

# advantage

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## Then and Now

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## Welcome...

This issue highlights the transition into a new phase for the CAGE Research Centre and showcases just a few significant areas of our work over the past few years.

As any reader of a book like Steven Levitt's *Freakonomics* will appreciate, the tools of economics, including econometrics, can be used to analyse a wide variety of topics outside the areas that economists most get asked about, such as inflation and interest rates. This wide range of topics, often essentially interdisciplinary with other social sciences such as Politics, Psychology and Sociology, as well as drawing methodological lessons from the sciences more generally, are what typifies the range of topics covered in the research programme of CAGE.

The articles that follow are a broad reflection of the contribution our research has made to policy design, and many of the challenges policy makers face when implementing them. They take a retrospective and prospective view of putting policy into practice. Arun Advani, David Burgherr and Andy Summers begin by describing the journey of non-dom tax reform over the past 100 years and how detailed examination of the data brought UK non-dom status to an end.

With a new government placing planning reforms at the heart of its mission to drive economic growth, Edoardo Badii, Johannes Brinkmann, Nikhil Datta and Amrita Kulka discuss the barriers developers face implementing new housing projects.

Well intentioned policies don't always work in practice. As a new Worker Protection Act comes into effect in the UK, Sonia Bhalotra examines the impact of implementing similar sexual harassment legislation in India and how it may have been counterproductive to ensuring equality for women.

Innovative use of historical data is the focus of James Fenske's roundup of the work of contemporary African economists. Thiemo Fetzer discusses the economic and social impacts of the COVID-19 pandemic, its challenges and opportunities for research. And finally in our parting shot, Andrew Oswald reflects on the fragility of democracy and the factors which threaten it.

Representing a cross section of our research, the articles in this issue demonstrate the varying levels of impact it can have on social and economic success.

*Michael Waterson and Cathy Humphrey*

# Advantage Autumn 24

CAGE Director: **Mirko Draca**

CAGE Research Director: **Bishnupriya Gupta**

CAGE Impact Directors: **Dennis Novy, Michael Waterson**

Editor: **Cathy Humphrey**

### Contributors

**Arun Advani** is Associate Professor of Economics at The University of Warwick and a CAGE Research Associate.

**Edoardo Badii** is a PhD student in the Department of Economics at The University of Warwick.

**Sonia Bhalotra** is Professor of Economics at The University of Warwick and CAGE Theme Leader.

**Johannes Brinkmann** is a PhD student in the Department of Economics at The University of Warwick.

**David Burgherr** is a PhD student in Economics at the University of Zurich and a CAGE Research Associate.

**Nikhil Datta** is Assistant Professor of Economics at The University of Warwick and CAGE Research Associate.

**Mirko Draca** is Professor of Economics at The University of Warwick and Director of the CAGE Research Centre.

**James Fenske** is Professor of Economics at The University of Warwick and a CAGE Deputy Theme Leader.

**Thiemo Fetzer** is Professor of Economics at the University of Warwick and a CAGE Theme Leader.

**Amrita Kulka** is Assistant Professor of Economics at The University of Warwick and CAGE Research Associate.

**Andrew Oswald** is Professor of Economics and Behavioural Science at The University of Warwick and a Senior CAGE Research Fellow.

**Andy Summers** is Associate Professor of Law at the London School of Economics.

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### CAGE Research Centre

Department of Economics, The University of Warwick,  
Coventry CV4 7AL, UK

# Non-doms: the end of an era

by Arun Advani, David Burgherr  
and Andy Summers



**“There have been many moments in the history of the non-dom regime where its future seemed under threat.”**

The non-dom tax regime has been in place for well over a century. Rigorous independent research finally helped bring it to an end.

The UK's so-called 'non-dom' regime has been one of the UK tax system's most stubborn survivors. It allows those who live in the UK, but who can assert that their permanent home is abroad – 'non-doms' – to claim an exemption from tax on their foreign income and gains that is not available to other UK residents. This tax advantage is traceable to the very first Income Tax in 1799. Originally it applied to everyone, but it became restricted to non-doms in 1915. More than one hundred years later, after many unsuccessful attempts at reform, in March 2024 it was finally abolished. This is the story of how the non-dom regime survived for so long, and the evidence that helped lay it to rest.

### Back from the brink

There have been many moments in the history of the non-dom regime where its future seemed under threat. The Labour Party came close to ending it in 1974; the Conservative Chancellor Nigel Lawson also made plans for abolition in 1988. Under New Labour, the regime was tightened in 2008, but the basic structure survived. On each occasion, the pattern was the same: bold ambitions followed by a late wobble inside the Treasury, driven by fears that wealthy non-doms would flee the country, leading ministers to step back from the brink.

In the run-up to the 2015 General Election, the Labour Party pledged (if elected) to scrap the non-dom regime. But the threat of tax flight

loomed large. Shadow Chancellor Ed Balls was taped admitting that "If you abolish the whole status, it probably ends up costing Britain money because some people will leave the country". Labour lost the election but won a partial reform. In the following Budget, Tory Chancellor George Osborne announced that he was 'abolishing permanent non-dom tax status', which meant removing the tax advantages for the longest stayers but retaining them for the rest.

In the years that followed, hardly a Budget went by without speculation that the regime would be curtailed further, but each time nothing happened. As Philip Hammond, Chancellor from 2016-2019 recently revealed: "I looked at non-doms ... The Treasury's analysis when I was there suggested that we had gone about as far as we could without starting to have a negative effect". Just like every other time in the preceding half-century, worries about tax flight won the day. Public concerns about the unfairness of special rules for non-doms had little bite for so long as it seemed that there was no revenue to be gained from acting.

### Did they leave?

Osborne's reforms were partial, but they provided an ideal natural experiment. Did affected non-doms actually leave en masse, as predicted? In 2018, our research team applied to HMRC, the UK tax authority, for access to the data that would allow us to find out. Via the

'Datalab' – a secure research-facility based at HMRC's offices – we were able to analyse the de-identified tax records of everyone who had ever claimed non-dom status since 1997. As well as every detail of their annual tax return, this data allowed us to track migration in and out of the UK and to count the years that an individual had been tax resident.

First, we needed to know how much foreign income and gains non-doms held offshore. Since these sums are not required to be reported to HMRC, we developed our own estimates by comparing remittance basis users to similar 'UK doms' who were obliged to declare their worldwide income in full. This approach provided us with the first window into the scale of the income and gains that were being exempted from tax under the current regime. We estimated that in aggregate, these totalled over £10bn per year. However, not all of this would translate into additional tax revenue: aside from tax planning, what about those who would leave?

We tackled this question that had led to so many Treasury wobbles in the past. Osborne's reform, which took effect in April 2017, only targeted non-doms who had lived in the UK for at least 15 out of the previous 20 years. We could therefore compare their likelihood of leaving the UK – both before and after the reform – with similar non-doms who had only lived in the UK for between 10 and 14 years. ►

The affected group were indeed internationally mobile: even prior to the reform, almost 5% left each year. As a result of losing access to the remittance basis, this emigration rate did go up – but not by much: we estimated that around an additional 6% of affected non-doms ceased to be tax resident in the UK due to the reform.

And what about the non-doms who stayed in the UK? They paid a lot more tax: we can see from their

tax records that the Income Tax paid by those affected by the reform increased by over 150% on average, equating to an extra £100,000 each per year (even after accounting for the fixed charge that they no longer paid). And yet, the mass exodus that advisors had warned about and which politicians of all stripes had

feared, did not materialise. The modest emigration response was nowhere near enough to result in the so-called ‘Laffer effect’ of negative revenue that successive Chancellors and Shadow Chancellors had warned of.

### Politics

In April 2022, the Independent newspaper revealed that the wife of then-Chancellor Rishi Sunak was claiming non-dom status and benefiting from the remittance basis. Ex-Chancellor Sajid Javid also admitted to previously having used the regime. Our recently published research provided a wider perspective on these revelations: those with incomes over £1m were

almost one hundred times more likely to have claimed non-dom status than those with incomes less than £100k. Amongst the tiny elite with incomes over £5m, as many as four in ten (40%) had claimed non-dom status at some point.

Later that month, the Labour Party – not for the first time in recent memory – pledged to abolish non-dom status. But this time, by relying directly on our research, they were able to say how much it would

raise. Out of the £3.2bn that we estimated would be collected from abolishing non-dom status altogether, Labour allocated around £2bn to public spending pledges (training more nurses) and the remainder towards a new ‘modern regime’ to attract migrants, lasting no more than five years after their arrival.

In public

at least, the government was initially sceptical. When pressed in Parliament in November 2022, the Chancellor (by now Jeremy Hunt) reiterated his concern that “These are people who are highly mobile, and I want to make sure we do not do anything that inadvertently loses us more money than we raise.” He did not, however, explicitly reject our findings. In reply to a Freedom of Information request filed by OpenDemocracy in July 2023, the Treasury stated that it did not have any figures of its own. Many commentators, including George Osborne, said that if they were Chancellor, they would now be looking to shoot Labour’s fox.

**“those with incomes over £1m were almost one hundred times more likely to have claimed non-dom status than those with income less than £100K.”**



### End-game

And so, the game of will-they-won't-they continued before each fiscal event, each time coming to nothing. Until March 2024, when without so much as a hint of irony, Chancellor Jeremy Hunt announced: “I have always believed that provided we protect the UK’s attractiveness to international investors, those with the broadest shoulders should pay their fair share.” He continued: “After looking at the issue over many months, I have concluded that we can indeed introduce a system which is both fairer and remains

competitive with other countries.”

With this, the regime that had stood for over a century largely intact, was abruptly swept away. The concept of domicile for tax purposes completely abolished, replaced with a residence test. The remittance basis – in UK tax law since 1799 – finally retired, albeit the dubious distinction between UK and foreign-source

income and gains was retained in the new system. The duration of the tax advantage cut from fifteen years to four (coincidentally the period that had been mooted by Labour). This was not the incremental tinkering or brinkmanship that had characterised every non-dom reform for the past fifty years. It was actual structural change.

This is not to say that absolutely all was well. The ‘modern’ system that will take effect from April 2025 still provides a rather counterintuitive – and economically counterproductive – incentive for new arrivals to keep their investments anywhere

except the UK. The full year until implementation provides plenty of scope for current non-doms to arrange their affairs in a way that minimises the impact of losing

their special status. Perks like ‘rebasings’ of capital gains should have been resisted. And it seems that the Treasury could not help but give one final nod to that old chestnut, the risk of tax

flight, in offering trust protections for Inheritance Tax. But in the context of the great history of Treasury wobbles on non-dom reform, this one would surely not trouble the scorers.

#### Show us the numbers

What had previously been regarded an act of economic self-harm, a measure that however fair would just end up ‘costing Britain money’, suddenly became not only desirable but also capable of raising substantial revenue. Within two years, the non-dom regime was dead. To be sure, our research did not kill it on its own, but the history of the regime’s survival suggests

that we helped overcome a major stumbling block for reform: the lack of an evidence base to test the prevailing concerns. This shows, we hope, how rigorous independent research into the tax system can sometimes shift the political needle.

We did not set out to justify abolishing the non-dom regime: all the way along we were open to concluding that the anecdotes of tax flight were representative and that there was no money in reform. But that is not what the data told us. In the end, the revenue estimate approved by the Office for Budget Responsibility was remarkably close to our own. It could still turn out to be incorrect, but our view is that it is just as likely to be too low as too high. At least the speculation will not last much longer, and time will tell. ◀

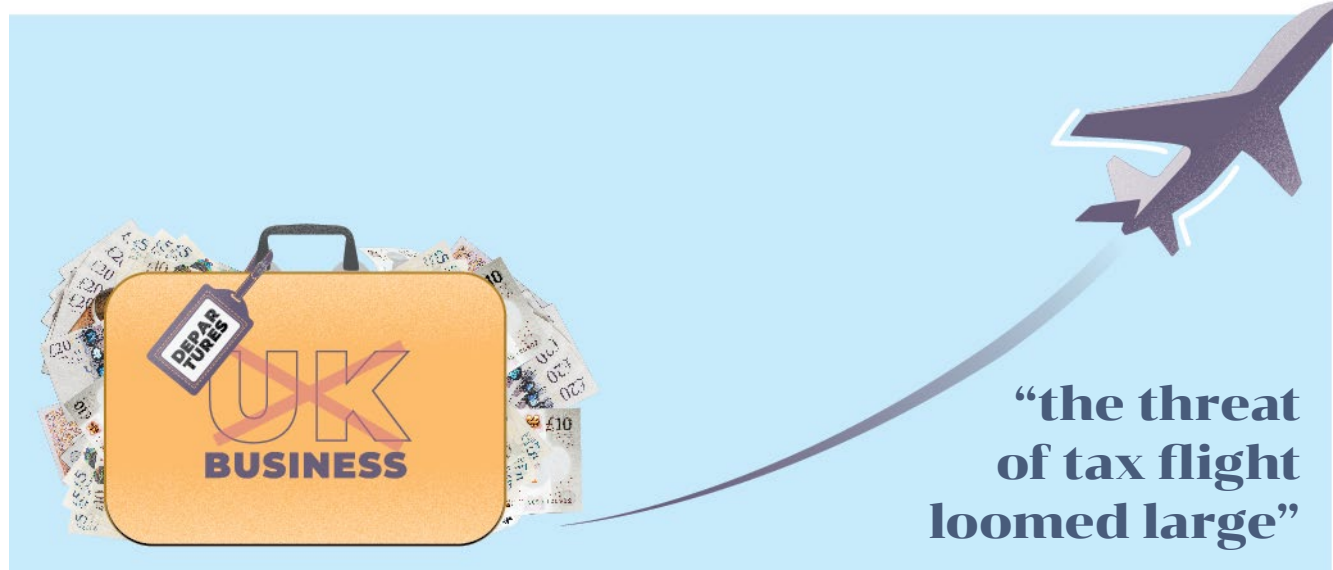
#### About the authors

**Arun Advani** is Associate Professor of Economics at The University of Warwick and a CAGE Research Associate.

**David Burgherr** is a PhD student in Economics at the University of Zurich and a CAGE Research Associate.

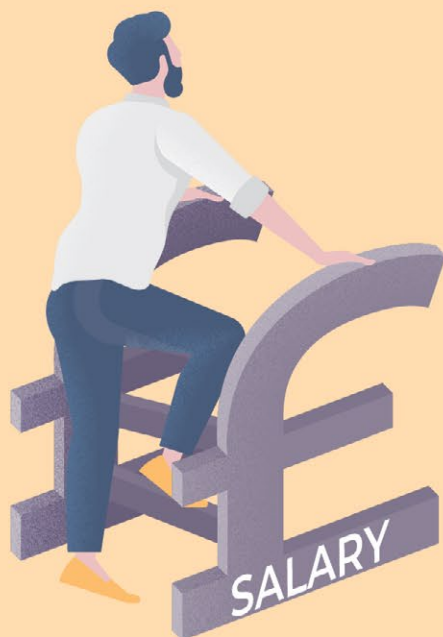
**Andy Summers** is Associate Professor of Law at the London School of Economics.

**“the regime that had stood for over a century largely intact, was abruptly swept away.”**



# The long road to housing

by Edoardo Badii,  
Johannes Brinkmann,  
Nikhil Datta and Amrita Kulka



Despite a lack of affordable housing in the UK, local councils receive millions of planning applications every year. But developers can face significant hurdles getting new projects off the ground.

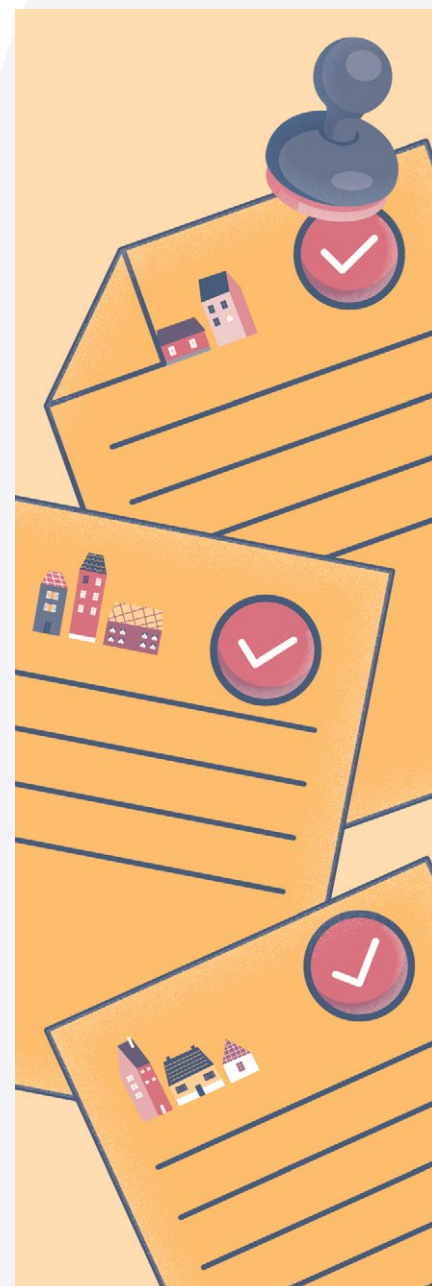
**H**ousing affordability in the UK is top of the policy agenda. Over the past 25 years house prices have more than quadrupled, wages have barely doubled, and the past year has seen borrowing costs at a 16-year high. Lack of new housing is the main culprit in this crisis and housing supply has been consistently under the government's own target by a large margin. Existing research using data on aggregate planning refusal rates, or direct supply restrictions such as greenbelts, shows that the planning system is key to inhibiting housing supply in the UK (Hilber and Vermeulen 2016; Ahlfeldt et al 2017; Koster 2024).

Our new research shows that since the early 2000s refusal rates for new housing units have actually improved, dropping from a high of 25% to a stable 12.5% since 2010. Yet, the actual supply of new housing has varied over this time considerably and always lagged behind demand. By using novel data we have shown that a focus on simple metrics such as refusal rates hides important information on hurdles to construction that persist even if applications are permitted, and how these hurdles vary by project size.

Using data from a vast number of planning applications filed in the UK between 2000 and 2023 (18

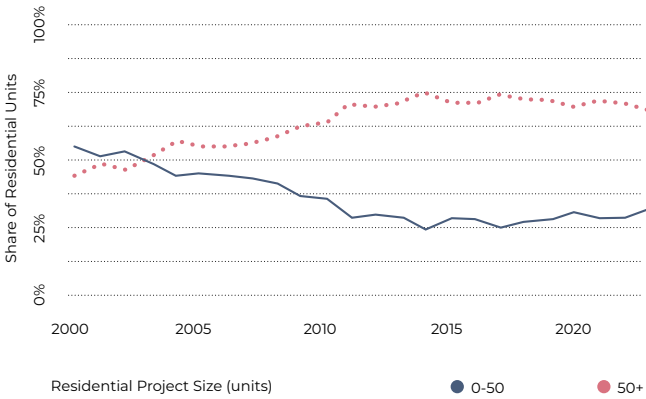
million in total), we identified which applications related to new housing, the number of new units proposed in an application, and groups of applications all belonging to the same house building project. The latter is key when looking at large development building projects, which make up the bulk of new housing supply in the UK.

The new evidence revealed a significant shift in the source of housing supply, with an increasing share of permitted housing units coming from large developments. The graphs that follow show the number of permitted units by size of development. In figure 1, the blue line represents projects of up to 50 residential units, while the red line shows projects of more than 50 residential units. Twenty-five years ago the share of permitted dwellings were split roughly equally between these two groups, but by 2010 the proportion coming from 50+ developments represented 70% of potential housing supply (we say potential as it's not certain all permitted units get built). Figure 2 shows an even more striking compositional shift. Projects with more than 500 units, essentially very large developments, now represent 38% of permitted housing units, up from single digits at the turn of the century. ►

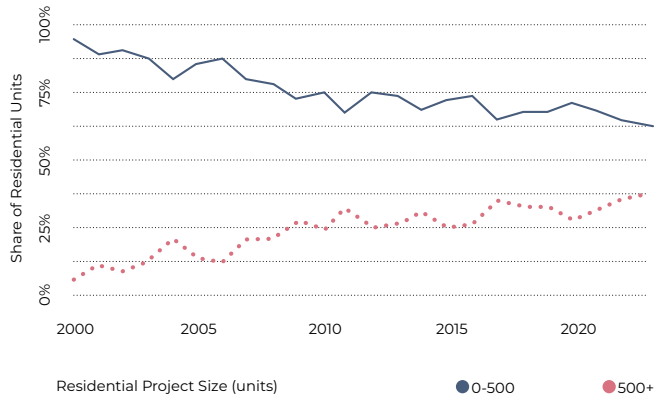


**“Over the past 25 years house prices have more than quadrupled, wages have barely doubled”**

**Figure 1: Share of Residential Units by Project Size**



**Figure 2: Share of Residential Units by Project Size**



These very large projects only make up 0.2% of applications over the 25 years, but make up a disproportionately large chunk of new housing supply.

Despite larger developments comprising a greater portion of housing supply, they face more hurdles than smaller projects. The number of applications filed and the project’s duration from the first to last application are good measures of the planning system’s paperwork or red tape, and developers’ response times to such hurdles. The barriers graphs (figures 3 and 4) present statistics on the counts of individual applications (full applications, discharge of conditions, outlines etc) and the total duration, comparing these metrics by development size.

There are four main takeaways from these graphs. First, projects which are ultimately permitted (figure 3) face more paperwork as represented by filings with the planning system. Projects which are not permitted, are not required to file a lot of paperwork in terms of applications with an average of 1.1 applications per project. This finding holds across the distribution

of project sizes. Second, the amount of paperwork required for permitted projects increases dramatically with the size of the project, going from one application for projects involving one unit, to over eight applications for projects involving 500+ units on average. Third, time duration (figure 4) rises exponentially from projects involving one unit, to projects involving two to nine units and keeps rising for larger projects. The average number of days from the submission of the first to last application is just over four years and four months for projects with over 500 units, but

study evidence from two large developments (Eastern Green in Coventry and Wembley Park) indicate that local opposition played a significant role in the case of the Eastern Green Development, with over 300 pages of local objections and 173 letters in opposition. The first outline application was made in 2018, and the land remains undeveloped as of 2024, suggesting that opposition may have had an impact in this case. In the case of Wembley Park, a revised outline of the original plan was submitted after seven months, the first set of units were completed

after 5 years, and building work is still ongoing. However, during this period over 500 planning applications have been filed in order to seek approval of conditions set by the

council, many of which are related to mitigating impact on local transit, noise and environmental quality, as well site security. Potentially, the long gaps between different construction phases might also be optimal from the developer’s point of view and unrelated to the planning system.

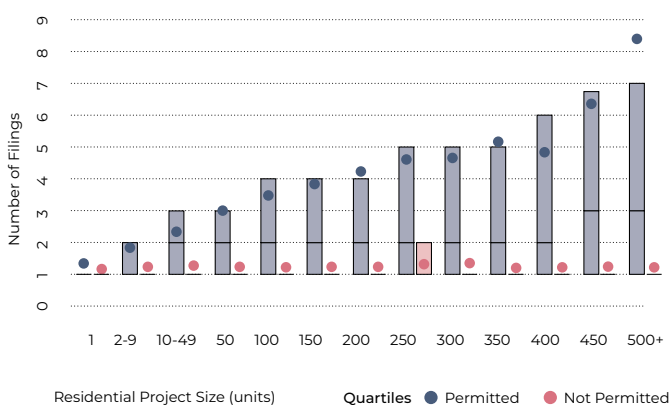
Variation across space suggests that while wait times for smaller projects are highest in the London

## “The source of these delays can be mixed”

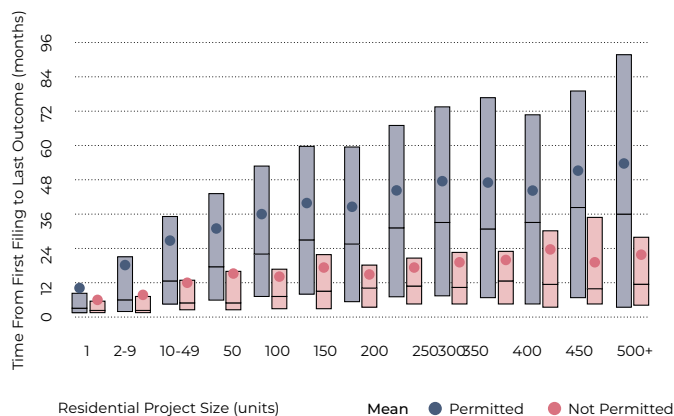
even projects involving one unit can expect to wait nearly a year. The averages are driven by a large range for bigger projects, with durations of over 11 years for the most delayed 10%. Fourth, even not-permitted projects face significant delays, again increasingly so the larger the project.

The source of these delays can be mixed, and we leave more systematic evidence for future research. Case

**Figure 3: Number of Filings by Project Size**



**Figure 4: Time From First Filing to Last Outcome by Project Size**



area, high wait times for large projects are common in various regions, including the Southeast, but also the Midlands, Yorkshire, and Scotland. The opposite is true for the number of applications within a project - developers in London and the South East face the most red tape for large projects, while bureaucratic hurdles for smaller projects are less concentrated in space.

Overall, we document that there have been substantial shifts in the composition of new housing in the UK towards applications involving larger units. These applications also face larger hurdles within the planning system. The wait-time distribution suggests that housing supply elasticity in the short run (ie. within a year) is close to zero, with housing supply being essentially fixed making it difficult to respond to shocks in demand for given areas due to a rise in employment opportunities or amenities. ◀

**About the authors**

**Edoardo Badii** is a PhD student in the Department of Economics at the University of Warwick.

**Johannes Brinkmann** is a PhD student in the Department of Economics at the University of Warwick.

**Nikhil Datta** is Assistant Professor of Economics at The University of Warwick and CAGE Research Associate.

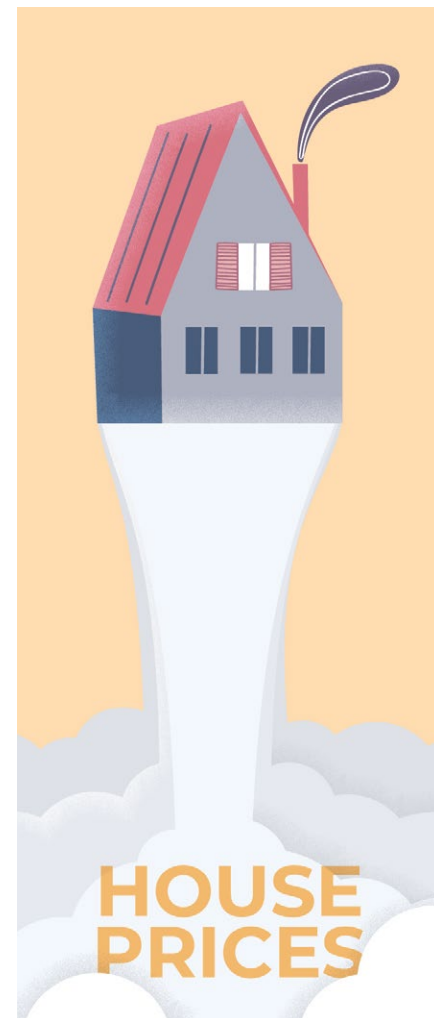
**Amrita Kulka** is Assistant Professor of Economics at The University of Warwick and CAGE Research Associate.

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# Investigating employer responses to legislation on handling sexual harassment

by Sonia Bhalotra

As the UK Worker Protection Act comes into force in October 2024, research into similar policies in India shows the complexities of implementing it in the workplace.

### **Workplace sexual harassment is prevalent and causes considerable harm**

Workplace sexual harassment is highly prevalent and causes considerable harm. In UK law, sexual harassment is defined as unwanted conduct that is sexual in nature and which violates a person's dignity or creates an intimidating, hostile, degrading, or offensive environment for them. The definition may be widened to include offensive behaviour based on sex that may not be sexual in nature, for instance, a tendency for men to systematically undermine the work of women or exclude them from decision-making in the workplace may also be deemed sexual harassment.

More than half of all women in the UK report having experienced sexual harassment at some time in their careers. Although men also report being victims of sexual harassment, it is much more common that women are victims. Sexual harassment has been shown to harm women's careers and, beyond this, to harm firm productivity and the economy.

As employers may not be fully incentivised to act upon prevention

or redressal of sexual harassment, there is a clear case for policy intervention on grounds of both gender equality and efficiency.

### **The policy landscape in the UK**

The Equality Act of 2010 made it unlawful for employers to harass their workers and, under this Act, employers were also made liable for perpetration of sexual harassment by their employees. The UK Worker Protection Act of 2023, effective from October 2024, is an Amendment of the Equality Act that additionally requires firms to take all reasonable steps to prevent sexual harassment in their workplaces. The Equality and Human Rights Commission (EHRC) is responsible for enforcement of the Equality Act.

To translate the law into practice, employers are required to implement training and grievance procedures. The law allows a range of approaches for dealing with harassment, from informal resolution to formal disciplinary process that may stretch to dismissal of the perpetrator. In practice, employers are not always committed to the spirit of the law, the EHRC typically does not impose fines on employers, employees are often unaware of their rights and, once the case is brought to a tribunal, employers tend to have a

is no redressal for victims and no punishment of perpetrators. The situation is broadly similar in other countries.

### **Indian legislation designed to improve reporting and redressal of sexual harassment**

In 2013, India passed the Prevention of Sexual Harassment Act (POSH) to encourage reporting and redressal of sexual harassment. The POSH Act mandated that all firms with more than 10 workers set up an internal complaints committee (ICC) to receive complaints concerning sexual harassment of women. The Act also requires that firms implement a training programme designed to encourage workers to recognise sexual harassment and make them aware of the penal consequences of perpetration of sexual harassment. The ICC is required to have at least one woman and one member external to the firm, to keep all complaints confidential, and to complete an enquiry into the complaint within 90 days of receiving a report. Importantly, ICC are empowered to issue consequences. The law further requires firms listed on the stock market to include the number of cases filed and disposed of under the Act in their annual report. It specifies that non-compliance or

failure to redress can result in fines (of about £500 in Indian currency) levied on firms. Firms repeatedly identified as failing to follow the law may incur twice the first penalty and potential cancellation or non-renewal of their business license.

National mandates such as POSH seek to harmonise policy across firms and

make them accountable. France, Brazil, the Philippines and Pakistan are among countries with similar legislation. There appears to be no systematic evaluation of POSH or similar legislation that makes ►

**“More than half of all women in the UK report having experienced sexual harassment at some time in their careers.”**

starting advantage as they are better able to afford legal representation. In view of the poor and patchy policy environment that victims of sexual harassment face, rates of reporting are low and, in most cases, there

employers liable. One reason is that sexual harassment is not monitored in most countries, India included, and it is therefore difficult to find systematic data that would allow us to test whether the law reduced its incidence.

#### Our research

We investigated the behaviour of employers in the wake of India's POSH legislation (see Bhalotra et al. 2023). In particular, we investigated whether businesses reacted to the POSH mandate by changing the size or gender composition of their workforce.

#### The employer's decision problem

We modelled the policy as lowering the cost to women of reporting sexual harassment in the regulated sector and established for any given incidence, where the policy increases the number of cases being reported to the employer. Other things equal, employers will want to minimise the number of cases it receives. We show that it can achieve this by hiring fewer women relative to men.

The intuition for this is that while the probability that an individual woman experiences sexual harassment is increasing in the share of men, the number of incidents at the workplace-level is bell-shaped in the share of men. When the baseline share of women in the workplace is low (as in India), then the firm can reduce the risk of sexual harassment cases arising if it further decreases the share of women in the firm, with the risk trivially falling to zero when there are no women.

To test this hypothesis, we defined a business as regulated if, prior to the POSH Act, it had at least 10 workers. We then investigated changes in gender composition (and size) after the legislation in regulated relative to unregulated businesses.

#### Our findings

We found that implementation of the POSH Act resulted in a decline in the share of women in regulated (larger) businesses of 10 to 25 workers. The decline was larger and only statistically significant where the initial share of men was high.

## “the POSH mandate actually intensified gender segregation in the workplace”

In this way, the POSH mandate actually intensified gender segregation in the workplace, a risk factor for sexual harassment. Women became more likely to work in unregulated (smaller) businesses that have a higher share of men, lower wages, limited job protection and few amenities.

As most Indian businesses were growing in the analysis period, they adjusted the female-share of their workforce by increasingly hiring men instead of women. We have shown that they were also more likely to increase hours worked by men and to hire contract workers.

We found some distortion in the firm size distribution in line with the POSH regulation being size-contingent. However, the observed decline in the employment of women relative to men is robust to excluding firms close to the threshold. We demonstrated that findings are similar irrespective of whether we use household survey data or longitudinal firm data. This increases our confidence in our estimates.

#### Policy implications

For its level of development, India has among the lowest female labour force participation rates in the world. Sexual harassment at work and on the streets is a significant constraint

on women working. India's POSH intended to improve the safety of women at work and, thereby, to increase their participation in the economy. It is an ambitious well-intentioned policy that our findings suggest has backfired by effectively displacing women from regulated

sector firms where wages and worker amenities are better and where sexual harassment risk is lower (both because these firms have a higher share of women and because they are regulated by POSH).

There are no easy solutions, but the broader evidence suggests that the female managers may be more likely to embrace the law and that the government might need to offer payroll tax cuts or other incentives to smaller firms to encourage them to retain and recruit women, while also taking steps to ensure a safer environment for women. ◀

## “an ambitious well-intentioned policy that our findings suggest has backfired”

#### About the author

**Sonia Bhalotra** is Professor of Economics at the University of Warwick, CAGE Theme Leader and member of the Institute of Fiscal Studies, Centre for Economic Policy Research, and CESifo.

#### Publication details

Bhalotra, S., Medha Chatterjee, Kanika Mahajan and Daksh Walia. 2023. Firm Responses to Legislation on Handling Workplace Sexual Harassment. Mimeo, The University of Warwick

# Africans in the New Economic History of Africa

by James Fenske

A new generation of scholars is changing the face of African economic history. This revival of learning and culture provides an important insight into the continent.



Fifteen years ago, Antony Hopkins described a “new economic history” of Africa, and ten years ago Gareth Austin and Stephen Broadberry announced a “renaissance” of African economic history. Economic historians working in Africa’s past have done a lot to do what Johan Fourie and Nonso Obikili call “decolonizing with data.” Much exciting work in this field is being done by scholars based both in economics departments and in history departments in Africa. Let me describe the work of a handful of these scholars.

**Collins Edigin**, a lecturer at the University of Benin, works on how the people of Nigeria’s Benin region shaped colonial social and tax policies, and how they were in turn shaped by these same policies. Using a historical approach, he argues that the British government was not interested in becoming involved in a colonial adventure in Benin, but was only pulled in after consular officials were killed by soldiers from the Benin Kingdom. In other work, he has shown that the British taxed more than they spent in Benin after 1945, motivated by the desire to rebuild at home after the Second World War.

## “the long-run effects of the transatlantic slave trade in Africa included greater political fragmentation and reduced literacy”

**Carolyn Chisadza**, an Associate Professor at the University of Pretoria, works at the intersection of development, inequality and history. In her past research collaborations with Prof Matthew Clance, Dr Leone Walters and Dr Tendai Zawaira, they use a structural equation modelling approach to link historical patriarchal norms relating to kinship, marital residence, and land inheritance with female labour force participation in the present. In related work, they show that the positive link between historical slave trade exposure and women’s voting disappears in patrilineal regions. In other work, they provide evidence that neither missions, nor pre-colonial centralisation, nor coloniser identity on their own explain present-day development outcomes. Rather, these historical institutions interact. For example, the higher literacy rates found in former British colonies and in locations with missions are even greater in areas with pre-colonial centralisation, where leaders were more likely to be accountable.

**Calumet Links**, a lecturer at Stellenbosch University, works primarily on South Africa’s Cape Colony. Using tax data from the early 19th century, he has shown that slave labour and other forms of free labour were not substitutable to farmers, as slave labour not only provided the workforce on a farm, it also served as collateral. In forthcoming work, he demonstrates agency of the indigenous Cree in Canada and Khoe in South Africa in their trade with European companies.

**Nonso Obikili** is currently a Development Coordination Officer with the United Nations in Abuja. In his past work, he has shown that the long-run effects of the transatlantic slave trade in Africa included greater political fragmentation and reduced literacy. He has also shown that cocoa farmers in colonial Nigeria who lived in towns with more social capital spent more on education.

## “Much exciting work in this field is being done by scholars based both in economics departments and in history departments in Africa”

A new generation of African scholars working outside Africa is also pushing the field forwards. Space lets me only name a few.

**Marie Christelle Mabeu** uses a regression discontinuity design to show that hut villages of Burkina Faso exposed to forced labour migration in the colonial period have more temporary migration up to today and lower rates of fertility today. **Awa Ambra Seck** shows that Moroccan soldiers in the French colonial army established emigration networks in the municipalities of France where they were stationed. **Abel Gwaindepi** shows that the Cape Colony, unlike other settler colonies, was insulated from direct taxes, putting it on an unsustainable fiscal path. **Roland Pongou and Dozie Okoye** have shown that colonial investments such as railroads and missions have only had a long-run impact on development where alternatives – water transport and early access to government schools, respectively – were not present. **Belinda Archibong**, in joint work with Nonso Obiiki, has shown that incarceration increased in colonial Nigeria at times when commodity prices and rainfall raised the demand for labour – that is, at times when prison labour would be particularly valuable to the state in keeping the labour costs of public works low. Their paper will soon appear in the *Quarterly Journal of Economics*.

A new generation of scholars is changing the face of African economic history, and their work is essential reading. ◀

#### About the author

**James Fenske** is Professor of Economics at The University of Warwick and a CAGE Deputy Theme Leader.

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# Insights from pandemic research: Lessons learned and policy implications

by Thiemo Fetzer

The COVID-19 pandemic presented unprecedented challenges and opportunities for research. During this period there was a focus on understanding the economic and social impacts of the pandemic and evaluating policy responses. Through a series of studies, I explored how government actions influenced public health outcomes and economic stability.



### **Eat Out to Help Out scheme: A case of policy missteps**

A significant study investigated the UK's Eat Out to Help Out scheme, an initiative which aimed to boost the economy by encouraging people to dine out with a 50% discount. However, the policy had unintended consequences. Our research revealed that the scheme led to a significant increase in COVID-19 infections. The government spent nearly a billion pounds on this initiative, which ultimately contributed to a deadly second wave of the virus. This study highlighted the importance of considering public health implications in economic policies and the need for real-time data to inform decision-making.

### **The impact of ICT failures on public health**

Another critical study focused on a data processing error in the UK's contact tracing system. Due to an Excel spreadsheet reaching its row limit, nearly 16,000 COVID-19 cases were not recorded correctly, which led to untraced contacts and missed isolation orders. This failure demonstrated the fragility of relying on outdated technology for critical public health infrastructure. Our analysis showed that this error could have caused up to 1500 avoidable deaths. This study underscored the necessity for robust digital infrastructure and better data management practices in the public sector.

### **False negatives and public health risks**

Another study examined the consequences of false negative COVID-19 tests by a private testing provider. Around 40,000 individuals received incorrect negative results, leading to further spread of the virus. This error particularly affected the south-west of England, resulting in an estimated 100 avoidable deaths.

**“Policymakers should engage in transparent decision-making processes, use real-time data and communicate clearly with the public.”**

This incident revealed the risks associated with privatising critical public health services without stringent oversight and highlighted the need for consistent and accurate testing protocols.

### **Broader reflections on evidence-based policy making**

The pandemic has shown that many governments struggle with evidence-based policy making. High-quality data, skilled analysis, and transparent communication are crucial for effective governance. Research during the pandemic demonstrated that timely and robust scientific evidence could significantly impact public policy and outcomes. It also revealed gaps in digital skills

and infrastructure that need to be addressed to improve public sector responses to crises.

There is a need for governments to modernise their digital infrastructure to ensure accurate data collection and processing with training for public sector employees to better understand and utilise data.

Policymakers should engage in transparent decision-making

processes, use real-time data and communicate clearly with the public.

A stricter oversight of private sector involvement will ensure that companies involved in public health services adhere to stringent standards to avoid errors that can have widespread consequences.

The COVID-19 pandemic has provided valuable lessons on the importance of robust data infrastructure, the risks of inadequate digital tools, and the critical need for evidence-based policy making. By addressing these challenges, we can better prepare for future crises and ensure more effective governance and public health responses. ◀

### **About the author**

**Thiemo Fetzer** is Professor of Economics at The University of Warwick and a CAGE Theme Leader.

## Parting Shot

# Societal unhappiness and the uncertain future of democracy

by Andrew Oswald

Dissatisfaction among sections of society can lead to a disintegration of democracies. Research shows that stability is not to be taken for granted.

In 2010, a man called Peter Turchin, a distinguished mathematical zoologist, stated in the famous journal *Nature* that he believed American democracy would come under severe threat of violent upheaval in the year 2020. Turchin based his prediction on a form of statistical modelling of human society that he had adapted from his empirical research into cycles of conflict in the animal kingdom. Key influences in the empirical model used by Turchin included the following societal stressors: rising inequality, a large recent bulge in the youth population, and, perhaps most interestingly for anyone who teaches in one of the world's universities, 'elite overproduction' as Turchin called it.

The concept of elite overproduction boils down to a

simple idea. If a society sends more and more people to university, and there are not jobs for them of a kind that will match their then-high aspirations, that elite educational conveyor belt becomes threatening for the stability of the society. Frustrated elites can be dangerous.

The good news is that Turchin's prediction turned out to be wrong.

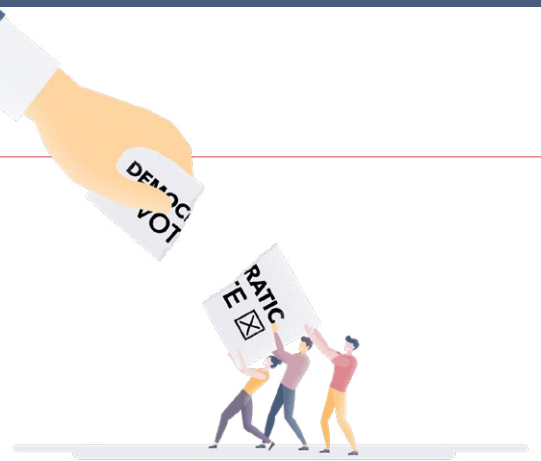
Unfortunately, he was wrong only by a few days. As is now known, on 6 January 2021 a mob of hundreds of Americans, a few carrying Confederate flags, broke into the US Capitol Hill building in Washington DC. There were deaths and injuries.

For anyone of my age, what happened would, years ago, have been inconceivable. I first went to the USA in 1983. It seemed then to me to be one of the most reliable nations and democracies in the world.

Today I do not think the USA is a reliable democracy. It seems possible that fair-minded democratic government there will soon disintegrate - at least in the form we have known it since the end of the second world war. The United Kingdom, and to some degree Europe as a whole, often follows the USA in many social trends. That is a concern.

There are some facts that make me worry about democracy.

- Donald Trump is clear favourite at the time of writing, according to the bookmakers William Hill, to win the US Presidential election in November 2024. Yet he has been viewed by many as attempting to subvert the last election and has promised revenge against many of those involved in the previous election.
- The latest survey of Americans' fears, which is conducted annually by Chapman University, reveals that 'corrupt government officials' is the single greatest current concern of American people. Two-thirds of randomly sampled American citizens in their survey gave that answer. It is hard see how that can be sustainable in a US society as it is currently organised.
- An article in the *American Journal of Public Health* in 2020, in which I had a hand, showed that white low-education Americans have experienced an enormous increase, in a secular way since 1993 up until just before COVID, in extreme mental distress.



I suspect that kind of group of men and women were involved in the attack on Capitol Hill and remain hostile to democracy.

- It is illuminating to examine wealth levels among the poorest people in the United States of America, as calculated by the St Louis Federal Reserve in 2019. The least wealthy 50% (ie. the 'bottom half') of US citizens now own just 1% of America's total wealth. That tiny figure, when I lecture on the topic, sometimes leaves an audience open-mouthed. Half of the people in the USA own just one-hundredth of the wealth. Does that sound like something, we might ask ourselves, that could be a feature of a sustainable society in a democracy in which the bottom half also have a vote?
- Mass shooting incidents continue to grow through the years in the USA (Pew Research). Moreover, according to the BBC, the US ratio of 120.5 firearms per 100 residents, up from 88 per 100 in 2011, far surpasses that of other countries around the world.
- Pew Research has also found that trust in politicians in Washington DC has moved from a figure of approximately 75% of American citizens to approximately 20%.
- Similarly a large drop in confidence in politicians has occurred in Great Britain (IPPR 2021). At the end of World War II, one-third of British citizens answered yes to the survey question 'Do you think that British politicians are out merely for themselves?' Yet in the year 2021 that number had turned into two-thirds of the population.

Feelings lead to actions. Unhappiness and dissatisfied feelings can be expected to do that. Important research papers by George Ward et al. and Adam Nowakowski show that unhappy

citizens tend to vote for extreme right-wing anti-establishment political parties.

#### Other facts to consider:

- Climate change continues. It is likely to lead to increased immigration from poor nations to rich nations, and yet there are already signs of fierce push-back from (especially low-skill) individuals who live in those well-off countries.
- Infectious diseases that spread around the world have been trending steadily up through the decades (Smith 2014) and of course worsened in a dramatic way in the years of the COVID pandemic. These diseases lead to stress on societies in various financial, and other more complicated ways.
- Inflation has spiked around the globe in the last five years. This has contributed to declines in real income levels – and we know, as economists and behavioural scientists, that so-called 'loss aversion' then makes human beings extremely discontented.
- Artificial intelligence today is able to create persuasive moving and speaking images of human beings. In my view, this will act in part to destabilise democracies, because television and other images will be increasingly unlikely to be true, and then truth and falsehood may become worryingly entwined in a way hostile to a democracy and trusted voting systems.

To end on a more positive note. Despite these threats to our way of life, and particularly to the American democratic system that has acted as a bulwark for democracy since the defeat of Adolf Hitler, human beings often manage to draw back from disaster. Democracy has given us prosperity and high levels of health and education. Especially

continental Europe continues, in my judgement, largely to stick up for democratic values. There is a chance that our traditional modern form of government can survive. But it may prove a close-run thing. ◀

#### About the author

**Andrew Oswald** is Professor of Economics and Behavioural Science at The University of Warwick and a Senior CAGE Research Fellow.

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We are a small team of experts seeking to apply economic principles to ask new and innovative questions of data. We want to know how and why economies are successful, and the ways in which history, culture and behaviour shape the global economy (and vice versa).

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CAGE Research Centre  
Department of Economics  
The University of Warwick  
Coventry CV4 7AL  
United Kingdom

 [warwick.ac.uk/cage](http://warwick.ac.uk/cage)

 [@cage\\_warwick](https://twitter.com/cage_warwick)

 [cage.centre@warwick.ac.uk](mailto:cage.centre@warwick.ac.uk)