

How households cope and what they want when energy prices rise

by Chris Hoy

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Ulaanbaatar, Mongolia

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Ever since the effective closure of the Strait of Hormuz, policymakers worldwide have been asking themselves two important questions: how will households cope, and what support do they want from their governments?

My colleagues and I have surveyed nearly 50,000 people across 15 middle-income countries over the last three years, asking them these exact questions (findings published as a [World Bank Policy Research Working Paper](#) and [Journal of Development Economics article](#)). We also surveyed experts to see whether they could predict the answers households would give. Our findings provide reasons for policymakers to pause and reconsider if they are responding to the current crisis as households want them to.

From Argentina, Bolivia and Ecuador to Angola, Egypt, Ghana and Nigeria; from Kazakhstan, Kyrgyzstan, Mongolia, Uzbekistan and Pakistan to Bangladesh, Indonesia and Vietnam, we wanted to know the preferences of everyday citizens for government support and their coping strategies. We put the same questions to technical experts from international organisations, government officials and academics to see how well experts understood the general population.

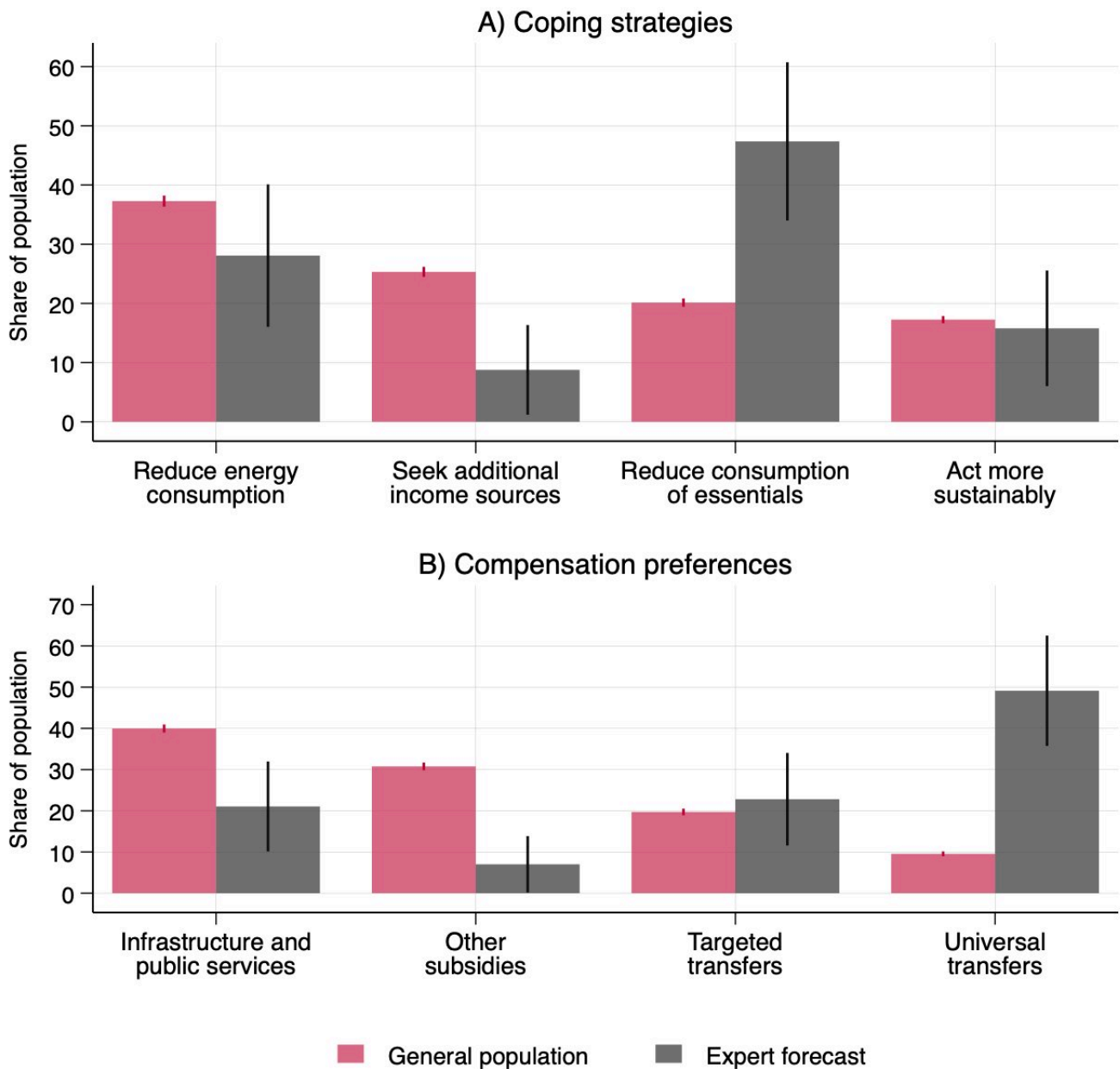
Two simple questions sit at the heart of these surveys' findings: how do households plan to respond when energy prices rise, and what do they want their governments to do? On both fronts, experts were completely off track.

Take coping first. Conventional wisdom is that an energy price shock forces households to cut back on essentials. Experts expressed that fear: nearly half predicted that cutting essential, non-energy consumption would be the main way households plan to respond to an energy price increase (see Figure 1). It wasn't. Only about one in five said they would cut essentials. In contrast, a quarter said they would seek additional income, while less than 10% of experts predicted this. The single most common response, from around 37%, was simply to use less energy.

Experts imagined the general population was passive and on the brink, whereas they are actually adaptive and resourceful.

This changes what good policy looks like. A government that assumes its citizens are about to go hungry will pour money into blunt, universal cushioning. A government that understands its citizens are looking for ways to earn more and use less energy can direct support to where it actually helps, such as providing access to additional income sources or to the financing and technology that enable energy savings.

Figure 1: How households say they would cope with higher energy prices



Note: 95% confidence intervals shown as spikes.

The second question — what people want from the government — produced an

even starker result. Most people do not prefer greater energy subsidies from their governments; they want other compensation policies.

Experts expected universal cash transfers — payments to everyone regardless of need — to be the most popular; nearly half put it at the top of the list. Among citizens, it came last, chosen by only about one in ten. What people wanted most, by a wide margin, was for more money to go into public services and infrastructure (schools, clinics, transport, reliable energy supplies), named by around 40%, followed by targeted subsidies on essentials such as food. The professional default was the public's least preferred option, and the gap was not subtle: experts overestimated appetite for universal cash fivefold while underestimating demand for public services by half.

Put the two findings together, and the message for governments scrambling to respond to the current shock is clear. The cheap, fast, politically reflexive response — blanket subsidies and universal cash transfers — is both expensive and close to the bottom of what citizens actually want. The harder response — letting prices adjust while protecting the vulnerable, providing better services and targeted support — is more popular and more durable. And it is more affordable than the reflex, because citizens are absorbing more of the adjustment themselves than anyone expected.

For policymakers across Asia and the Pacific navigating exactly these pressures, the implications are concrete: resist the instinct to absorb the whole shock through subsidies; channel compensation into visible public services rather than universal cash transfers; and fund the public communication that response packages routinely neglect. Each is cheaper than the alternative and better matched with what citizens say they want.

The deeper lesson is about humility. The people who design energy crisis responses are, almost by definition, not the people who suffer the worst through them, and the evidence shows these experts consistently misjudge both how households cope and what they want. Citizens turn out to be more resilient and more discerning than the experts expect. Governments would do well to stop asking how much of the shock they can afford to absorb, and start asking how to design a response that the people absorbing it would actually choose.

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