivity and local jobs, while Myanmar's Local Development Funds program targets agricultural and rural development. Yet these remain general development schemes, with little explicit focus on preventing the exploitation of women and girls through migrant domestic work.

Receiving countries face different challenges. Live-in conditions, limited access to transportation, and weak education about rights constrain MDWs' ability to bargain or advocate for their rights collectively. Stronger enforcement mechanisms, inclusive wage laws, anonymous reporting channels, and safe shelters are needed to ensure that the laws protecting domestic workers are effective. In many jurisdictions, such as Singapore, live-in domestic workers are exempt from statutory minimum wage protections, leaving them vulnerable to exploitation. In terms of infrastructure that aims to protect MDWs, some progress has been made by civil society initiatives such as Christian Action's Centre for Migrant Domestic Workers (CMDW) in Hong Kong under the Asian Network of Women's Shelters, which provides safe accommodation, counselling and legal support. While such initiatives show progress, real protection for MDWs requires consistent enforcement, inclusive labour policies, and government accountability beyond the efforts of civil society.

Finally, and possibly the hardest barrier to the fair treatment of MDWs, is the normalisation of discrimination. In many societies, domestic work is still viewed as unskilled. This perception is deeply intertwined with class and racial hierarchies. Most MDWs are women from poorer backgrounds in neighbouring countries. This creates an expectation of servitude and obedience. When an occupation is associated with a specific race or class, its wage and social status are systematically depressed. This is not an easy problem to solve; it requires a paradigmatic shift that recognises domestic work as dignified and essential to our growing economies.

### Conclusion

Domestic workers are the hidden foundation of Asia's economic growth, enabling countless women to participate in the labour force while also sustaining their own families across borders through remittances. Their contributions extend beyond the economies of their employers, stretching across oceans and catalysing their home economies as well. Their exclusion from basic labour protections represents not only a moral failure but an economic inefficiency. Underpaid and undervalued, they are unfairly treated and perpetuate inequalities, undermining the value of their work.

As Asian economies continue to grow, it is important to ensure fair treatment, safe conditions and proper valuation of domestic work. Without checks on exploitative recruitment practices and discriminatory employment norms, the economic progress MDWs make possible risks being built on modern forms of servitude. Therefore, there should be a unified call to improve the systems we have to better protect and value our domestic workers for their often unacknowledged yet vast contributions to our growing economies.

**Runner-Up of the Insight Prize**

# Cultural Capital and the Economics of Inequality: How Knowledge Became Currency

*Parthivee Mukherji examines how cultural capital – once held as a great equaliser – now serves as engines of privilege, analysing the sources of inequality emerging through elite universities, publishing houses, and art markets. Transforming knowledge into the world's most exclusive form of capital.*

Pierre Bourdieu once argued the most powerful form of wealth is invisible, the ability to define what counts as culture. His insight in The Forms of Capital appears more urgent than ever. While global wealth divides widen, so too do the unseen gaps in access to elite culture, education – and above all opportunity.

In the world of today, leading cultural institutions including universities, art markets, and publishing houses are "checks" preserving intellectual and cultural progress, they also reproduce inequality. Behind ancient stone walls of institutions promising enlightenment and meritocracy lies rooms that often reinforce privilege through the ways they distribute – and indeed often restrict – access to cultural capital. This piece examines how education and culture act as both stabilisers and perpetrators of imbalance in the global economy.

**Education – The Great Equaliser, or Not?**

Universities have long been regarded as equalisers, where talent and hard work supposedly transcend background. They stand proud as society's great repositories of knowledge – designed to preserve ideas, challenge ignorance, and an antidote to populism and misinformation. Education here performs a balancing act, protecting collective understanding in a world where these tenants look increasingly under threat.

Nonetheless, data demonstrates that this is a privilege only enjoyed by a select few, with access to tertiary education highly unequal across income levels. Children from the top socioeconomic quartile are almost four times more likely to attend university than those from the bottom. The OECD's 2018 report A Broken Social Elevator? starkly concluded, "upward mobility has slowed across most advanced economies, with education systems playing a compensatory role." Even in Scotland – with tuition free for home students – stark participation gaps are reported between state and privately educated students. Here at Edinburgh, for instance, privately educated students remain disproportionately represented in high-status degree programmes despite accounting for a small minority of total school-leavers.

Bourdieu's insight here is vital as he reflects, "Academic capital is the guaranteed product of the combined effects of cultural transmission and cultural arbitrariness." In other words, elite universities convert inherited privilege into validated achievement. Admission depends not just on intelligence but years of cultivated cultural advantage: private schooling, test preparation, extracurriculars, and even subtle accent or confidence markers signalling belonging.

This dynamic persists globally across elite universities and academic institutions. This results in a stratified pipeline in which cultural capital converts into economic capital with near-mechanical regularity. According to Forbes, elite university graduates earn 50-60% higher salaries on average within ten years of graduation, even after controlling for degree subjects.Plain and simple, from an economic standpoint returns on 'human capital' are extraordinarily unevenly distributed. Education here functions less as a social leveller and instead only serves to reinforce existing advantages and inequality.

Where these institutions act as checks against intellectual stagnation and populist misinformation – vital for producing research, preserving free inquiry, and maintaining evidence-based policymaking - this position is fundamentally undermined by limitations to access. The very features making them powerful,exclusivity, reputation, and legacy, sustain a cycle in which economic, cultural, and even epistemic power reinforce one another. As Bourdieu warned, education not only preserves knowledge but also preserves hierarchies determining whose knowledge counts.

**The Economics of Educational Gatekeeping**

The economic implications of this educational imbalance are profound. Higher education no longer guarantees social mobility; rather, it has become a key determinant of class permanence. In countries like the United States, wage premiums for elite-university graduates have widened sharply since the 1980s, while returns for graduates of lower-ranked institutions have stagnated. These inequalities have stark material consequences. It has been found that cultural capital acquired early in life predicts both occupational status and income later in life. Educational prestige thus functions as a multiplier of economic capital.

This phenomenon manifests in elite labour markets where in the UK over 40% of senior civil servants and approximately 30% of top executives at major investment banks are Oxbridge graduates. Recruiters often prefer familiar pedigree, treating university brand names as proxies for competence and confidence. This bias extends to unpaid internships and relocation costs – quietly filtering out lower-income applications long before formal recruitment begins. This results in a feedback loop of privilege. Elite universities perpetuate inequality even as they put forward ideals of democracy. Their alumni dominate finance, policymaking, and academia, shaping not only institutions but also the intellectual frameworks justifying them.

### The Economics of Educational Gatekeeping

The economic implications of this educational imbalance are profound. Higher education no longer guarantees social mobility; rather, it has become a key determinant of class permanence. In countries like the United States, wage premiums for elite-university graduates have widened sharply since the 1980s, while returns for graduates of lower-ranked institutions have stagnated. These inequalities have stark material consequences. It has been found that cultural capital acquired early in life predicts both occupational status and income later in life. Educational prestige thus functions as a multiplier of economic capital.

This phenomenon manifests in elite labour markets where in the UK over 40% of senior civil servants and approximately 30% of top executives at major investment banks are Oxbridge graduates. Recruiters often prefer familiar pedigree, treating university brand names as proxies for competence and confidence. This bias extends to unpaid internships and relocation costs – quietly filtering out lower-income applications long before formal recruitment begins. This results in a feedback loop of privilege. Elite universities perpetuate inequality even as they put forward ideals of democracy. Their alumni dominate finance, policymaking, and academia, shaping not only institutions but also the intellectual frameworks justifying them.

Meanwhile, for students from modest backgrounds, the pursuit of education can itself become an economic burden. Student debt in the U.S. has surpassed $1.6 trillion, representing a massive intergenerational imbalance. Further-

### Education and Empire: The New Geography of Knowledge

While Western elites dominate top-tier institutions and cultural markets, the global South faces compounded imbalances. According to UNESCO, over 250 million children worldwide remain out of school, and only a fraction of those who complete primary education reach tertiary levels. Even among those who do, international mobility is restricted by visa costs, foreign tuition fees, and recognition barriers. These datasets highlight key North-South asymmetries – while tertiary enrolment exceeds 75% in most OECD nations, it remains below 15% across much of Sub-Saharan Africa and South Asia. The concentration of academic publishing and credentials in Western institutions deepens this divide, fostering an ongoing intellectual dependency of the Global South on the Global North. In practical terms, this means that global economic development is constrained by access to education. The dominance of Western universities in academic publishing ensures that intellectual property – and the profits it generates – remains concentrated in high-income economies. Knowledge itself becomes an export commodity, reinforcing geopolitical imbalances in

### Culture as Capital – When Creativity Becomes Currency

If education is the most visible form of cultural capital, art and publishing represent its most symbolic. Both industries claim to democratise ideas, yet their structures remind of broader economic inequality. Beyond formal education, culture itself functions as an economic asset. In Bourdieu's view, the ability to appreciate and participate in culture, to "know what to know" is a subtle class marker. Today, art, literature, and publishing operate within global markets transforming creativity into capital, often reinforcing the same hierarchies observed in education.

Consider the global art market. The International Centre for Globalisation and Development notes that art pieces behave less like cultural valuations and more like financial assets with returns often decoupled from aesthetic merit. Sotheby's and Christie's collectively recorded over $14 billion in sales in 2023, with 70% of buyers belonging to the global 1% of earners. While art, by nature, has regularly reflected wealth and power, its financialisation has only accelerated in recent decades. Art markets often act as repositories of wealth during financially turbulent times, offering collectors profit and prestige. And resultantly art values continue to soar – rapidly, shutting much of the population out from participation in art.

Publishing, too, has its own imbalances. Access to 'voice' to tell stories, publish research, and shape discourse is unequally distributed. Minority and working-class authors remain significantly underrepresented – especially in the Anglosphere. In 2020, for instance, it was found that over 90% of senior publishing professionals come from middle-or-upper class backgrounds. The consequence is the embedding of certain perspectives and a narrowing of narrative power that accompanies this. Often only those with the resources to reach the industry will ever be able to tell their story. Thus, dominant narratives often continue to be reinforced in mainstream literature rather than ever meaningfully challenged. Across art similar disparities occur with works by women selling, on average, for 40% less than those by men, even post-adjustment for reputation and gallery representation of artists. A market logic thus persists across culture alongside education – rewarding the visible and excluding that presently invisible.

### Conclusion – Culture, Capital, and the Future of Equality

Cultural capital, once an abstract sociological concept, now sits at the centre of global inequality. Educational institutions, art markets, and publishing houses form the world's cultural capital – shaping what knowledge counts, whose voices are amplified, and which forms of creativity are rewarded. They act both as "checks," safeguarding intellectual and aesthetic standards, and as "imbalances," concentrating access in the hands of those already privileged.

To move past this stage, the challenge is to ensure our institutions live up to their cultural ideals. Education and culture must once again serve as true checks on societal imbalances – opening the gates of possibility. Only then can the wealth of knowledge become the knowledge of equality.

As Bourdieu warned, "The most successful ideological effects are those which have no need of words and ask no more than complicit silence." The quiet persistence of cultural inequality reflects precisely this – an invisible hierarchy sustained not through open exclusion, but through prestige, habit, and familiarity.

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