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Abstract

The early 2020s saw a spike in inflation across much of the advanced world, with pervasive economic consequences. There is strong evidence that economic shocks generally have political consequences, but few studies have specifically focused on inflation. In this paper, we address this gap using an original, pre-registered survey experiment in the United Kingdom, a country which saw the highest consumer price inflation in 40 years and a major cost of living crisis. First, we describe how individuals, on average, are only neutral in their confidence in the Bank of England's and economists' ability to tackle inflation. The population is even more pessimistic regarding the government's abilities. Second, using an experimental survey vignette, we causally identify the effect of reminding and/or informing participants about the high levels of inflation. While our treatment shifts inflation expectations, we find no evidence that it reduces trust in government, the bank of England, nor economists more generally. Instead, we find weak evidence that respondents blame corporations. Inflation also makes citizens less likely to support public sector pay rises although we find no effect on authoritarianism, redistribution attitudes, attitudes towards overseas trade, or optimism towards the future.

Keywords: Inflation; Political Attitudes; Political Trust; Authoritarianism; Survey experiment

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1. Introduction

After more than a decade of low inflation, the early 2020s saw a spike in prices across much of the advanced world. Between 2010 and 2020, inflation had rarely exceeded 2% (OECD 2023). But the opening up of national economies after the pandemic, supply problems in China, and then the Russian invasion of Ukraine led to major increases in prices across many developed economies (Bank of England 2023). In October 2022, annual increase in prices in the OECD hit 10.7% (OECD 2022). The United Kingdom was badly affected: inflation peaked at 9.6% that month, much of which was driven by increases in the basic price of fuels and basic goods. This inflation shock was largely unexpected and had major implications for everyday life - it reduced real incomes, led central banks to raise interest rates, and made it harder for firms and individuals to budget for the future.

There is a widespread concern about the impact of economic shocks such as trade, technological change, or plant closures on welfare, voting patterns, and political attitudes (e.g. Autor et al. 2020; Schöll and Kurer 2024). Yet there has been little consideration of how inflation influences individual political attitudes. This is surprising as, while technological change or the rise of China have impacts which are both diffuse and hard to identify, the impact of inflation is more widespread and often more clearly visible to a wider set of individuals. Moreover, while there is some literature on the impact of inflation on different voting patterns (Hibbs, Rivers, and Vasilatos 1982), there is little on the extent to which inflation shapes political attitudes in the modern world. For example, Margalit's (2019) comprehensive review of the impact of economic shocks on political behaviour does not include a single paper on inflation. But high inflation has widespread economic and psychological consequences, and many of the most concerning authoritarian political events in history, in particular the rise of the Nazi party, have been linked to high inflation (Galofré-Vilà 2023). This makes it troubling that, despite a wide literature on the impact of economic threats on political attitudes (e.g. Ballard-Rosa et al. 2021; Milner 2021), the impact of inflation - one of the greatest economic threats there is - has been strangely neglected.

In this paper, we first describe United Kingdom (UK) citizens' belief in how effective political and economic institutions are at tackling high inflation. Second, we investigate the effect of

inflation on political attitudes, in particular trust in political institutions, authoritarianism, support for overseas trade and support for redistribution, as well as testing the effects on optimism towards the future. One reason for the neglect of inflation on political attitudes is that its impact is highly endogenous with other economic conditions, meaning that studies based on votes cast will find it hard to identify the precise impact of inflation relative to other economic factors such as interest rates, growth rates, and unemployment. To parse out the impact of inflation from other economic changes, we conduct an original, pre-registered survey experiment.¹ Drawing from a sample representative of the population, respondents randomly receive a vignette which raises the salience of inflation, reminding, or potentially informing, treated participants about the current high level of inflation relative to the last 40 years.

We focus on the UK for two reasons. Firstly, the country had high, and prolonged, inflation. Price inflation has remained above 3% since October 2021 – exceeding the Bank of England’s target. Alongside this, the UK welfare state is relatively limited – meaning that the impact of inflation is not likely to be well cushioned by state support. This means we expect people to be particularly concerned about price rises. Secondly, the UK has been the location of at least one of the canonical anti-system votes, that of Brexit. As Ballard Rosa et al. (2021) argue, this makes the country a good test case of the economic shock-authoritarianism reflex.

Our paper has two central findings. First, citizens only have neutral confidence in the Bank of England’s and economists’ ability to tackle inflation. However, the population is even more pessimistic regarding the government’s abilities. Second, while we find that our treatment effect shifts inflation expectations (i.e. people do pay attention to our treatment), we find little evidence that this shifts trust in economic and political institutions, authoritarian attitudes, economic optimism, overseas trade, nor attitudes to income redistribution. Instead, we find weak evidence that respondents blame corporations for the price shock. The inflation treatment makes respondents less likely to support public sector pay rises, presumably as the treatment increases respondents’ tendency to support policies to fight inflation. We find little consistent pattern testing for interactions by income, home ownership, urban/rural location, and age.

¹ Details on pre-registration can be found here: <https://osf.io/h6zw3/>

We make two major contributions to the literature. First, we contribute to the burgeoning literature on the political impact of economic shocks, addressing the lack of focus on inflation in modern developed economies. This is a surprising omission because the impact of inflation is pervasive, widespread, highly visible, and economically significant. Second, there is a large literature which examines how politics affects inflation, for example with relation to the incentive to move to independent Central Banks (Giavazzi and Pagano 1991), the effect of democracy versus non-democracy (Desai, Olofsgård, and Yousef 2003), and how centre-right compare to centre-left parties in their preferences over an inflation unemployment trade-off (Hibbs 1992). However, there is limited research on how inflation affects politics - i.e., inflation as the independent variable.

This paper is organised in the following way. In section two we develop existing theory which links pocketbook shocks, inflation, and political attitudes. We develop a series of hypotheses which are pre-registered and tested in our experiment. Section three considers our empirical strategy, outlining how we will test our theoretical priors. Section four considers our results and section five concludes with the implications of our study.

2. Economic shocks and political attitudes

If nothing else, the political turmoil of the 2010s has led to a vibrant literature on the impact of economic shocks on political attitudes and voting (Colantone and Stanig 2018; Gallego and Kurer 2022; Hopkin 2020; Margalit 2019). Building on a set of theoretical priors developed in previous years, this literature has suggested that economic shocks influence individual attitudes, partly through a direct pocketbook effect on incomes but also from a wider geotropic effect, as individuals in the local areas see the costs faced by others nearby, with their attitudes further shaped by that (McNeil, Luca, and Lee 2023). Yet the majority of these shocks - such as plant closures, international trade, or technological change - are highly concentrated amongst specific groups. Inflation is different, as its impact is both more diffuse, more widespread, and often more uncertain. Because of this, it is useful to think about inflation in terms of both the direct, first-order impact on real incomes and the indirect, second order effects it creates beyond this.

First, consider the basic pocketbook impact of inflation. While other shocks are specifically focused on certain groups, the impact of inflation is less concentrated as the price of certain goods (food, energy) matters to most households, to varying degrees. Yet price changes will not be equal across groups as different individuals consume different goods (a basket of goods purchased by a family of five on low income is very different from one consumed by a single millionaire). Moreover, some people - for example, producers who are able to use the cover of inflation to raise prices - may gain from these price increases. Evidence on the recent inflation surge in the UK suggests that the highest inflation rate was faced by those on lowest incomes. Because much of the shock of inflation was felt in energy prices which comprise a fixed part of individual incomes, the Institute for Fiscal Studies (an economic think tank) (2022) estimated that UK inflation between October 2021 and October 2022 was higher for households in the bottom decile, who faced an inflation rate of around 14%, than those in the top decile whose inflation rate was only 8%.

The first order impact on real incomes leads to a complex set of second order considerations. Incomes adapt and if they increase with inflation, as they might for some self-employed workers, real incomes may remain similar. Debtors may gain in the sense that the real value of debt declines, but this gain is conditional on changes to incomes, repayment terms, and the exact price shock. The corollary of this is that creditors lose, unless interest rates on payments increase. These second order concerns will also be psychological: inflation may make it feel as though the government has lost control, make it hard to plan for the future, and lead to worry about the economic future. Many of these concerns are felt regardless of whether the direct impact is felt by the individual.

In short, inflation is a complex economic shock, but likely to be widespread. An initial shock to real incomes can become embedded, leading to a set of second order changes as firms and individuals adapt and second guess future prices changes. It feels likely to influence political and social attitudes. In this paper, our focus is on particularly salient attitudes – trust in political and economic institutions, authoritarianism, attitudes towards overseas trade, redistribution preferences, and optimism about the future – each of which develops on the existing literature on economic shocks.

Second, beyond the pocketbook effects of inflation, there may be a wider socio-tropic effect. Here, we draw on a large literature devoted to economic voting, whereby electorates reward incumbent governments for good performance, and punish incumbents, by not re-electing them, for bad economic performance (Lewis-Beck and Stegmaier 2019 for a comprehensive review). Whilst there remains a debate within this literature as to whether people care more about ego-centric outcomes, i.e., how economic performance directly affects them, or socio-tropic outcomes, i.e., national indicators of macro-economic performance (Duch and Stevenson 2008), there is consensus that both matter (Healy, Persson, and Snowberg 2017). A majority of the more recent contributions feature growth as the salient measure of valence, even when an older literature considered a wider range of variables (Galbraith 1999; Hibbs, Rivers, and Vasilatos 1982). In a sense, this is logical as individuals should rationally care about real rather than nominal outcomes (Hibbs, Rivers, and Vasilatos 1982), and in fact the economic voting literature has identified that it is unexpected rather than expected variation in macro-economic outcomes that has the largest effect on incumbent vote share (Palmer and Whitten 1999).

While the effects of inflation have appeared less often in this recent economic voting literature, presumably this is because of its relatively low salience where inflation, in Western democracies, has been relatively close to target over a sustained period. The high inflation of the last two years has been an unexpected shock, in this context of a long period of low inflation. We see inflation as a valence measure, a signal to voters that governments as economic managers of the economy are capable, or not, of running the economy efficiently. Recent experimental evidence, from this period of high inflation shows that inflation is one of, if not the best, indicator of citizens' perceptions of economic success (Barnes and McNeil n.d.).

Trust in economic and political institutions, political and social attitudes, and optimism

Our first question is the relationship between inflation and political trust. Political trust is seen as underpinning the functioning of democracy as it ensures individuals have faith in impartiality, confidence that their views will be represented, and so encourages collaborative behaviour (Citrin and Stoker 2018). In a basic model, inflation will have a pocketbook impact on individual incomes, and they will blame the government (Van Erkel and Van Der Meer 2016). However, the question

is who the public blame for high inflation (and whether they trust the respective institutions to tackle inflation), and what are the corresponding effects on trust. In the context of most democracies having moved to an independent Central Bank, which usually has at least some mandate towards low, and stable, inflation, it may be that individuals blame and lose trust in the Central Bank. One strand of the literature considers exactly this impact of inflation on trust in central banks; with mixed results. Dräger and Nghiem (2023) use a survey experiment to find that exposure to information about inflation (roughly: what it is, what it implies, and what the central bank can do to address it) has a causal, positive and short-term impact on trust in the Bundesbank, albeit one which does not persist for three months (they also find no impact on trust in the ECB). Similarly, Brouwer and De Haan (2022) use a survey experiment and find that individuals who receive information on how the ECB achieves the inflation target are no more or less likely to trust the ECB to achieve this. Blame for high inflation may spread beyond the government, Central Banks (and economists more broadly) to large corporations, who are often portrayed by the media as exploiting rising prices to make higher profits.² Recent work shows that “greedy” corporates are the second most blamed reason for high inflation in the United States behind Biden and the administration (Binetti, Nuzzi, and Stantcheva 2024).

Whilst we expect to find that our inflation treatment will result in lower trust towards the Bank of England, we hypothesise that high inflation will have a greater impact in reducing political trust towards the government (and to a lesser extent towards economists and big businesses). Here, the mechanism is that we expect individuals not to have a clear understanding of Central Bank independence and their mandate. YouGov polling confirms that 50% of the public hold the Government accountable for inflation (YouGov 2023). Less evidence exists on the effects of high inflation on trust away from Central Banks, and specifically political trust. One exception is Van Erkel et al. (2016) who use multilevel models and data across 15 European countries for the period 1999-2011. However, in contrast to theoretical expectations they find that inflation has no effect on political trust except, in some specifications, actually increasing it. Based on this past work, we consider two forms of trust. First, a general form of trust in these institutions. Second, specifically trust to deal with the high inflation.

² <https://www.theguardian.com/business/2023/mar/12/global-greedflation-big-firms-drive-shopping-bills-to-record-highs>

Our second hypothesis is that an economic shock such as inflation will affect political and social attitudes. Here, we theorise that this effect will be across a number of dimensions. First, we expect increased authoritarianism. There is a widespread literature on authoritarianism, drawing on the work of people such as Altemeyer (1981). Building on this work, Ballard Rosa et al. (2021) develop the three-component definition of authoritarianism which develops Altemeyer's categorisation of authoritarianism into aggression, submission, and conventionalism. These are:

- *Aggression*: Economic shocks can stop individuals being able to achieve what they want, leading to frustration and aggression. They argue that in this case the economic shock leads to aggression, with individuals keen to take it out on others through authoritarian stances.
- *Submission*: Shocks may be seen as a “problem which needs fixing”, leading to a desire for a strong leader. In the case of inflation, we argue that inflation is a lack of control - so an appeal to a strong leader may influence
- *Conventionalism*: Shocks may lead to nostalgia for an idealised past, so individuals will then value conventionalism.

We are unaware of studies which show the impact of inflation in the modern world on authoritarianism, but studies have considered the role of inflation in the rise of the Nazi party. Using data on prices in cities across Germany, Galofré-Vilà (2023) uses city level price data in Germany between 1924 and 1933, a period of electoral success for the Nazi party. His findings are nuanced, as he finds that inflation reduces turnout and trust in institutions. But he finds no evidence that it contributed to the rise of the Nazi party, instead pushing the electorate towards a separate party concentrated with those who lost-out.

Beyond authoritarianism we expect an effect on redistribution preferences. One mechanism is from a pocketbook perspective, and that high inflation makes people feel poorer, and hence they are more likely to believe that they will benefit from redistribution. A second, is from a socio-tropic perspective, whilst we do not expect citizens to have detailed knowledge of the distributional consequences of inflation, the UK media often focused on the cost-of-living crisis impacting the poorest, for example the increased use of foodbanks.³ This socio-tropic mechanism may also

³ <https://www.bbc.co.uk/news/uk-65050920>

translate into greater support for increased wages for public sector workers in order to maintain their real wages. On the other hand, an increased awareness of high inflation may push individuals to become less in favour of public sector wage increases to tackle inflation. Finally, we expect high inflation to reduce openness to overseas trade, in parallel to other economic shocks literature where individuals become more ethnocentric (Sobolewska and Ford 2020).

Our final concern is the impact of inflation on expectations of the future. While most economic shocks lead to concerns about the future, inflation has a particularly unclear impact. This is particularly the case as the first order impact, changes to real incomes, are known to be accompanied by a set of complex second order effects: higher interest rates, with further distributional considerations, reduced economic activity as demand cools, and the potential for unemployment which results (King 2023).

Differential impact of inflation shocks

At least since Engel, in the mid 19th Century, it has been clear that the impact of inflation depends on the income level, with those at the bottom of the income distribution paying a higher share of their income on basic goods. An increase in consumer prices implies an even higher share being paid on basic goods relative to higher income households, thus the implication should be a more pronounced response to an inflation shock at the lower end of the household income compared to those in the middle or top. For many households increased inflation acts as an increase in economic insecurity, and news about an inflation shock as a reminder about economic security and economic class.

Similarly, we expect homeowners to be somewhat protected against the overall effect of inflation. Real assets, such as houses, are better protected than nominal assets from inflation. Moreover, for those with mortgages the real value of their debt will be eroded by high inflation.⁴ Contrastingly, renters were particularly badly affected by rent rises.

⁴ Counter to this, some individuals may expect interest rises which will impact those with mortgages.

We would expect differences by age for two reasons. First, scholars have shown different inflation expectations for different age groups. While some have found the younger population to have higher expectations (Bryan and Venkatu 2001; Jonung 1981), others have done so for older respondents in the UK (Blanchflower and MacCoille 2009). Differences in the initial inflation expectation are likely to influence how individuals are affected by the treatment, whether they would update their beliefs or whether it would only increase salience. Second, older people are more likely on fixed incomes, whereas younger workers' incomes are more likely to adjust to new price levels. Thus, we might expect a more pronounced effect given that older respondents are more likely to have fixed incomes.

Finally, we might also expect different effects for respondents in rural relative to urban areas. This could be due to multiple reasons, one of them being different attitudes and values living in urban or rural areas (Ford and Jennings 2020; Luca et al. 2023; Mitsch, Lee, and Ralph Morrow 2021). Thus, being exposed to an inflation shock might trigger differential responses, such as attitudes towards authoritarianism, redistribution, and overseas trade. On the one hand, the effect might be more pronounced in rural areas given that lower levels of political trust are observed there (Mitsch, Lee, and Ralph Morrow 2021) and an inflation treatment might reinforce these views. On the other hand, we could also observe a stronger response in urban areas due to different costs of living. We might expect a more pronounced effect in urban areas, as those have seen higher living costs, such as in a city like London.

3. Experimental design

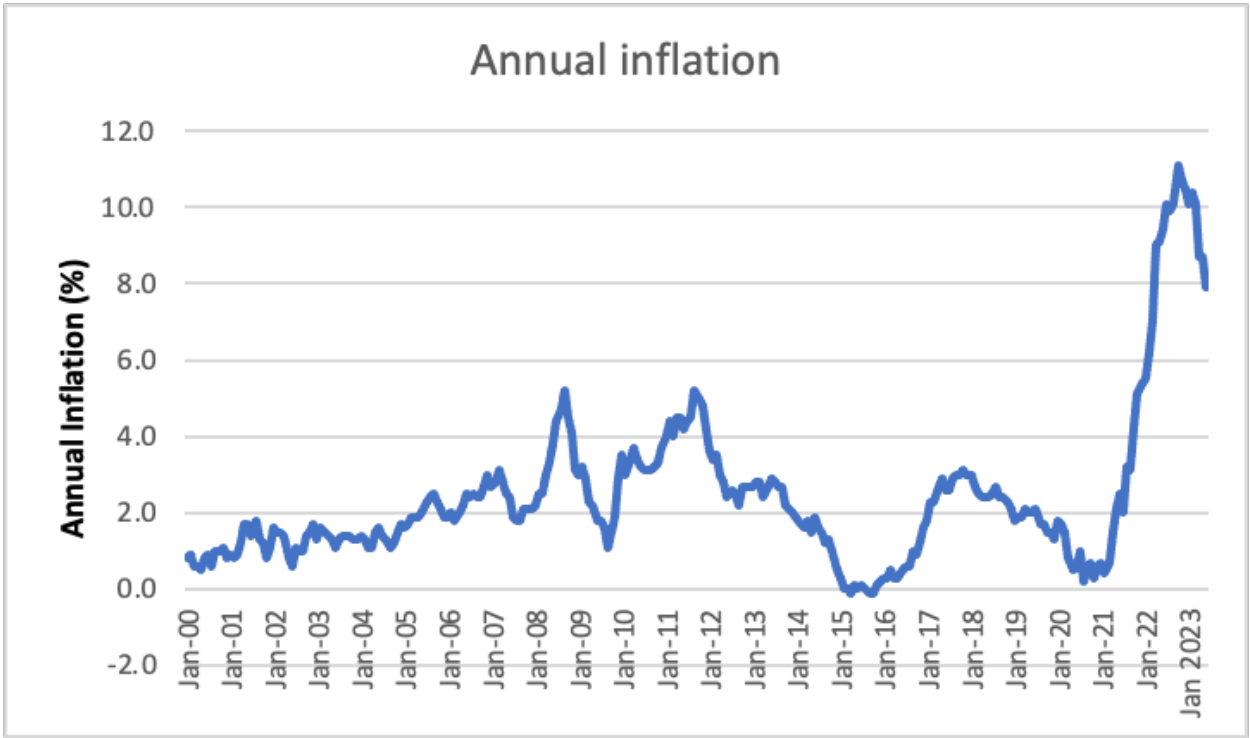
Treatment

The complex economics of inflation make it hard to identify separately from other macroeconomic factors. Concerns about inflation will be linked into fears that central banks will raise interest rates or let unemployment rise to cool demand. This makes it hard, if not impossible, to fully separate the impact of an inflation shock from these other political attitudes. To address this problem as far as possible, we use a vignette experiment to understand the causal impact of inflation on political attitudes. Using a between-subject design, we assign each respondent to the treatment or the

control group. The study is designed so that one group receives the treatment, which is the information of an inflation shock. The control group, in contrast, receives no information at all.

We expect the treatment information to work through three channels: updating beliefs, reminding individuals of high inflation, and increasing salience. The information on inflation includes an explanation on inflation, the current level and the development over time, showing that it has been higher than in the past. We choose not to mention the causes of high inflation. For example, citing the effect of the war in Ukraine may have effects on political attitudes over and above the impact of inflation. Moreover, our aim is to raise salience and provide information rather than elicit any emotive response. The version shown to respondents is in Figure 1. Respondents are randomly allocated between the control, with no vignette, and the treatment with equal probability.

Figure 1 – The experimental vignette



Inflation is the rate at which the prices of goods and services bought by households rise or fall. Prices rose by 7.9% in the 12 months to June 2023. That means, the average basket of goods bought

in June 2022 for £100 would cost £7.90 more in June 2023. In October 2022 the inflation rate peaked and was the highest since 1981. The graph below shows annual inflation since the year 2000.

Outcome variables

All of our hypotheses and analysis is preregistered.⁵ For simplicity, our results can be usefully grouped into three categories: trust, political and social attitudes, and economic optimism.

We test trust in two forms. First, general citizens' trust in political and economic institutions, and second how citizens' have trust in those institutions to tackle inflation. Both measures are captured on a Likert scale from (1) no trust at all to (7) complete trust. The list of institutions we test for trust is the government, economists, the Bank of England, politicians, large corporations, and the NHS. The NHS is included as a placebo to check if our treatment has a broad emotive response rather than testing for an effect on specific institutions.

We measure political and social preferences in terms of attitudes towards authoritarianism, redistribution, and overseas trade. Authoritarianism we use multiple measures which we then use a principal component analysis and take the first component as our dependent variable (on a 7-point scale) – details are available in Appendix Section 6. We take two measures of redistribution. First, whether the government should redistribute from richer to poorer households and second whether the government should pay higher wages to public employees. The latter was a particularly salient debate in the United Kingdom as many public sector unions called for strikes in the wake of lower real pay. We also test whether the effect on attitudes towards restricting imports on a scale from (1) strongly disagree to (7) strongly agree.

Regarding economic optimism, we have two dependent variables, testing attitudes towards the current state of the economy and optimism for the future state of the economy. Again, we use a 7-point Likert scale from (1) extremely dissatisfied [negative] to (7) extremely satisfied [positive].

⁵ <https://doi.org/10.17605/OSF.IO/H6ZW3>

A full version of our survey is available in Appendix in section 7.

Analysis

We collected data using Prolific on 21st and 25th November 2023, with a total of 2,227 respondents. Our results include only respondents who have completed a ‘bot detection’ test via the survey software.⁶ The survey was fielded in the United Kingdom, which had suffered from a period of high inflation – albeit we see our results as generalisable given inflation was high, although generally not to the same extreme, across developed countries.

We identify a causal effect by randomising our respondents into two different groups, but we also increase precision by including a set of covariates in our model estimation (Clifford, Sheagley, and Piston 2021). Our controls are a standard set of demographic variables that have been shown to correlate with the dependent variables, specifically: age, sex, income, urban or rural residence, date of taking the survey, whether one is a UK national, and educational attainment. We analyse a between-subject design and the main analysis will be conducted by using multiple parametric regressions, with the following model specification:

$$y_i = T_i + X_i + e_i$$

Where y_i refers to our vector of dependent variables, T_i refers to a dummy that is 1 in case the group has received information on inflation and 0 in case it did not and i is the error term. We will apply the conventional $p < 0.05$ criteria to evaluate our hypotheses.

Balance of the control and treatment group are available in Appendix Table 3. We exclude those who answer don’t know or with missing socio-demographic background information through list-wise deletion.

⁶ Our tests show an unexpectedly large number of bots in the online survey which was conducted through Prolific. This is a ‘captcha’ test included in the Qualtrics survey software. We remove anyone with a Recaptcha score less than 0.8 (386 observations), any duplicate IP addresses (32), anyone who takes longer than 1000 seconds or less than two minutes (81), and anyone who does not give consent for information to be used (58). At this stage we also remove any observations missing background information.

As we set out above, the impact of inflation is likely to be worse for certain groups. We estimate interactions in the following groups. We test for a rural / urban divide, by a self-assessment variable asking which of the areas the respondent believes that they live in. Income groups are coded as low (household income below £30,000), middle (household income between £30,000 and £50,000), and high (household income above £50,000). Homeownership is coded as a binary variable, if one owns, on mortgage or outright, a property, and all others. Age is included as four groups: 18-30; 31-40; 40-64; 65+.

Power

We based our power calculations on a Cohen's D of 0.2. Here, we estimated standard deviations of our dependent variables based on similar variables from large surveys in the United Kingdom (UKHLS and BES). The treatment effects represent the effect sizes required to achieve 95% power to reject the null hypothesis, which refers to no treatment effect, at a 5% significance level. They are assessed on a 7-point scale. Based on these assumptions, our analysis requires a sample size of 1,302. For the interaction effects with four groups, we run an ANOVA with the same effect size (effect size $f = 0.1$) and 95% power, which requires a sample size of 1,721. To make sure that we have enough power in our study to detect the main and the interaction effects we chose a slightly larger sample size of 2,000 (our final survey ended up with 2,227 respondents – with “don't knows” varying between dependent variables).

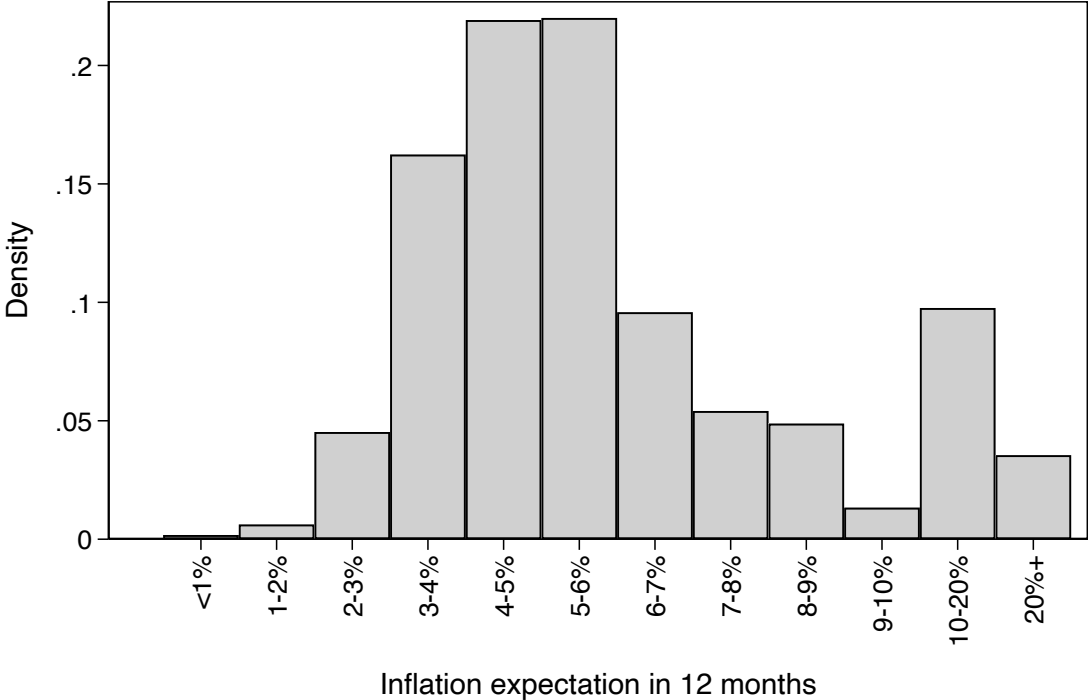
4. Results

Descriptive findings

Before turning to the main experimental results, we first describe citizens' perceptions of inflation in 12 months' time and citizens' trust in political and economic institutions to deal with inflation. These are two dependent variables with an explicit link to inflation. Whilst we cannot garner a causal interpretation from this, we see interesting patterns.

Reported inflation (CPI) in the UK was 4.7% in October 2023 – details were released to the public on November 15th, just over one week prior to our study – and 6.3% in September 2023.⁷ In our sample, citizens’ mean perception of inflation in 12 months is 6.4% and the median is 5%. Thus, perceptions of future are, on average, within the context of current inflation. This accuracy of macroeconomic knowledge is surprising in the context that it is often perceived that the public has a poor understanding of the economy (Runge and Hudson-Sharp 2020). However, in line with recent results from the United States (Binetti, Nuzzi, and Stantcheva 2024), there is a significant minority who seem to have little knowledge both on the high- and low-side.

Figure 2 – Citizens’ expectations of inflation in 12 months’ time



Notes: Each group is inclusive of the lower bound and exclusive of the upper bound, for example the 3-4% bin is the range $\geq 3\%$ and $<4\%$. Descriptive results are for the control group only.

⁷ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/october2023>

In terms of citizens’ trust in institutions to deal with inflation, there are two major trends. First, citizens have only moderate trust in the Bank of England (mean 3.87 on a 1-7 scale) and economists (mean 3.95) to deal with inflation. The median response for both the Bank of England and economists is ‘neutral’. However, citizens have even less trust in the government (mean 2.55) and politicians (mean 2.29) to deal with inflation – the median response is ‘very limited trust’. Trust in corporations to deal with inflation is low (2.60), but not as low as in government or politicians). We included the NHS in our survey as a placebo test, and reassuringly the modal response is ‘neutral’.

Second, general trust in institutions and trust to deal with inflation are highly correlated. For the Bank of England, this is perhaps unsurprising given that part of its mandate is to achieve low and stable inflation. Trust in the government and politicians and trust in the same institutions to deal with inflation is similarly highly correlated. Although we cannot make any causal inference here, potentially the low trust in institutions to deal with inflation results in low general trust (and of course the causal relationship could be in the opposite direction).

Figure 3 – Citizens’ trust in institutions to deal with inflation

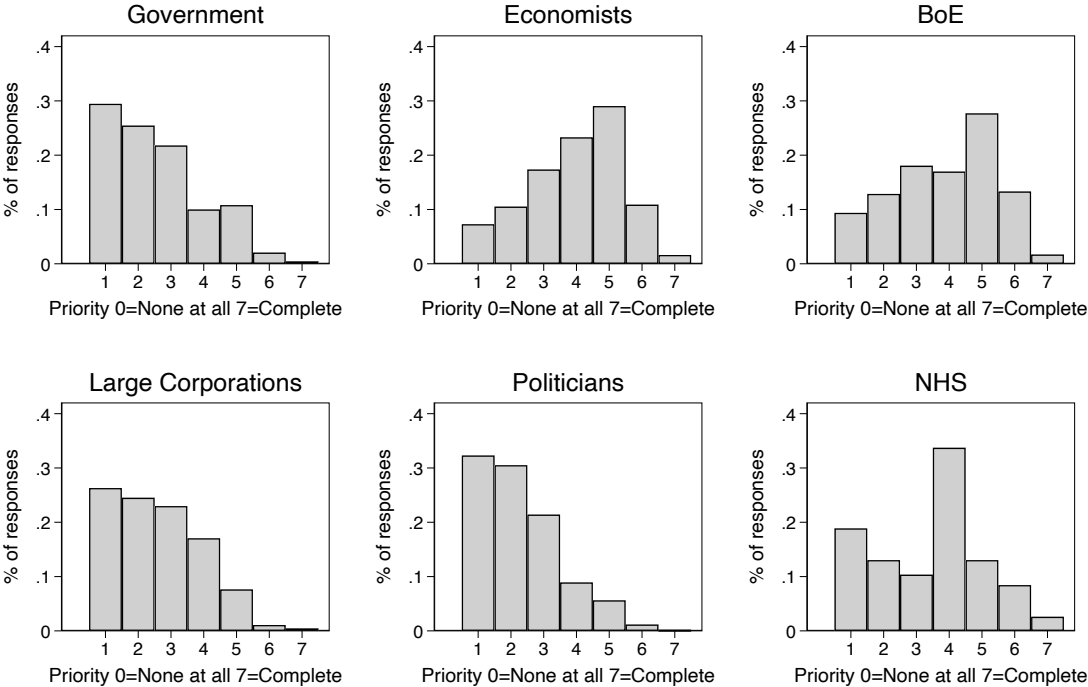


Table 1 – Correlation between trust in institutions and trust to deal with inflation

	Trust in...					
	Government	Economists	BoE	NHS	Corporations	Politicians
Trust to deal with inflation	0.75	0.70	0.75	0.41	0.56	0.72

Experimental findings

Our main results are summarised in Figure 3. As can be seen our treatment passes the manipulation test as the treatment group has higher inflation expectations for the next 12 months relative to the control group by 0.27 percentage points [$p=0.018$].

However, the treatment has no effect at the $p<0.05$ threshold on any of the dependent variable where we investigate general trust or trust to deal with inflation for: the government, economists, the Bank of England, politicians, large corporations, or the NHS. Whilst we pre-registered our hypotheses based on a statistical significance threshold of $p<0.05$, we do note that the trust in corporations point estimate is a reduction in 0.13 points [$p=0.06$]. This ties into work in the USA where greed, often referring to ‘greedy corporations’ is the second most cited perceived cause of inflation (behind Biden and the administration) (Binetti, Nuzzi, and Stantcheva 2024). Similarly, business is the second most often given institution citizens are angry at – again behind Biden and the administration.

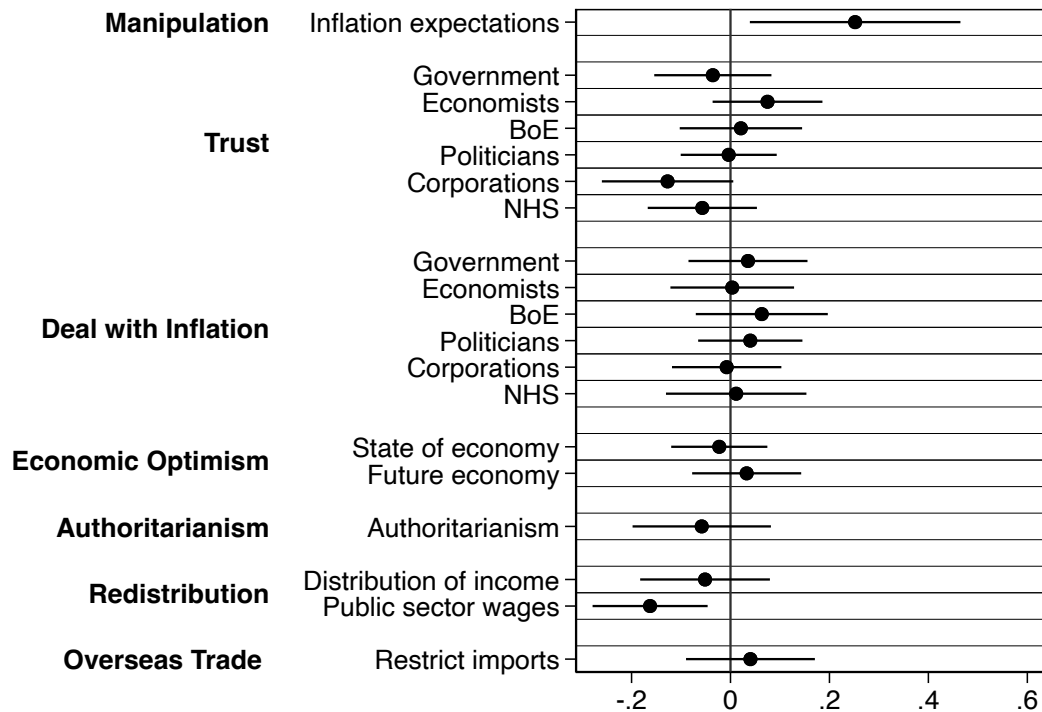
We find aggregate null effects also for the economic optimism, authoritarianism, and preference towards restricting imports. For convenience of presentation, our results have been presented as a principal component analysis for authoritarianism, although, as we show in Appendix Figure 20, we find no effects for any of the individual items either.

Regarding redistribution, we find no effect on our income redistribution variable, that governments should take measures to reduce differences in income levels. However, we do find that the treatment group is more likely to disagree, by 0.16 points [$p=0.006$], with the government paying

higher wages to public sector workers to cover the rising costs of living. We note that this may be perceived as a direct way to combat high inflation, whereas most of our other dependent variables are not directly linked to inflation.

In sum, at the aggregate level the inflation treatment passes the manipulation check as, on average, the treated group have higher inflation expectations than the control. However, we find little in the way of attitudinal effects – except for support for higher public sector pay.

Figure 4 – Effects of experimental inflation treatment



Heterogenous treatment effects

As pre-registered, we check whether there are differential treatment effects by income, age, homeownership, and whether one lives in a rural or urban area. We find limited difference in treatment effects being these groups.

Regarding income we find no statistically significant treatment effects across the three income groups (low, middle, and high). Comparing homeowners and renters, only for homeowners does the treatment statistically reduce support for higher public sector wages, and for renters the treatment group have reduced trust in corporations. In both cases, the point estimates for the other homeownership group are in the same direction, and the interaction term between the treatment and homeownership is not significant. Regarding rural urban differential treatment effects, for the rural group, not urban, is there a public sector wage effect – otherwise again there are no significant effects from the inflation treatment.

We do find more differences between the age groups, but in most cases, these are not significant at the $p < 0.05$ threshold. The treatment effect on public sector wages appears to come predominantly from the two older age groups (40-65 and 65+. In the 30–40-year-old group the inflation vignette reduces trust in government and authoritarian attitudes.

Given we tested a wide variety of interactions and dependent variables, the evidence for heterogeneous treatment effects is, in our view, weak. Full results are available in the Appendix Figure 5 to 19, shown both as subgroup treatment effects and as interaction between the treatment and subgroups.

5. Conclusion

There is widespread concern about how various economic shocks influence voting patterns and political attitudes (for example Autor et al. 2020; Schöll and Kurer 2024). However, limited attention has been devoted to understanding the influence of inflation on individual political attitudes. In this paper, we aim to address this current gap by studying the political effect of inflation in the United Kingdom. We approach this by investigating the relationship both descriptively and causally. A likely reason for neglecting inflation's impact on political attitudes is that its impact is highly endogenous to other economic conditions. This means that studies focusing only on voting patterns struggle to accurately determine the specific impact of inflation compared to other economic factors like interest rates, economic growth, and unemployment. To separate the impact of inflation from other economic changes, we conducted an original survey

experiment. Using a sample representative of the UK population, respondents are randomly assigned a vignette that increases the salience of inflation by reminding and/or informing them about the high level of inflation compared to the past 40 years.

We first describe citizens' belief in how effective political and economic institutions are at tackling high inflation. Second, we investigate the impact of inflation on political attitudes, especially trust in political institutions, authoritarianism, support for overseas trade, and support for redistribution. Additionally, we assess the effect of inflation on optimism about the future.

Our paper presents two central findings. First, citizens only have neutral confidence in the ability of the Bank of England and economists to deal with inflation. However, they are even more pessimistic regarding the government's abilities. Second, while we find that our treatment effect shifts inflation expectations, we find little evidence that it affects trust in economic and political institutions, authoritarian attitudes, economic optimism, overseas trade, or attitudes to income redistribution. Instead, we find weak evidence that respondents blame corporations for the price shock. The inflation treatment reduces support for public sector pay increases, presumably as the treatment increases respondents' tendency to support policies to fight inflation. We find little consistent pattern testing for interactions by income, home ownership, urban/rural location, and age.

With this paper, we make two major contributions to the literature. First, we contribute to the growing literature on the political impact of economic shocks, addressing the lack of focus on inflation in modern developed economies. Second, there is a large literature which examines how politics affects inflation, for example with relation to the incentive to move to independent Central Banks (Giavazzi and Pagano 1991), the effect of democracy versus non-democracy (Desai, Olofsgård, and Yousef 2003), and how centre-right compare to centre-left parties in their preferences over an inflation unemployment trade-off (Hibbs 1992). However, there is limited research on how inflation affects politics - i.e., inflation as the independent variable.

There are several limitations to this study. First, our treatment effect on manipulation is quite small, which might be explained by the already high salience of the level of inflation. In this case, our

treatment is only mildly effective. It would also constrain the likelihood of an effect of other dependent variables, which is in line with the findings of our paper. Second, we cannot rule out that respondents have received information about inflation or the cost of living directly before conducting the survey experiment, affecting respondents' salience of inflation. This might be through regular consumption of news or specific events, such as the Autumn Statement. Despite these limitations, we believe that our study makes an interesting contribution to the increasing literature on the effect of inflation on political attitudes. It also provides a better understanding of citizen's beliefs in economic and political institutions to deal with inflation. However, further research is needed to gain a better understanding of the highly relevant relationship between inflation and political attitudes, which should be encouraged by studying different institutional settings and geographies.

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Appendix

1. Age

Figure 5 – Interaction between age and treatment (18-30 base)

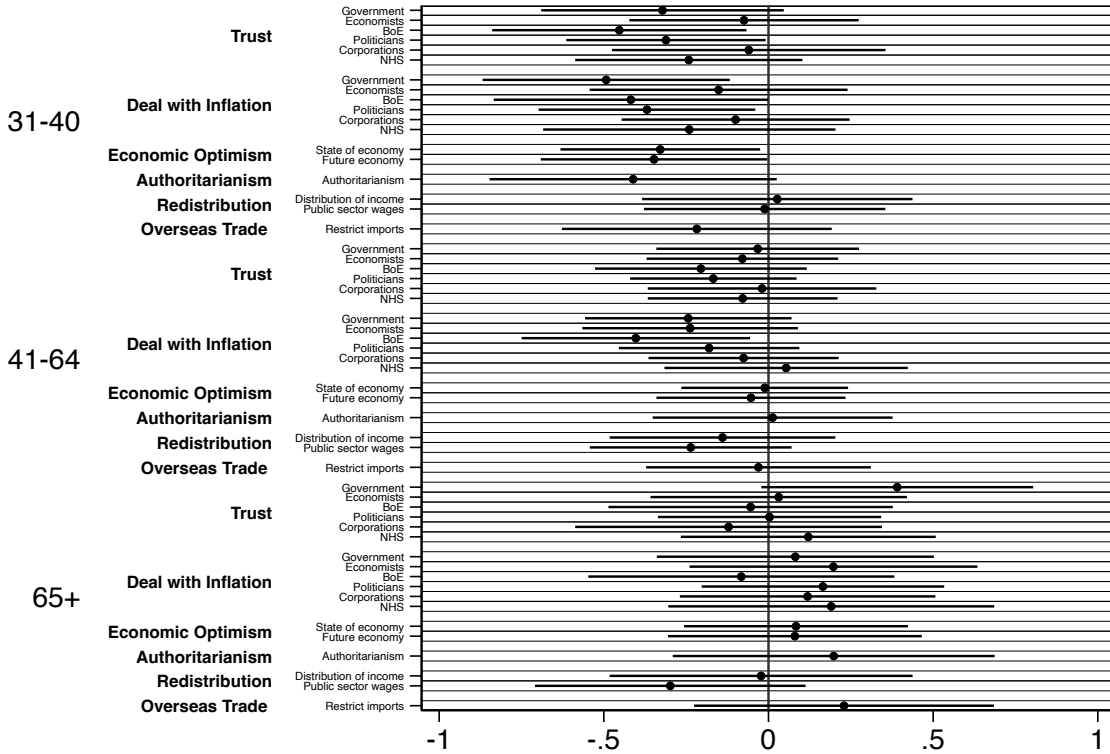


Figure 6 – 18-30 treatment effects

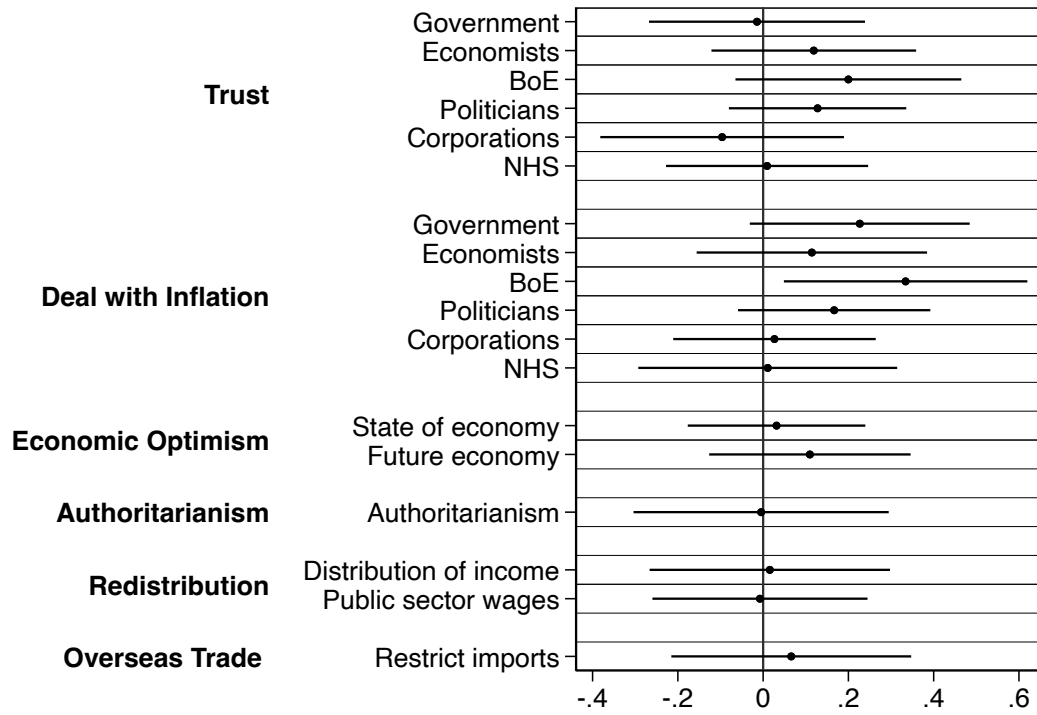


Figure 7 – 31-40 treatment effects

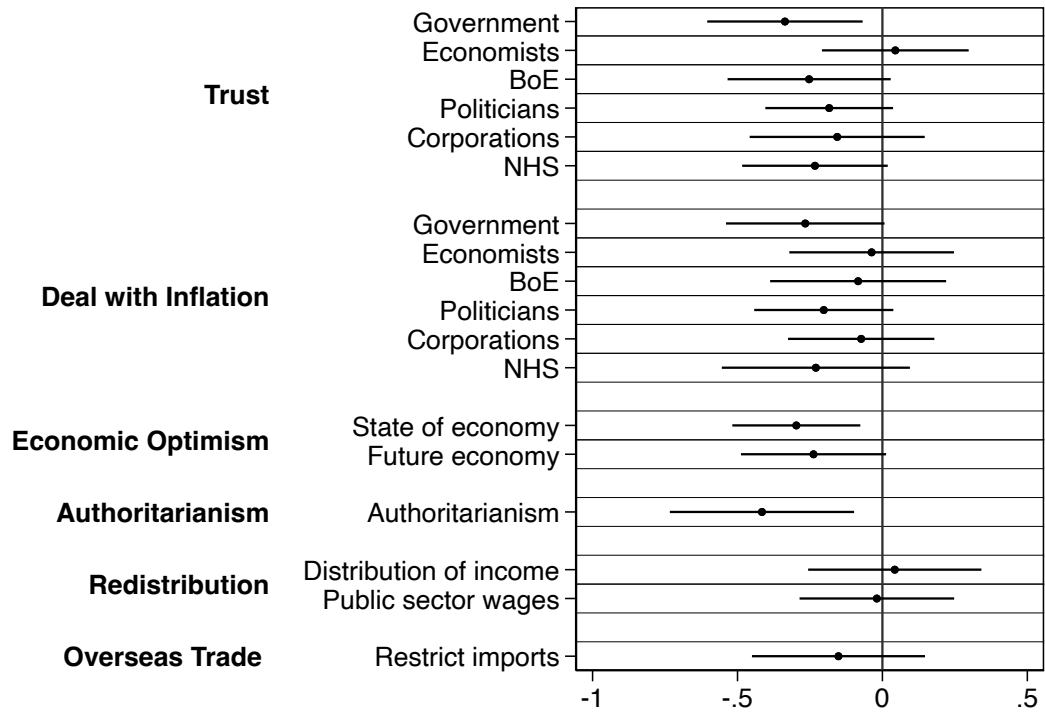


Figure 8 – 41-65 treatment effects

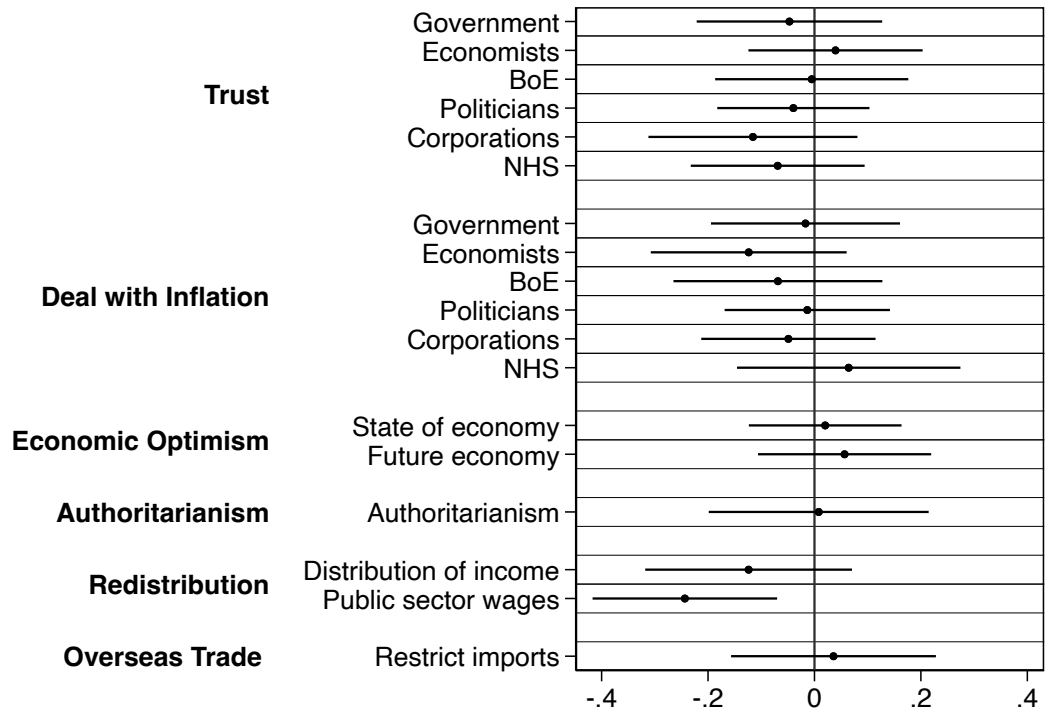
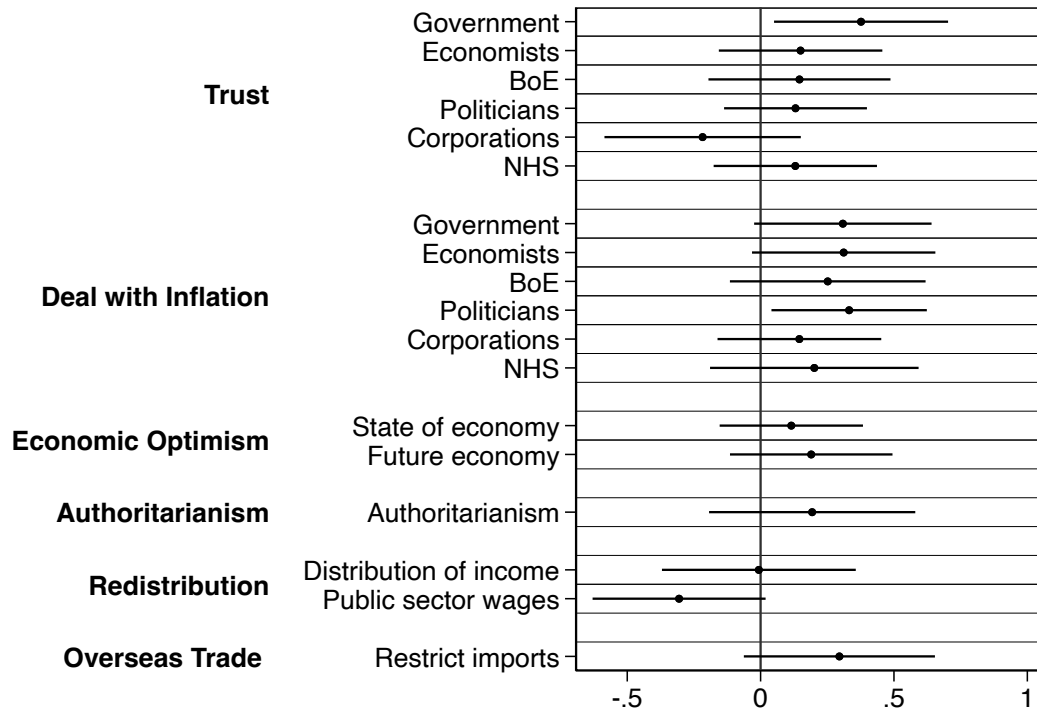


Figure 9 – 65+ treatment effects



2. Income

Figure 10 – Interaction between treatment and income (low base)

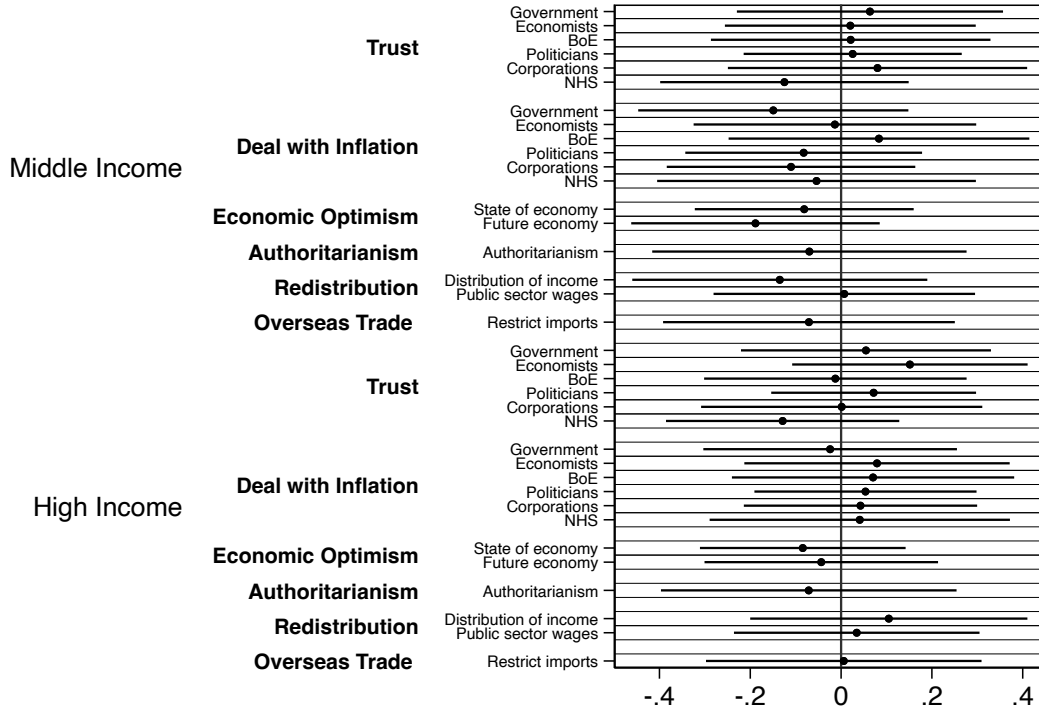


Figure 11 – Treatment effect by low income

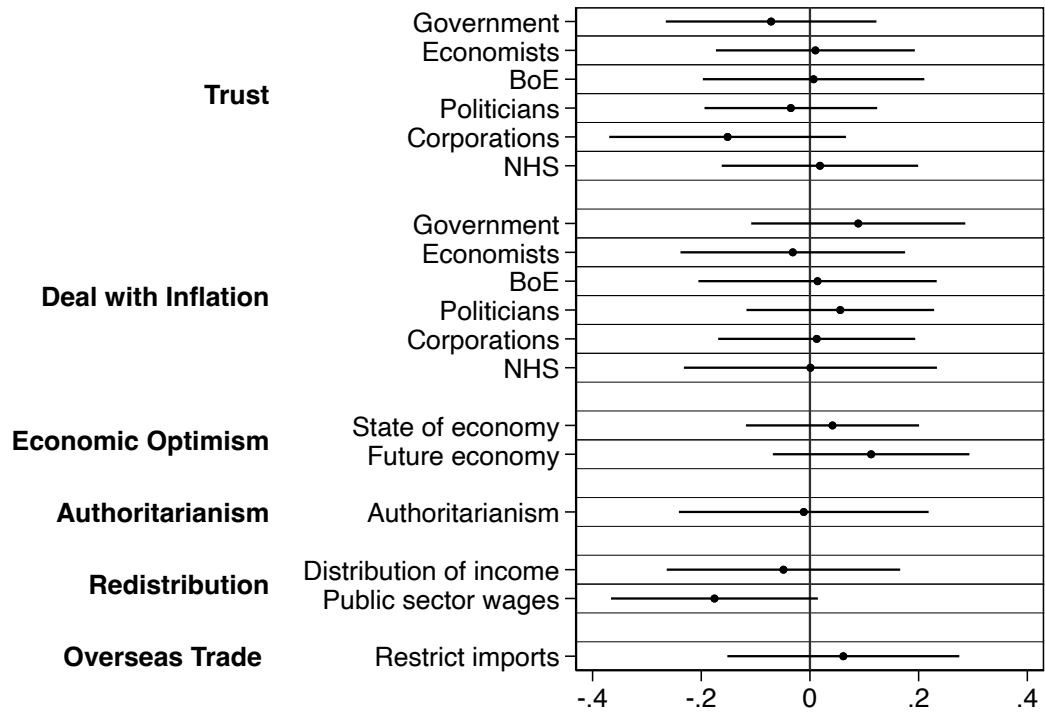


Figure 12 – Treatment effect by middle income

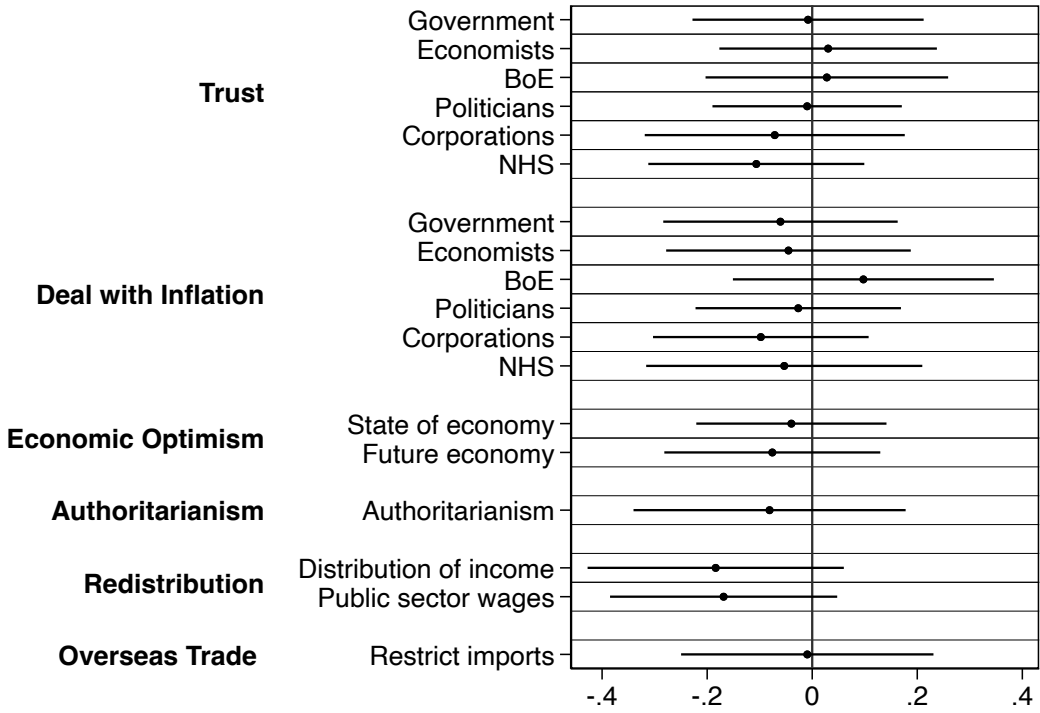
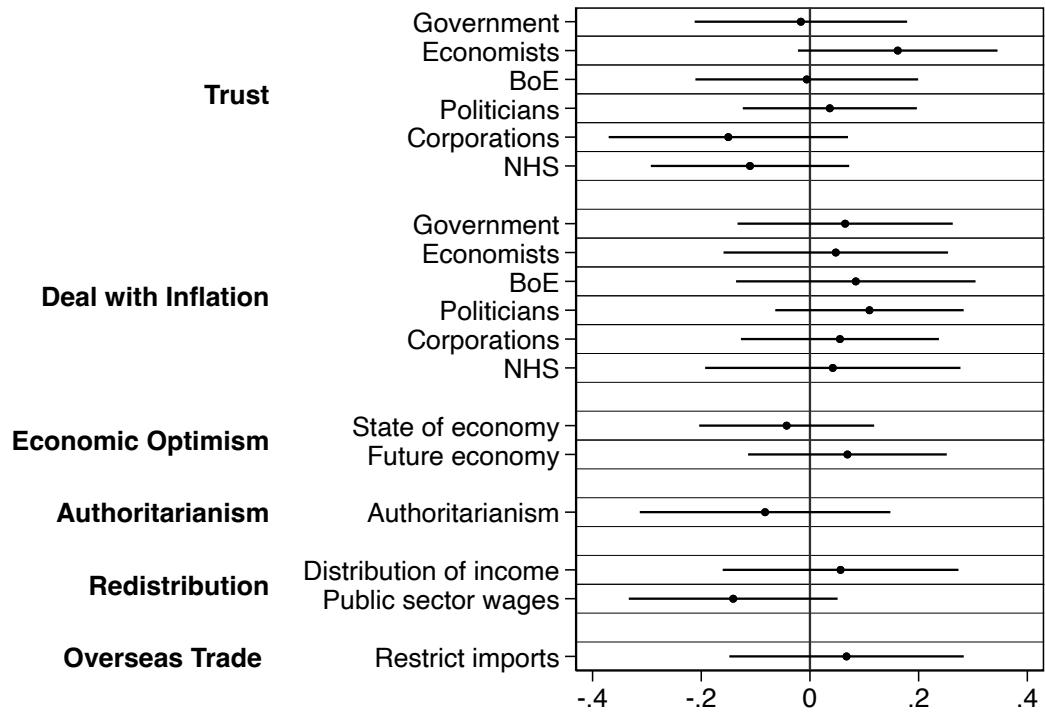


Figure 13 – Treatment effect by high income



3. Home Ownership

Figure 14 – Interaction between treatment effect and home ownership (owns house base)

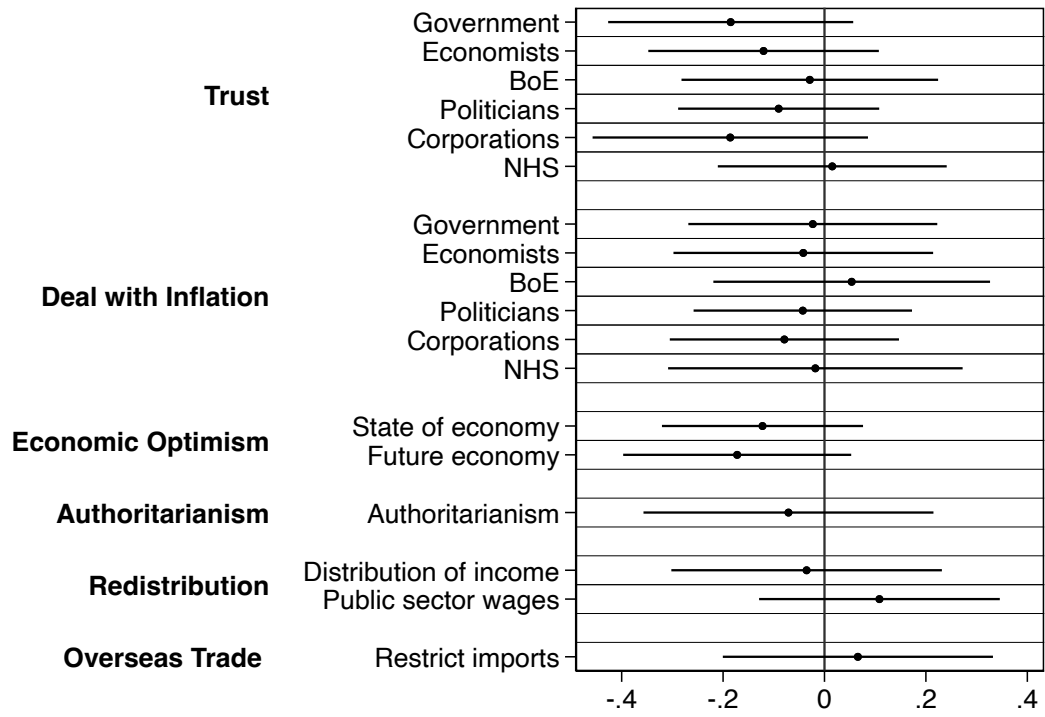


Figure 15 – Treatment effect by homeowners

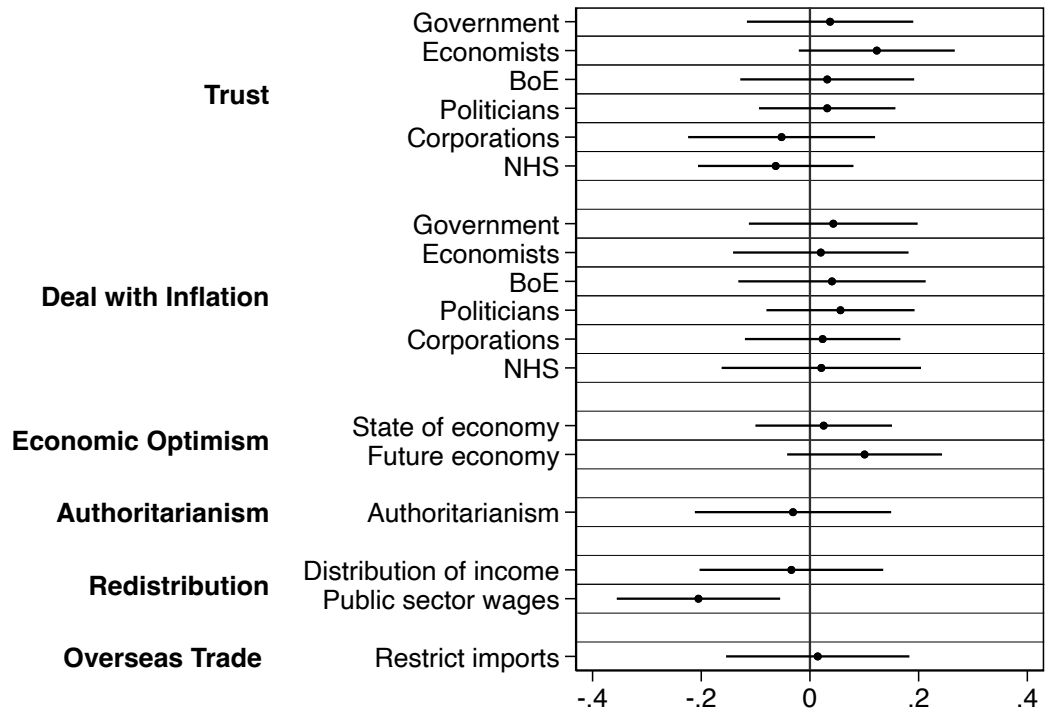
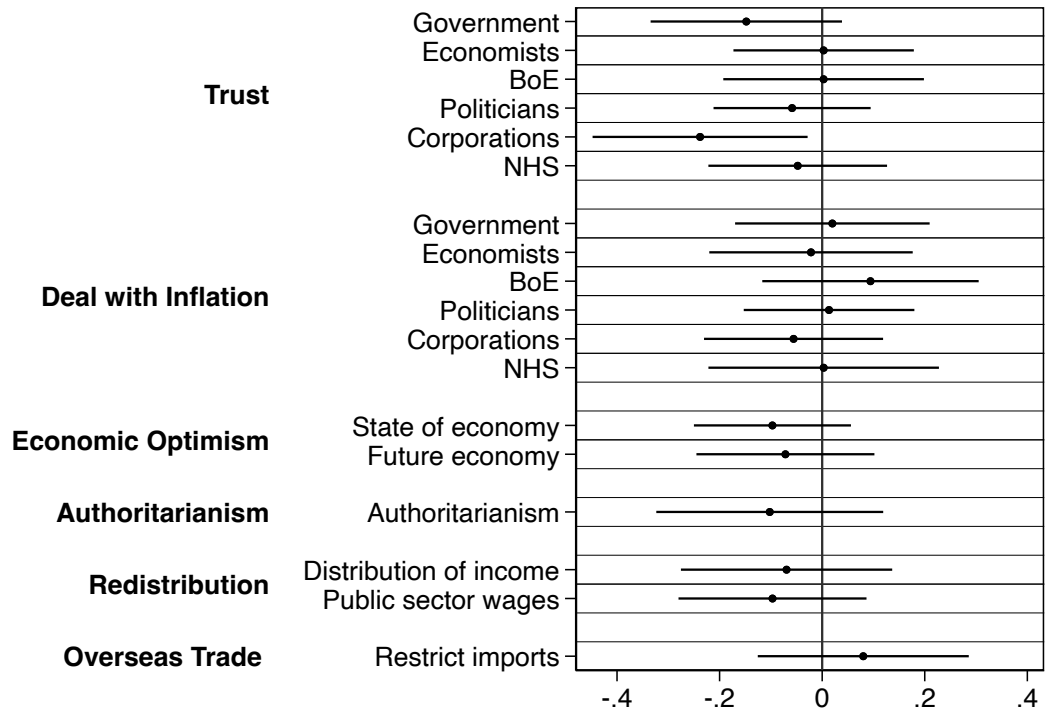


Figure 16 – Treatment effect by renters



4. Urban vs. Rural

Figure 17 – Interaction between urban/rural residence and treatment (rural base)

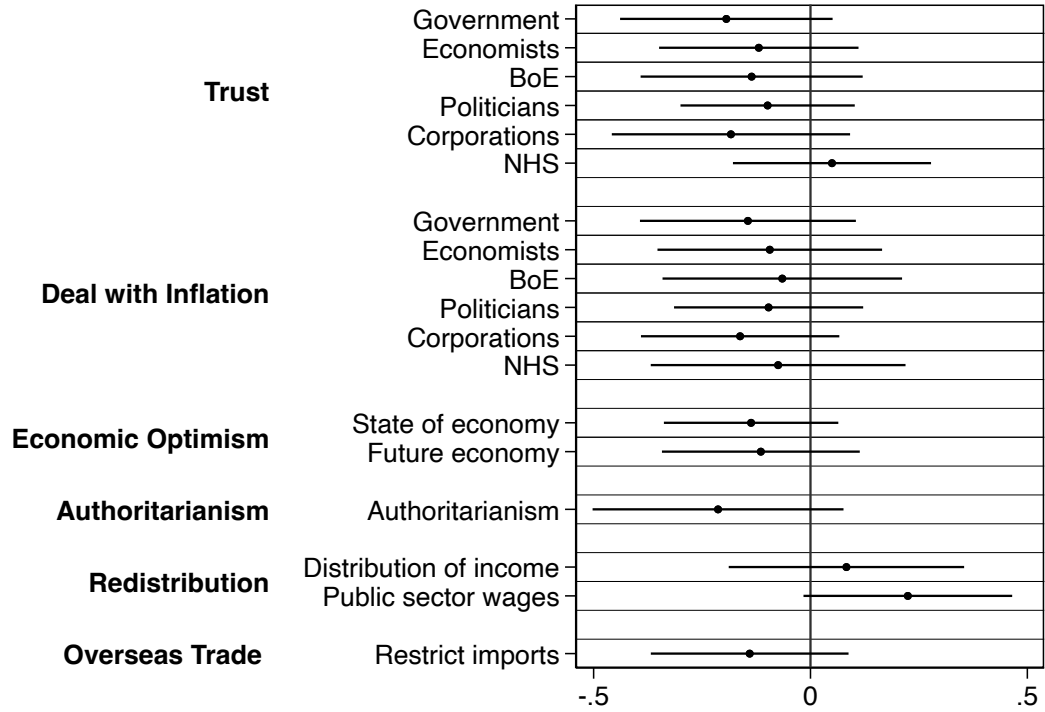


Figure 18 – Treatment effect by urban residence

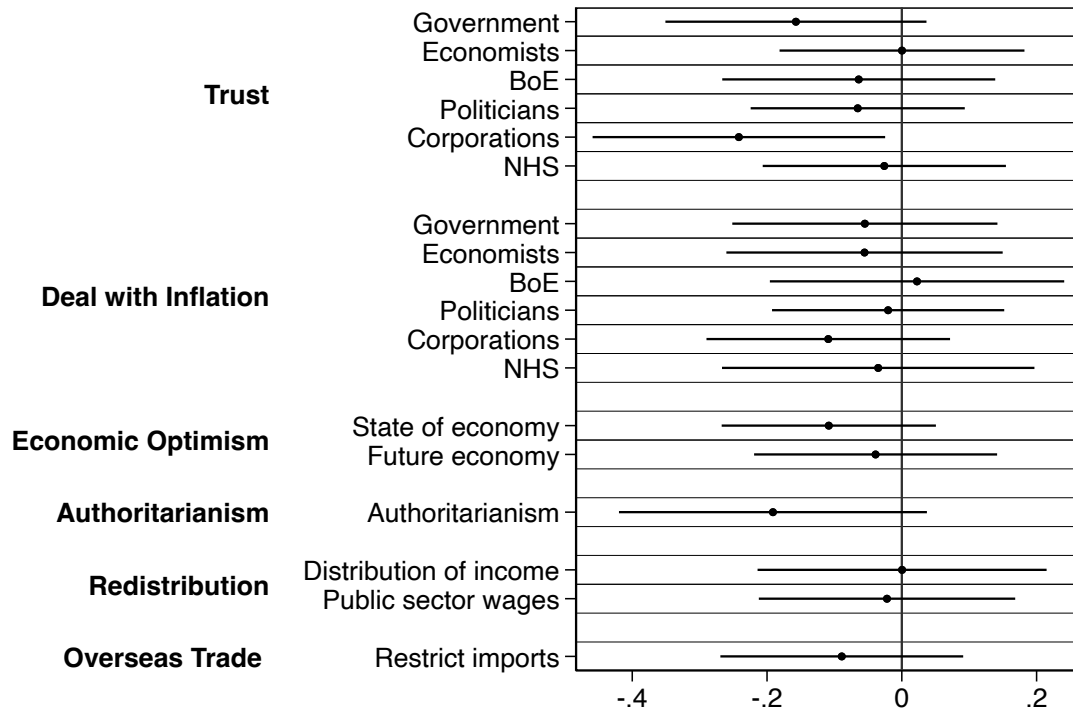
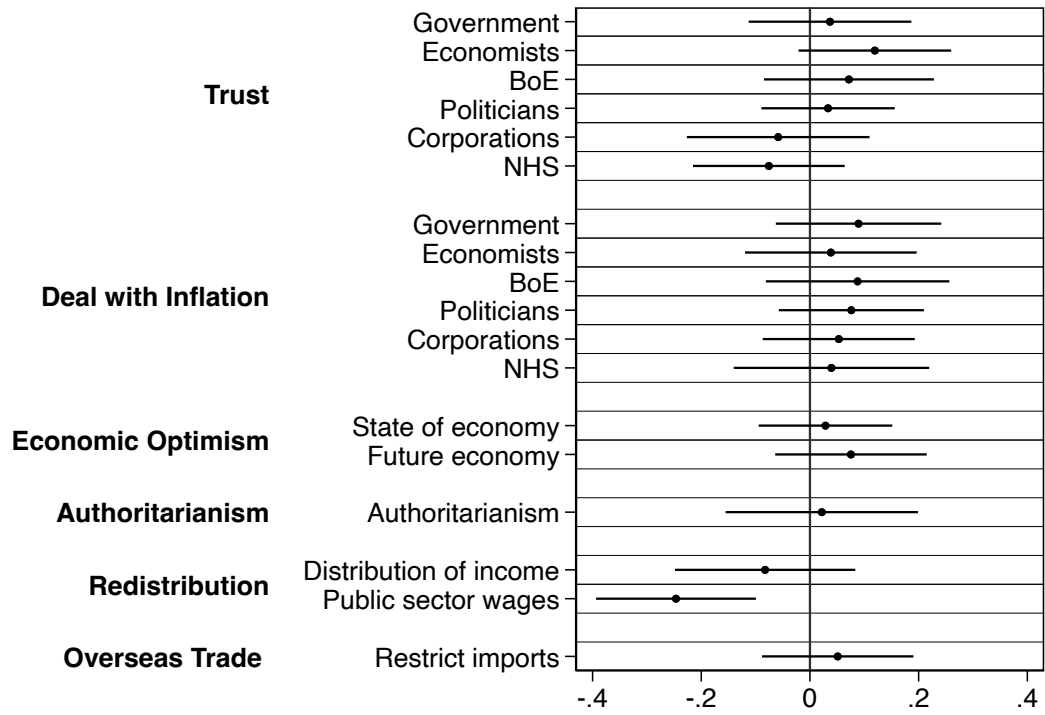


Figure 19 – Treatment effect by rural residence



5. Authoritarianism variable

Questions within the Principal Component Analysis

Young people don't have enough respect for traditional values. (Young)

For some crimes, the death penalty is the most appropriate sentence. (Death)

Schools should teach children to obey authority. (Obey)

People who break the law should be given stiffer sentences. (Law)

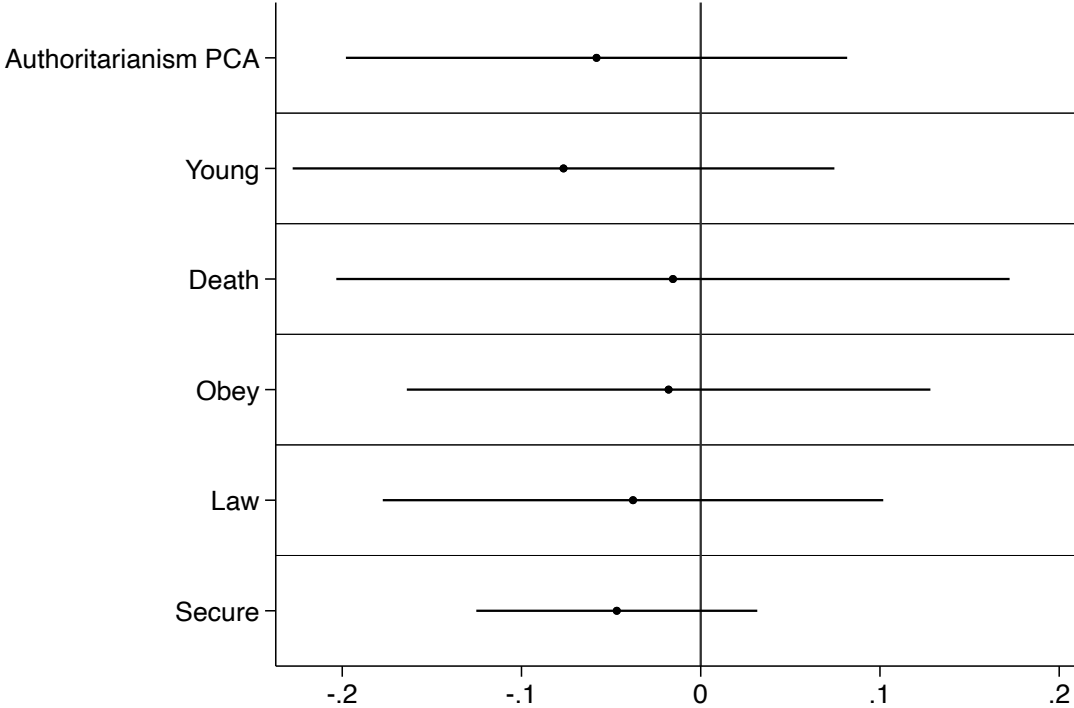
It is important to live in secure surroundings. (Secure)

Table 2 – First component

Variable	Component
Young	0.4778
Death	0.4250
Obey	0.4927
Law	0.5056
Secure	0.3044

Proportion of the variation explained by the first component: 57.2%

Figure 20 – Treatment effects by individual items of authoritarianism



6. Balance between control and treatment groups

Table 3 - Summary statistics

% Unless stated	Control	Treatment
Age (mean)	46.1	45.6
Income (10 bands, mean)	4.7	4.7
Rural vs Urban		
Rural	62.3	63.1
Urban	37.7	36.9
Response Date		
21st November	19.1	19.7
25th November	80.9	80.3
Education		
<5 GCSEs	8.4	8.9
School Level	29.8	31.6
Graduate	61.8	59.5
UK National	90.8	92.2
Sex - Female	51.6	51.2

7. Questionnaire

Study on Political Beliefs

Neil Lee, Martina Pardy and Andrew McNeil
London School of Economics and Political Science

Information for participants

Thank you for considering participating in this study. This introduction outlines the purpose of the study and tells you your rights as a participant, if you agree to take part.

1. What is the research about? The aim of this study is to enhance our understanding of people's political beliefs. We are surveying around 2,500 people. The research is funded by the International Inequalities Institute at the London School of Economics.

2. Do I have to take part?

It is up to you to decide whether or not to take part. You do not have to if you do not want to. If you do decide to take part we will ask you to sign a consent form below.

3. What will my involvement be?

First you will be asked to fill a consent form. Then, if you consent to take part in the study, you will be asked to answer a series of short questions online. It should take around 10 minutes. All data will be collected and stored in accordance with the Data Protection Act 2018 and the General Data Protection Regulation.

4. How do I withdraw from the study?

You can withdraw from the study at any point without having to give a reason. If any questions during the survey make you feel uncomfortable, you do not have to answer them. Withdrawing from the study will have no effect on you. If you withdraw from the study, we will not retain the information you have given thus far, unless you are happy for us to do so.

5. What will my information be used for?

We will use the information for an academic research project to help us understand political attitudes.

6. Will my taking part and my data be kept confidential? Will it be anonymised?

The records from this study will be kept as confidential as possible. Only the researchers of the study will have access to the files. Your data will be anonymised – your name will not be used in any reports or publications resulting from the study. All digital files and summaries will be given codes and stored separately from any names or other direct identification of participants. Any hard copies of research information will be kept in locked files at all times.

Limits to confidentiality: confidentiality will be maintained as far as it is possible, unless you tell us something which implies that you or someone you mention might be in significant danger of harm and unable to act for themselves; in this case, we may have to inform the relevant agencies of this, but we would discuss this with you first.

7. Who has reviewed this study?

This study has undergone ethics review in accordance with the LSE Research Ethics Policy and Procedure.

8. Data Protection Privacy Notice

The LSE Research Privacy Policy can be found at:

https://info.lse.ac.uk/staff/divisions/Secretarys-Division/Assets/Documents/Information-Records-Management/Privacy-Notice-for-Research-v1.2.pdf?from_serp=1

The legal basis used to process your personal data is called Public Task. This means that any special category personal data (e.g. data that reveals racial or ethnic origin, political opinions, or beliefs) that we collect will be used for scientific and historical research or statistical purposes only. To request a copy of the data held about you please contact: glpd.info.rights@lse.ac.uk

9. What if I have a question or complaint?

If you have any questions regarding this study please contact the lead researcher, Professor Neil Lee, on n.d.lee@lse.ac.uk.

If you have any concerns or complaints regarding the conduct of this research, please contact the LSE Research Governance Manager via research.ethics@lse.ac.uk.

CONSENT FORM: PARTICIPATION IN THIS RESEARCH STUDY IS VOLUNTARY

If you are happy to take part, please answer the consent questions by clicking on yes.

	Yes (2)	No (3)
I have read and understood the study information above, or it has been read to me. I have been given the opportunity to ask questions about the study and, if asked, my questions have been answered to my satisfaction. (1)	<input type="radio"/>	<input type="radio"/>
I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions and that I can withdraw from the study at any time up until now, without having to give a reason. (2)	<input type="radio"/>	<input type="radio"/>
I understand that the information I provide will be used for research publication and that the information will be anonymised. (3)	<input type="radio"/>	<input type="radio"/>
I understand that any personal information that can identify me will be kept confidential and not shared with anyone [other than the researcher /study team]. (4)	<input type="radio"/>	<input type="radio"/>
I give permission for the (anonymised) information I provide to be deposited in a data archive so that it may be used for future research. (5)	<input type="radio"/>	<input type="radio"/>

What best describes your relationship status?

- Single (1)
- Married (2)
- Legally separated or divorced (3)
- Widowed (4)

How many children aged under 18 do you have living with you?

- 0 (6)
- 1 (1)
- 2 (2)
- 3 (3)
- 4 or more (4)

Which category best describes your ethnic group?

- White (1)
- Mixed / Multiple ethnic groups (2)
- Asian / Asian British (3)
- Black / African / Caribbean / Black British (4)
- Other ethnic group (5)

Which category best describes the area where you live?

- A big city (4)
- The suburbs or outskirts of a big city (5)
- A town or a small city (6)
- A country village (7)
- A farm or home in the countryside (8)
- Don't know (9)

What is the highest level of education you have completed?

- No formal qualifications (1)
- One to four GCSE passes (grade A* to C or grade 4 and above) and any other GCSEs at other grades, or equivalent qualifications (2)
- Five or more GCSE passes (grade A* to C or grade 4 and above) or equivalent qualifications (3)
- Apprenticeship (4)
- Two or more A Levels or equivalent qualifications (5)
- University degree, Higher National Certificate, Higher National Diploma, or post-graduate qualifications (6)
- Other qualifications, of unknown level (7)

We are interested in how inflation might affect people like you. Please look at the text and the chart below which shows the facts about it:

Inflation is the rate at which the prices of goods and services bought by households rise or fall. Prices rose by 7.9% in the 12 months to June 2023. That means the average basket of goods bought in June 2022 for £100 would cost £7.90 more in June 2023.

In October 2022 the inflation rate peaked and was the highest since 1981. The graph below shows annual inflation since the year 2000.

Please say how much you personally trust each of these institutions:

	No trust at all (1) (1)	Very little trust (2) (2)	Limited trust (3) (3)	Neutral (4) (4) (4)	Moderate trust (5) (5)	High trust (6) (6)	Complete trust (7) (7)	Don't know (8) (8)
The government (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Economists (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Bank of England (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The National Health Service (NHS) (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Large corporations (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Politicians (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please say how much you personally trust each of these institutions to deal with inflation (inflation is the rate at which the prices of goods and services bought by households rise or fall).

	No trust at all (1) (1)	Very little trust (2) (2)	Limited trust (3) (3)	Neutral (4) (4) (4)	Moderate trust (5) (5)	High trust (6) (6)	Complete trust (7) (7)	Don't know (8) (8)
The government (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Economists (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Bank of England (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The National Health Service (NHS) (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Large corporations (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Politicians (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

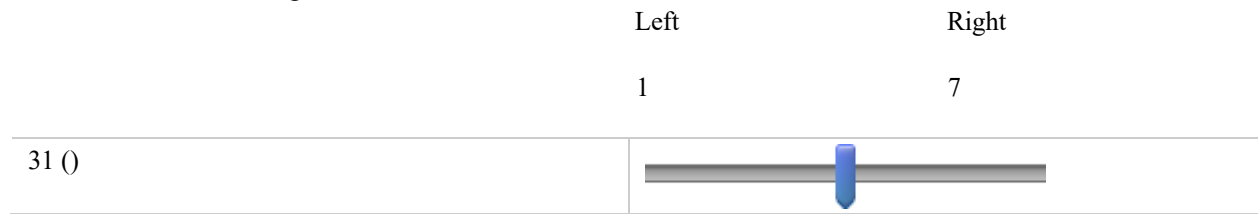
How much do you agree or disagree with the following statement:

	Strongly Disagree (1) (8)	Disagree (2) (9)	Slightly Disagree (3) (18)	Neither agree nor disagree (4) (19)	Slightly Agree (5) (20)	Agree (6) (21)	Strongly Agree (7) (22)	Don't Know (8) (23)
Young people don't have enough respect for traditional values. (31)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For some crimes, the death penalty is the most appropriate sentence (30)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Schools should teach children to obey authority. (29)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
People who break the law should be given stiffer sentences. (28)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is important to live in secure surroundings. (26)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The state should be strong so it can defend its citizens. (27)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How much do you agree or disagree with the following statement:

	Strongly Disagree (1) (8)	Disagree (2) (9)	Slightly Disagree (3) (18)	Neither agree nor disagree (4) (19)	Slightly Agree (5) (20)	Agree (6) (21)	Strongly Agree (7) (22)	Don't Know (8) (23)
People should take more responsibility to provide for themselves. (31)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The government should take more responsibility to ensure that everyone is provided for. (30)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The government should take measures to reduce differences in income levels. (29)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The government should pay higher wages to public sector workers such as nurses and teachers to cover the rising costs of living. (28)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The government should restrict imports - goods and services which are produced abroad - to help UK industry. (26)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

In politics people sometimes talk of 'left' and 'right'. Where would you place yourself on this scale, where 1 means the left and 7 means the right?



What do you think should be done about inflation?

In 12 months' time, how do you think your financial situation *will* change?

- Significantly improve (7) (1)
- Improve (6) (2)
- Slightly improve (5) (6)
- Remain about the same (4) (3)
- Slightly worsen (3) (4)
- Worsen (2) (7)
- Significantly worsen (1) (5)

Compared to 12 months' ago, how do you think your financial situation *has* changed?

- Significantly improved (7) (1)
- Improved (6) (6)
- Somewhat improved (5) (2)
- Remained about the same (4) (3)
- Slightly worsened (3) (8)
- Worsened (2) (4)
- Significantly worsened (1) (5)

Compared to the usual goods and services you bought 12 months ago, what do you think *has* happened to your household spending?

- My household spending has increased a lot (7) (1)
- My household spending has increased (6) (2)
- My household spending has increased a little (5) (6)
- My household spending has remained exactly the same (0% change) (4) (3)
- My household spending has decreased a little (3) (7)
- My household spending has decreased (2) (4)
- My household spending has decreased a lot (1) (5)

How satisfied are you with the present state of the economy in the UK?

- Extremely satisfied (7) (1)
- Satisfied (6) (6)
- Somewhat satisfied (5) (2)
- Neither satisfied nor dissatisfied (4) (3)
- Somewhat dissatisfied (3) (4)
- Dissatisfied (2) (7)
- Extremely dissatisfied (1) (5)

How do you feel about the future state of the economy?

- Extremely positive (7) (1)
 - Positive (6) (6)
 - Slightly positive (5) (2)
 - Neutral (4) (3)
 - Slightly negative (3) (4)
 - Negative (2) (7)
 - Extremely negative (1) (5)
-

If you are reading this question please check the second box

- Box 1 (1)
- Box 2 (2)
- Box 3 (3)
- Box 4 (4)

Which of the descriptions below comes closest to how you feel about your household's income nowadays?

- Finding it very comfortable to live on present income (7) (1)
- Finding it comfortable to live on present income (6) (6)
- Finding it slightly comfortable to live on present income (5) (2)
- Finding it neither easy nor difficult to live on present income (4) (3)
- Finding it slightly difficult to live on present income (3) (4)
- Finding it difficult to live on present income (2) (7)
- Finding it very difficult to live on present income (1) (5)
- Prefer not to say (8)

Do you own or rent your main accommodation?

- Own: Own outright (1)
- Own: Mortgaged (5)
- Rent: From a local authority, council, housing association or charitable trust (2)
- Rent: from a private landlord (6)
- Rent: from friends or family (7)
- Live rent free with friends or family (3)
- Other (4)

How frequently do you travel by private car or van - whether as a driver or passenger?

- Daily (1)
- Several times a week (2)
- A few times a month (3)
- Once a month/a few times a year (4)
- Never (5)

What was your total household income last year?

- £0-9,999 (1)
- £10,000-19,999 (8)
- £20,000-29,999 (2)
- £30,000-39,999 (11)
- £40,000-49,999 (10)
- £50,000-59,999 (12)
- £60,000-69,999 (13)
- £70,000-99,999 (14)
- £100,000-149,999 (17)
- £150,000+ (18)
- Don't Know (16)

What do you expect the inflation rate to be in 12 months' time? Please provide your estimate as a percentage

Which political party do you plan to vote for at the next General Election?

- Labour (1)
- Conservative (2)
- Liberal Democrat (3)
- SNP (4)
- Plaid Cymru (5)
- Green Party (6)
- Other (7)
- Unlikely to Vote (8)
- Can't Vote (9)
- Unsure (10)