HORNED FROGNOSTICATIONS

Economic analyses and forecasts

Researched and authored by TCU Economics majors

Volume 2 (2024)

"Okay Boomer!"

by Kathleen Thiele
Denton, TX

-Economics major
-Spanish minor
-Studio Art minor
-Honors College

Boomers, the generation born between 1946 and 1964, are notorious for blaming Millennials and Gen-Zers' struggles to buy a house or pay for a college education on the younger generations' laziness. The stereotypical Boomer might say, "You have no idea what hard work is like," "I worked part time and I was able to put myself through college," or "The reason you have so much debt is because you just don't want to work." Meanwhile, Millennials and Gen-Zers, born 1981 through 2012, claim that there have been fundamental changes in the economy that have made affording a house

CONTINUED ON PAGE 2

Can the Economy Predict Elections?

by Alexis Peck
Scottsdale, AZ

-Economics major
-Political Science major
-General Business minor
-Honors College

"Are you better off than you were four years ago," is a question Ronald Reagan asked Americans during his 1980 presidential campaign. It continues to be a focal point for voters and candidates - but is there a difference between what voters perceive and the actual state of the economy?

CONTINUED ON PAGE 7

COVID and US Migration Trends

by Sam Larsen
Forest Lake, MN

-Economics major
-Mathematics major
-Political Science minor
-Honors College

Once a town so sleepy that a panther could fall asleep across from the courthouse, Fort Worth is now just a year or two away from becoming the 10th city in the US to have a million residents. Nearly doubling in size over the past 25 years, this growth is not unique in American history. Texas ranked 25th out of 31 at the 1850 census, its first as a state. At the 2020 census, it ranked 2nd, a position it has held since 2000. Different parts of the US have been growing at different rates for our entire history. Did the pandemic,

CONTINUED ON PAGE 3

Is a 4-Day Workweek Feasible?

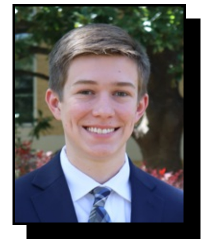
by Mia Vu
Rockwall, TX

-Economics major
-English major
-Spanish minor
-Honors College

There are some things we no longer question: there are 24 hours in a day, the Sun rises in the East every morning, and we have a 5-day workweek. However, people have started to wonder whether the last is the most viable solution for maintaining worker productivity and their quality of life. Although technological

CONTINUED ON PAGE 9

Solving the Housing Crisis



by Jackson Kaiser
Austin, TX

-Economics major
-Political Science major
-Communication Studies major
-Spanish minor
-Honors College

The American dream of homeownership is quickly fading for younger generations. Housing price inflation is far outpacing incomes, with the median home price now six times the median household income. Politicians have campaigned on promises to help Americans overcome that hurdle but, for most people, they have not delivered. Democratic Presidential Candidate Kamala Harris proposed a new approach through her vision for an "Opportunity Economy," encouraging the construction of three million affordable new homes for purchase in four years. Harris ultimately lost, but would her approach have finally eased our housing crisis?

THE PROBLEM

Today, the problem is not with the total amount of available housing, but the availability of affordable housing for purchase (as opposed to housing for rent). 70% of young adults in the United States say they "have a harder time buying a home than their parents' generation did." A major reason for this dwindling supply of non-rental homes for purchase is the increased corporate activity in the housing market. Houses that used to be

CONTINUED ON PAGE 5

"Okay Boomer!"

by Kathleen Thiele

(continued from page 1)

or university education much more difficult for them. Their retort, "OK Boomer," mocks the older generation for their outdated understanding. Are the Boomers actually curmudgeonly grumblers, out of touch with reality, or do they have a point? Below I examine the data to see if "OK Boomer" is a fair epithet or simply an evasion of responsibility.

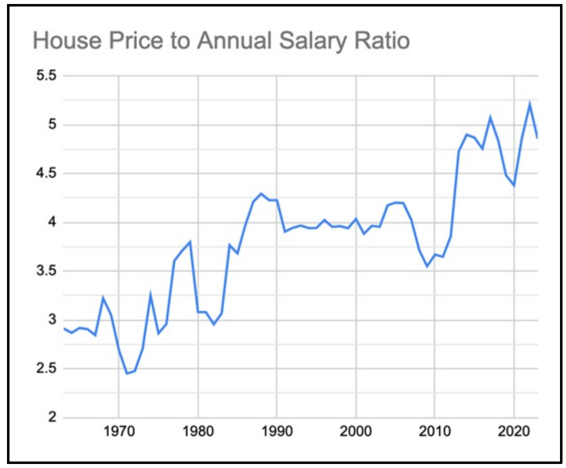
WAGES

Historically, rising productivity buttressed both corporate profits and worker wages, with near-parity as evidenced by the 97% productivity growth and 91% wage growth seen between the 50s and 70s. However, since 1973, this relationship has fractured. In recent years, productivity has soared 74%, while wage growth lagged drastically at a mere 9%. This divergence reveals a significant wealth transfer, with the benefits of increased productivity disproportionately moving toward shareholders and profits of the top 1% at the expense of the average worker.

What does that imply for our generational argument? It means that Boomers, who would have been in their early working years between the 1960s and the 1980s, were being rewarded commensurately for their productivity while Millennials and Gen-Zers' hard work goes unrewarded. Round one goes to the younger generation.

HOUSING PRICES

There is a popular conception nowadays that houses are the trophies in a game rigged against ordinary players and that they are no longer affordable to younger generations. There is some evidence to support this. In the 1970s, when Boomers were in their youth and buying houses, the median home cost about $23,475: about two and a half times the annual salary of an average worker ($8,730). Fast forward to today and that ratio is now almost five times the annual salary of an average worker, with the median home price in 2023 at a record high of $426,525 and the median after tax income at $87,869.



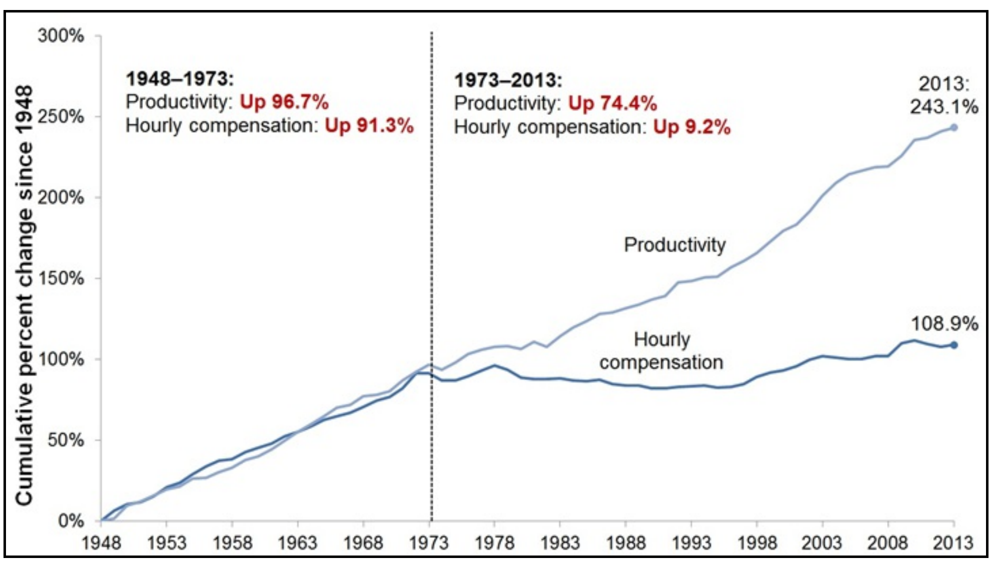
Sources: Federal Reserve Bank of St. Louis and US Census.

The reasons for this dramatic change come down to low supply and high demand. Housing demand has soared, fueled by population growth and urbanization, while supply is hampered by zoning regulations, land scarcity, and high construction costs. As a result, housing now consumes a much larger portion of Gen Z and Millennial earnings, which leaves less for other necessities and exacerbates the cost-of-living crisis. Unfortunately, those items too, are more expensive, meaning that young people are less able to save for a down payment. Millennials and Gen Z win round two.

COST OF EDUCATION

While Boomers reminisce about working summer jobs to cover college tuition, today's students are calculating how many lifetimes it'll take to pay off their degrees. The pursuit of higher education, considered a stepping stone to better-paying jobs, now presents a formidable financial hurdle for younger generations. University tuition has exploded, with public tuition 26.5 times higher in 2021 than 1970, while private tuition is a staggering 23 times more expensive. This dramatic surge far outpaces the tenfold increase in wages over the same period.

In short, there is no question that college is less and less affordable than it was to Boomers. Strike three for the Boomers.



Disconnect between productivity and typical worker's compensation.
Source: https://www.epi.org/publication/charting-wage-stagnation/

AND THE WINNER IS...

...the younger generations! The debate over whether younger generations are "lazy" or just facing unprecedented economic challenges ends up being less a question of attitude and more a matter of arithmetic. The data reveal economic shifts that have fundamentally reshaped the playing field for Millennials and Gen-Zers. Stagnant wages, skyrocketing housing costs, and ballooning tuition fees create a financial landscape vastly different from the one Boomers navigated in their youth. While personal responsibility and work ethic remain essential, the systemic hurdles facing younger generations cannot be dismissed. So "OK, Boomer" reflects a justified frustration with comparisons that fail to account for these structural changes. But if the data is so clear, why do Boomers widely perceive the younger generation to be inferior?

THE PERCEPTION OF DECLINING YOUTH

Boomers' tendency to blame the younger generation's habits and work ethic for their struggles is not unique to them. A 2019 study confirms that the "kids these days" effect is simply a matter of false superiority. Researchers found that adults have a tendency to believe that today's youth are deficient compared to previous generations. This stems from two reasons. Firstly, this is due to a person-specific bias where individuals notice the shortcomings of others in areas where they personally are exemplary. For example, a lifelong reader observing "kids these days" will be particularly attentive to how much they're reading. But comparing an average kid to someone who has excelled in reading for a whole lifetime will be a comparison the kid will always lose. Secondly, a memory bias kicks in to exacerbate the problem. When adults compare themselves to the youth of today, they incorrectly recall their younger self as far more similar to their present self, creating an apples to oranges comparison. These factors together create a persistent illusion of generational decline, rather than an accurate reflection of generational change. So despite the overwhelming data, Baby Boomers, like the generations before them and the generations to come, are bound to hold a false perception of the younger generations.

CONCLUSION

The road ahead is riddled with greater challenges for our younger generations than their predecessors, yet older generations are still bound to perceive them as less hardworking and less accomplished than themselves. This gap in empathy and understanding drives a wedge between generations at a time when solidarity is desperately needed.

The increasing generational wealth gap has forced many young people to delay milestones such as buying homes, getting married, and starting families – choices often seen as hallmarks of adulthood. These are not decisions made lightly or out of preference but rather by necessity in an economy that no longer provides the same opportunities as before.

Yet you still hear Boomers blaming the failing economy on things like perceived "laziness" or declining birth rates, assigning the fault to younger generations. This oversimplifies a complex economic reality. Instead of placing blame, we should prioritize building understanding. By fostering empathy and intergenerational dialogue, we can address the root causes of these challenges. So, if you're a Boomer reading this, cut the younger generations some slack and take the time to listen to them. They're navigating a very different world and they could use your support.

COVID and US Migration Trends

by Sam Larsen

(continued from page 1)

which disrupted so many facets of everyday life, also have an impact on population trends in the United States?

POPULATION TRENDS IN RECENT PAST

"Study the past if you would define the future", a quote attributed to Confucius, seems apt here. The top half of the figure on the next page shows the number of relocations – as indicated by Change of Address filings with the postal service – from 2015-19 (immigration into the US is not included, but emigration is). The same data also show that when people did move, they didn't move far; almost two-thirds of all relocations were within the same county in 2019. Additionally, the percentage of people moving in a year had been on a decline for the past 30 years, halving over that time period. Lastly, suburban areas, especially those on the edge of a metro area as well as smaller metro areas, benefitted from relocation, while both urban cores and rural counties (as defined by the National Center for Health Statistics) saw a net negative from relocation.

Traditionally, the reason for relocations can be broken into three broad categories: housing, jobs, and family. Housing-related reasons for moving make up almost two thirds of all moves within a county, as opposed to just over a quarter of moves between counties. Meanwhile, job related reasons for moving comprise only 10% of moves within a county, but almost half of all moves between counties. Family related reasons were the cause of roughly a quarter of each type of move. These were the trends prior to the pandemic.

POPULATION TRENDS DURING COVID

The pandemic had an impact on almost every part of American life, including moving. Although data are not available for 2020, the total number of relocations declined from

2019 to 2021 (there was a slight increase in relocations between states). The bottom half of the figure below shows domestic migration in 2021. Not visible is the fact that the pandemic accelerated previous trends of relocations from urban cores to outer suburbs and provided an even bigger spike in relocations to small metropolitan areas (defined as those with less than 1 million residents). Only one major relocation trend reversed itself: the share of rural counties that saw a net addition of residents jumped from under 40% to over 60%.

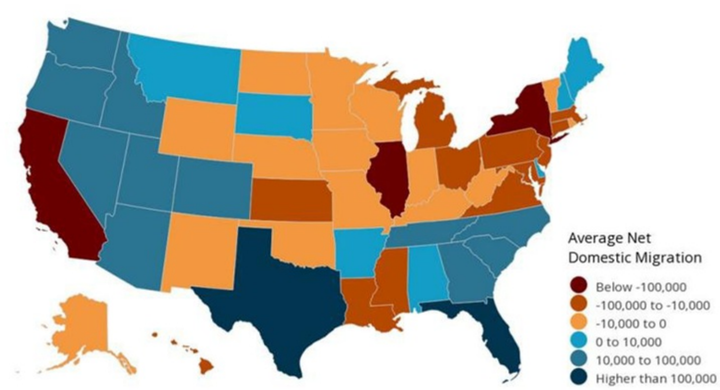
When people talk about leaving urban areas during the pandemic, they cite 5 main reasons. Three were explicitly tied to the pandemic and therefore new (concerns about getting sick, lack of open businesses, ability to work remotely), while the other two (concerns about crime, racial unrest) were less directly related. With respect to choosing to relocate to rural areas, several different reasons are given. Many cited the cheap cost-of-living, especially for housing, as rural areas offer more land and larger houses for less money than urban areas. As more residents move to rural areas, however, these advantages will start to lessen. This will be especially stark outside of major, growing metropolitan areas. However, not all residents cited an economic reason for relocating. Some cited the culture of rural areas or the political affiliation of its residents as a reason for the move.

FUTURE POPULATION TRENDS

The question being asked here is whether the changes caused by COVID will continue. To answer this, let us first look at a study by the Weldon Cooper Center for Public Service at the University of Virginia, (note that it includes changes due to immigration, deaths, and births as well as relocation). According to their research, if current post-pandemic trends hold, the fastest growing states between now and 2050 will be Utah, Idaho, and Texas. In general, they show that states that lose residents to relocation have slower growth rates than those that gain. California is the only exception due to the fact that it is home to almost a quarter of all immigrants in the US. California gained population at a rate just below the national average prior to the pandemic despite losing more residents to relocation than nearly every other state.

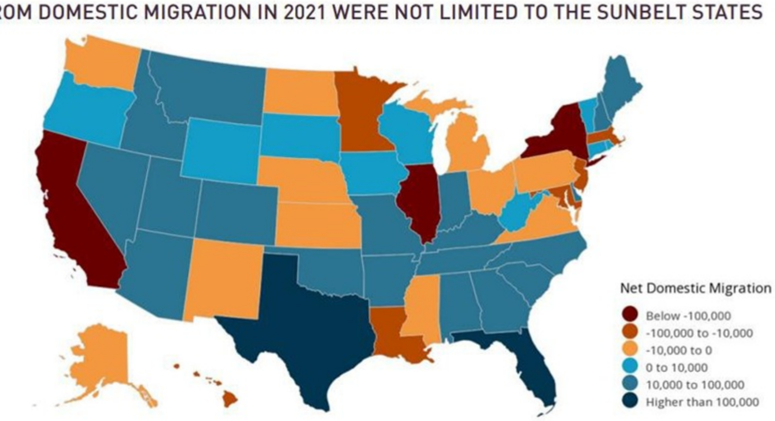
It seems as if some of the pandemic population trends are unlikely to continue. Certainly, one could safely assume that relocations out of New York City in the name of staying safe from COVID will no longer be a factor. Others, like those moving further away from cities due or to more affordable states due to their ability to work remotely, seem likely to continue. As a result, the employment outlook in areas will be less important for attracting new residents and the cost of living will be more important. That bodes poorly for states with a high cost of living, which are mostly concentrated in the Northeast and the West. Meanwhile, the low cost of living states are predominantly in the South and Midwest. As a result of this shift in pull factors, several states could see changes in fortune. Those potentially seeing it in a good way have a low cost of living and had net negative domestic migration prior to the pandemic with the rate of egress reduced or reversed during the pandemic. The states most likely to benefit from this include Missouri, Indiana, and Kentucky. On the flip side, states with a high cost of living that had net positive domestic migration prior to the pandemic that declined during it are most likely to have a downturn of fortunes. The most notable example is Washington.

DOMESTIC MIGRATION GAINS WERE CONCENTRATED IN THE SUNBELT AND NORTHWEST BEFORE PANDEMIC



Source: JCHS tabulations of US Census Bureau, 2015–2019 Population Estimates Program.

GAINS FROM DOMESTIC MIGRATION IN 2021 WERE NOT LIMITED TO THE SUNBELT STATES



Source: JCHS tabulations of US Census Bureau, 2021 Population Estimates Program.

CONCLUSION

Since a lot of states with low costs of living were gaining population before and during the pandemic while states with low costs of living were losing it, it seems as if the pandemic's impact on relocation trends in the US will be limited. But does any of this matter? You may think not, especially if you live in an area that wasn't mentioned (such as Wisconsin) and have no plans of moving. However, consider the redistricting process carried out after each census, that determines how many seats each state gets in the US House and consequently how many Electoral College votes they receive. Based on current projections for 2030, if every state votes the same in 2032 as it did in 2024, Republicans will win an additional 12 Electoral College votes. Indeed, whether or not a family chooses to stay in Maine or move to Oklahoma could end up having a big impact on America's future.

Solving the Housing Crisis

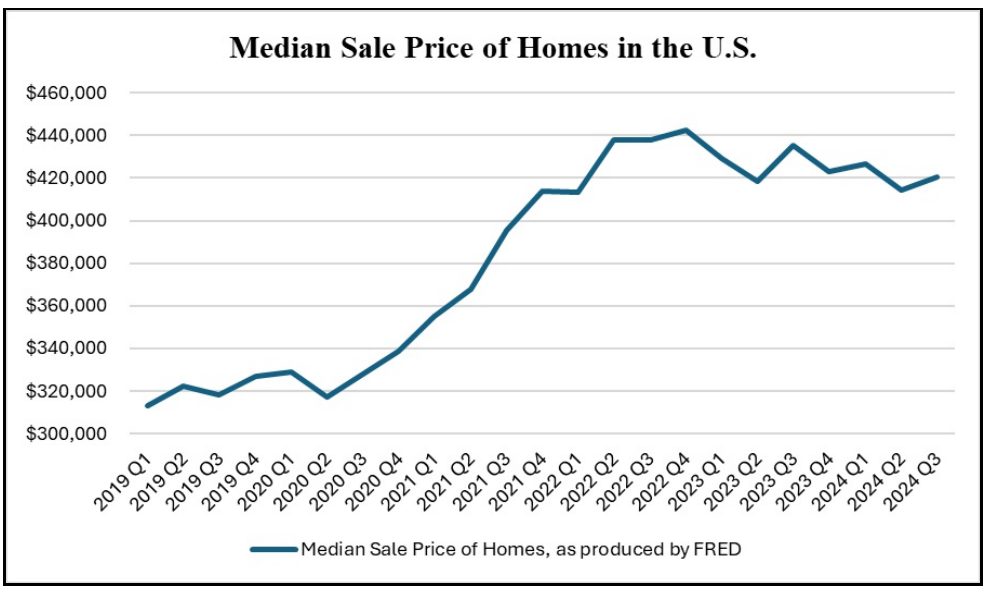
by Jackson Kaiser

(continued from page 1)

affordable starter homes are now being bought by major corporations and turned into rental properties.

As corporate portfolios grow from these purchases, the number of homes available for prospective low-income and first-time homebuyers to purchase has decreased exponentially. There are not necessarily fewer housing units overall, but the transformation of affordable homes for purchase to corporate-owned rentals has changed the makeup of our housing supply dramatically. In some metros, like Miami, corporate ownership of homes is as high as 30.6% of the housing units in the market. This diminishes non-rental supply and further exacerbates demand, raising prices on the remaining formerly affordable housing for purchase (as shown in the figure below).

Additionally, interest rates are complicating the market for homebuyers. The COVID-19 pandemic, along with the Russian invasion of Ukraine and several other economic disruptions, caused rapid economy-wide inflation. In response, the Fed raised interest rates in an attempt to decrease demand and therefore prices. Regardless of the effect on the overall price inflation, what resulted in the housing market was a new affordability barrier. A CNBC analyst explained that the rising interest rates from the end of 2021 to the end of 2022 raised the overall cost of mortgages, inflating monthly mortgage payments by 46%.



Further complicating matters is the fact that the barriers to homeownership have forced individuals to rent for longer and, especially as rent gets more expensive, this has prevented them from saving enough to afford a down payment. In fact, Pew Research found that rent prices have "risen 18% over the last five years" and 46% of renters are cost-burdened, spending more than 30% of their personal income on rent. This can lead to further detrimental long-term effects, like the inability to earn equity from owning a home which helps to build secure, generational wealth.

HARRIS'S SOLUTION

Not long after Kamala Harris replaced Joe Biden as the Democratic presidential nominee, she released a plan aimed at solving the housing-affordability crisis. She called the problem a supply-side issue, claiming that the lack of affordable housing is preventing low-income families from becoming homeowners. Harris offered a few key proposals to solve this issue, with the goal of building three million new units for Americans during her first term. These included:

- "Expanding the existing tax credits" for construction of affordable rental housing units
- Implementing "a new tax credit" as an incentive for builders to construct more starter homes for purchase
- Creating a tax break to offset the cost of renovating existing housing that would otherwise be cost-prohibitive to renovate

- Spending $40 billion on innovations in construction methods to make them more efficient
- "Cut[ting] the red tape" on existing regulations and construction codes

Beyond just encouraging housing construction to increase supply, Harris also addressed some of the more direct barriers for first-time homebuyers. In a market where a lack of affordable housing priced would-be homeowners out of the market, she planned to give $25,000 in down payment assistance to first-time homebuyers. Additionally, she wanted to target corporations that own more than 50 single family homes by removing their tax breaks for the interest paid on these properties and the supposed depreciation of these assets. She also wanted to limit rent price increases determined by algorithms programmed to maximize profit. While Harris was late to join the campaign trail, the plan would have become even more nuanced over time.

POTENTIAL BARRIERS

Opponents of Harris's plan discuss several potential barriers to its success including inflated housing prices, local and state-level regulations, and cost.

1. Inflated housing prices

Opponents estimate that the $25,000 assistance check will increase demand and raise the national median home price by 4%. While there is some truth to this, there are also a couple of mitigating factors to consider. First, the assistance would only go to first-time homebuyers who are currently priced out of the market, leveling the playing field against competition with deeper pockets. Second, it is stated that prices will go up when supply is constrained. Harris's plan would also address the supply issue, minimizing the impact of any increased demand.

2. Local and state-level regulations

Local and state-level building regulations create red tape that the federal government does not have direct control over. But, the federal government, while limited to some degree, can still incentivize change through offering funding to local governments. The economic growth that would result from Harris's plan would also be motivation for many local governments to cut the red tape.

3. Cost

The plan is expensive with an estimated $125 billion price tag. However, the economic growth that would result from the plan would almost certainly far outweigh this initial cost. The Senate Committee on the Budget finds that a lack of affordable housing actually slows consumer spending. Our economy is propped up by this consumption, and providing more housing might increase how much consumers can participate in the economy, leading to long-term growth.

TRUMP'S RESPONSE

Of course, Kamala Harris lost the 2024 Presidential Election, so her plan will not be put into place. Donald Trump will be in the position to address the affordable housing problem, instead. But, unlike Harris, he claims that the problem is a demand-side issue. He states that undocumented immigrants are taking low-income housing and that landlords should require proof of citizenship. Once those immigrants have been deported, he believes new opportunities will become available. He also wants to open up federal lands to create affordable housing, even though they may not be suitable for this goal. Unfortunately, experts do not expect Trump's approach to solve the issue and think that removing housing opportunities from undocumented immigrants would actually worsen the economy in many ways.

FINAL ANALYSIS

Would Kamala Harris's housing plan have finally solved our housing crisis? While she likely had an accurate diagnosis of the problem, the answer is that we do not really know with certainty. She addressed a lot of the underlying supply-side problems for affordable housing in the United States, but there are still several complicating factors, such as the increased corporate involvement in the housing market. One thing is for certain, though. This plan was a step in the right direction, and any potential progress in the housing market will not happen without addressing the issue of supply.

History and Vision of TCU and AddRan (from AddRan website)

The mission of Texas Christian University, a private comprehensive university, is to educate individuals to think and act as ethical leaders and responsible citizens in the global community through research and creative activities, scholarship, service, and programs of teaching and learning offered through the doctoral level. This ideal is the continuation of a quest that began in 1869, when brothers Addison and Randolph Clark dreamed of creating a college where men and women could acquire a classical education and develop character.

The Clarks were both Fort Worth-based minister-teachers. To distance their endeavor from the distractions of "Hell's Half Acre"—where the cattle industry and the pending new railroad had stirred a boisterous culture—the brothers headed for the open prairie of nearby Thorp Spring. With just 13 students, they opened the doors of AddRan Male and Female College, one of the first co-ed institutions west of the Mississippi.

Within five years, enrollment swelled to 450 students and the Clarks and their spouses sold everything they owned to invest in a larger building. But for the college to continue, an endowment would be needed.

The Clarks forged an affiliation with the Christian Church (Disciples of Christ) to "adopt" their school, giving it a new name and ensuring its future. The 1873 charter stated that AddRan Christian University would fulfill its mission to "promote literary and scientific education." The relationship with the Disciples would continue to be one of heritage and values.

Can the Economy Predict Elections?

by Alexis Peck

(continued from page 1)

USING DATA TO PREDICT ELECTIONS

If people voted simply based on real-world economic data, it would be easy to predict how each election would play out. By observing indicators such as the unemployment rate, GDP growth, or inflation, voters would be able see where these indicators are currently and compared to previous administrations. A quick and easy way to summarize the current state of the economy is by using the Misery Index. It was invented during the 1970's when the United States was facing both high inflation and unemployment and is calculated simply by adding the two together. If the US were experiencing 5% inflation and 6% unemployment, for example, then the Misery Index would be 11%. In the next quarter, if either of them fell, then the Misery Index would also fall.

Presumably, if the economy has improved (a lower Misery Index), then voters will want to keep the incumbent or incumbent party in office. On the flipside, if the economy has deteriorated (a higher Misery Index), then voters will want to replace the incumbent or incumbent party. There are two ways to consider changes in the Misery Index. First, by the state of the economy in the third quarter of the election year (the last economic information released before voters enter the polling booth) as compared to the same in the previous election and second, on the basis of the average performance (over the four-year term of office, up to and including that third quarter) as compared to the same over the previous term.

The tables on the next page show the change in the Misery Index for elections where the incumbent party lost won (left-hand side) and when the incumbent party won (right-hand side). The first column in each is the year of the election, the second is the change in the third-quarter Misery Index from four years earlier, and the third is the change in the average Misery Index over the course of the current administration (up to third quarter) versus that of the previous one. The last two columns show the candidates.

The incumbent is hoping for negative numbers in columns two and three, as these would mean the economy improved over their term. For example, if the Misery Index for the previous term was 14% and it was now 10% then the change was -4 percentage points and voters would be pleased. On the other hand, if it had been 14% and was now 20%, the change in the Misery Index was +6 percentage points, which would be bad news for the incumbent.

As the numbers show, these predictions largely hold for every presidential election from 1956 to the present. When the incumbent party won, for example, the average of both columns was negative meaning that inflation and unemployment had decreased over the last presidential term. Looking at individual years, in every instance but one, incumbent victory was associated with having at least one column be negative. The exception was 2004 where incumbent George W. Bush's was victorious because of his decision to use the war on terrorism and the prevalent social issues of the 2000s to pivot away from the noise of the negative economy.

On the flipside, when the incumbent party lost, the average of both columns was positive meaning that the Misery Index got worse. The only time both columns showed economic improvement was 2016. But, 2016 is not necessarily an exception to the rule as, although challenger Donald Trump won the electoral college and the overall election, incumbent Hilary Clinton actually won the popular vote.

CONTESTED DATA

What about when one column is positive and the other negative? These create opportunities for each party to steer the focus towards the numbers which support their story. However, one would assume that this would only be successful when the magnitudes were similar. In 2012, for example, the value for the term average was 2.4 suggesting that the incumbent should have lost. They did not, presumably because the third-quarter number was comparable at -2.5 which seemingly provided enough leverage for the Obama Administration to win a second term.

2024 PRESIDENTIAL ELECTION

However, there was one election that cannot be explained in this manner: 2024 . It was the only time where 1) the two columns were the opposite sign, 2) one column's number was of a much greater magnitude than the other, and 3) the larger magnitude did not determine the election. The Misery Index in the third quarter of this election year had an 8-percentage-point decrease from the previous election - indicating a much improved economy - but a 2.5-percentage-point increase in the average over the four-year term. These numbers gave this year's election not only the largest discrepancy between the two numbers since at least 1956, but also the largest improvement in third quarter numbers out of any election. It suggests that the Democrats should have won based on the state of the economy.

MEDIA CHOICES

So why didn't they? The answer is media bias combined with increased viewership of Republican-oriented news coverage. News outlets that Republicans are more likely to watch, like Fox News, focused on economic data consistent with the 2.5-percentage-point increase in the average Misery Index to curate news segments connecting this to higher prices experienced during the Biden Administration. News outlets that Democrats are more likely to watch, like MSNBC or CNN, chose to focus on economic data related to the 8-percentage-point decrease from this time four years ago. They highlighted the current strong economy and linked it to the Biden Administration. Consequently, those tuning into Fox News entered the voting booth with a bleak opinion of the economy, while those watching CNN or MSNBC did so with a positive opinion. Exit polls reflected this, with 91% of Democrats claiming the condition of the economy to be excellent or good and 70% of Republicans claiming the same economy to be not so good or poor.

Of course, churning out opinions on the economy like this that support your candidate is a winning strategy only if potential voters actually watch your programming. During the month leading up to the election, CNN and MSNBC hit historically low viewership numbers while Fox News did just the opposite and broadcast to more viewers than CNN and MSNBC combined. With this in mind, it's no wonder more voters believed in the grim outlook on the economy that Fox News was pushing - because that was all they were seeing.

CONCLUSION

Although the Misery Index has historically been fairly reliable in indicating how the incumbent will fare on election night, 2024 may show the dawn of a new era. Rather than the economic data being interpreted in a relatively unbiased manner by all media outlets, taking care to cover the good and the bad, Democratic-leaning news channels pushed one interpretation of the data, and Republican ones pushed another. The latter ultimately won in viewership and because of that, their opinion of the economy prevailed. While one could argue that this could equally have been the result of that view simply being more cogent, the fact that The Economist magazine described the economy right before the election to be the "envy of the world" raises serious questions regarding the power of the media in our elections. Time will tell whether we have entered a new era regarding the economy's ability to predict elections or if 2024 was simply another outlier.

Elections in which the incumbent party lost				
Election	Change in Misery Index		Incumbent Party Candidate	Challenging Party Candidate
	3rd Q	Term		
1960	-2.6	2.5	R: Nixon	D: Kennedy
1968	3.1	0.1	D: Humphrey	R: Nixon
1976	5.5	5.4	R: Ford	D: Carter
1980	1.1	1.6	D: Carter	R: Reagan
1992	0.3	0.7	R: Bush I	D: Clinton
2000	0.1	-2	D: Gore	R: Bush II
2008	4.3	0.8	R: McCain	D: Obama
2016	-3.2	-4	D: Clinton	R: Trump
2020	6.8	-0.3	R: Trump	D: Biden
2024	-8	2.5	D: Harris	R: Trump
AVG	2.250	0.288		

Elections in which the incumbent party won				
Election	Change in Misery Index		Incumbent Party Candidate	Challenging Party Candidate
	3rd Q	Term		
1956	2.4	-2.4	R: Eisenhower	D: Stevenson
1964	0.1	-0.5	D: Johnson	R: Nixon
1972	-0.2	2.5	R: Nixon	D: McGovern
1984	-4.4	-2.4	R: Reagan	D: Mondale
1988	-0.5	-4.3	R: Bush I	D: Dukakis
1996	-3.1	-1.7	D: Clinton	R: Bush I
2004	0.3	1	R: Bush II	D: Kerry
2012	-2.5	2.4	D: Obama	R: Romney
AVG	-0.988	-0.675		

Is a 4-Day Workweek Feasible?

by Mia Vu

(continued from page 1)

advancements have eased the physical strain of jobs, many workers are drained at the end of the week by the mental and emotional toil. Might it be possible to reduce this psychological cost and actually see an increase in productivity? This is what was tested in Spain's 4-day workweek pilot program, which reduced the number of hours of weekly work. I will investigate the pros and cons and determine whether or not it could be implemented in the United States.

ORIGIN OF THE FIVE-DAY WORKWEEK

There is nothing natural about a 40-hour or five-day workweek. In the early 1900s, it was common for Americans to work 60-hour weeks. It wasn't until WWI caused a shortage of labor that workers gained the power to demand better hours and conditions. But perhaps most significant to creating a new industry standard was Henry Ford's radical switch to a 5-day week in 1926, giving his workers 40-hour weeks with the same pay. The advent of the assembly line was the backbone of this transition 100 years ago. Our workplace should continue to reflect large advances in technology, and the U.S. is behind.

EXPERIMENTS WITH SHORTER WEEKS

Some four-day workweek experiments have kept the total number of hours at 40 by requiring employees to work 10-hour days. However, the trials in Spain and the UK follow a 100:80:100 model where workers keep 100% of their pay, work 80% of the amount, and maintain 100% of their performance within 8-hour days. Spain implemented this pilot program in Valencia, its third-largest city. This 1-month study was commissioned by the Valencia City Council and mirrors other programs, for example, in the UK and Japan. Valencia's plan affected 360,000 workers and 2,100 of them were surveyed in categories such as stress level, diet, activities, and alcohol use.

WHAT WORKED

Employees reported lower levels of stress and almost 40% of them participated in more physical exercise. There was also an increase in recreational activities such as reading and watching movies. With more time on their hands, workers were able to eat more home-cooked meals and spend more time with family and friends. Not only did their overall health improve, but also total commute time declined, which alleviated car pollution. More than that, in the trials conducted globally, there was a positive effect on productivity with the Japan Microsoft study touting a 40% boost. They discovered that a reduced workweek allows employees to prioritize important tasks and complete them in a timelier manner.

Furthermore, workers are more likely to show up and are less likely to be late or quit. Worker retention and engagement are good for company morale. With less commute time, workers can spend more time with their families or doing leisure activities. Many working adults feel that the two-day weekend is not enough time to recover from the workweek and most of their free time is eaten up by doing chores or cooking for the week ahead. Phrases like the "Sunday Scaries" have been coined to describe the dread one feels when anticipating the busy week. By giving employees one day back, they may even be excited to come to work.

WHAT DIDN'T WORK

Not all trends were positive, however, as there was an uptick in alcohol and tobacco consumption. But this may be more of a function of the social system not yet adjusting to the new norm and its inability to provide reasonable alternatives. This could be addressed in other ways besides asking workers to come back to the factory. Retail sales appeared to decline by 20% when consumers spent money on leisure activities instead. This is seen as a con in the perspective of retail companies but service sectors and tourist industries thrived. Markets would eventually adjust to this.

More fundamental problems emerged in sectors like emergency and customer services. Call centers that are expected to be accessible 24/7, for example, struggled to find workers to fit into the new schedules. They may find means of addressing this but at the end of the day, firms should tailor the workweek to what works better for them and their employees. Whether it is a 4-Day workweek with reduced hours or allowing employees to choose when and where they work, these options should be explored.

THE U.S. AND THE 4-DAY WORKWEEK: THE PATH FORWARD

Despite the obvious benefits, businesses are hesitant to implement the 4-day week. A study by the Henley Business School in the UK showed that they are worried about being less available to the consumer and are concerned about having to hire more employees, which would mean higher labor costs. Others are unsure about how to manage the transition to a 4-day week. These concerns have decreased since COVID as employers were forced to become more flexible. There is also inconsistency as companies have different definitions of what a 4-day week looks like. Some view it as having reduced hours while others see it as compressed hours. Answering this question is important, and firms also need to decide if employees should have autonomy regarding which day they get off.

Even assuming that the above problems could be addressed, many of these studies and trials took place in Western Europe. Could the U.S. ever implement a 4-day workweek? Possibly not. One main difference between Western Europe and the U.S. is the working culture already in place. Americans average 25.1 hours per week per person in working age while Germans sport an average of 18.6 hours. Americans work on average 46.2 weeks per year while the French work only 40 weeks. Europeans therefore tend to be more open to reducing hours.

Interestingly, laborers in the 1970s in Western Europe and the U.S. worked roughly the same amount. Although it is not completely clear why this changed, higher taxes and union influence seemed to play a big role. Unions are much more popular in Europe than the U.S. as they cover a mere 18% of workers here compared to 80% of workers in countries like Sweden, France, and Germany. Many of the unions in these countries fought for less working hours and regulations, which was bolstered by subsequent laws. Furthermore, higher taxes means that Europeans have less incentive to work as they are getting a lower yield for each hour. Still, 100 years ago, the workplace culture in the U.S. had moved from 60 to 40-hour weeks so it is possible that another shift is in the distant horizon.

SUMMARY

In conclusion, despite the clear advantages of a shorter workweek, the U.S. is unlikely to adopt such a model anytime soon. It does not have the foundations like Western Europe does, which positions working people in the forefront. Without the firm support of unions, there will not be a shift in the workplace towards a 4-day week. However, it is possible for U.S. companies to become more flexible post-pandemic and gravitate towards other models such as a hybrid solution where employees can work from home. Pilot programs in Valencia, Spain and the United Kingdom prove that this transition is not only possible, but it also creates positive effects. 4-day workweeks make employees, employers, and the Earth a little happier.

Social Security Can't Go Bankrupt

by John T. Harvey
Fort Worth, TX
Hal Wright Professor
of Economics

The belief that Social Security may not be there when we retire is one that comes up on a pretty regular basis and the program itself is currently a potential target for cost cutting in an effort to balance the budget (something that is totally unnecessary, but that's another issue). However, those who think that it could go bankrupt simply do not understand how it works. It's a logical impossibility and the confusion comes from trying to think of it from a micro (individual) rather than a macro (economy-wide) perspective. Social Security, and actually retirement in general, is all about productivity.

To understand how this works, imagine the following. Let's say there has been some sort of global disaster that left only ten individuals alive. Further say that we have set about erecting a society in the post-apocalyptic world, including an economy. We all have various jobs growing food, making clothes, et cetera, and in our primitive stage of development each person makes roughly enough for one person to live. Call the latter a "bundle o' goods," such that ten people produce ten bundles o' goods, allowing ten people to survive.

How many people can retire in this situation? Obviously, zero. If one did, then the remaining nine would be producing only nine bundles o' goods, which they would presumably keep for themselves. The one retiree would starve.

What if Adam, during an expedition to find canned food at the local Kroger's, discovered that a Brink's truck had been in the middle of unloading precisely when the apocalypse occurred? Can he now retire on the cash he found lying about? Of course not, because as soon as one person quits working, we are down to nine bundles o' goods. The ultimate limiting factor is productivity, not money. The latter is absolutely irrelevant if we can't make enough stuff (and it is almost trivial if we can).

Now let's start raising productivity in the post-Happening world and see what happens once you allow for retirees. Let's make the math easy and suddenly allow each person to make two bundles o' goods per year. At this point, we have some real options. At one extreme, we could have everyone could keep working and just enjoy twice as much stuff. At the other, five of the survivors could retire and those still working would share half of what they produce, leaving them all at the same standard of living as before. In between, we can actually have retirees AND more output/person. This last option is basically what we do in the real world. Nice!

But how do we accomplish that? It's easy in the hypothetical economy above since we all know each other and can just agree to do it. In reality, however, it's more complex. Note that there are two things we need to make sure of:

1. Workers don't simply consume all bundles o' goods themselves;

2. Retirees get the bundles o' goods not consumed by workers.

Note that the entire economy cannot "save," incidentally. This is one of the places where people get micro and macro mixed up. While you can take your $1000 pay check and put $200 in the bank for later, the US doesn't earn a salary and can't do that. It produces goods and services (or bundles o' goods). I suppose it would be possible on some extremely limited basis, but in general we can't produce 10 TVs in 2011 and put 2 aside for 2030–hell, they probably wouldn't even work any more.

Or build 50 houses, but "save" 5 for later. Or 100 haircuts, but put 20 on the shelf. For all intents and purposes, all goods and services produced today are consumed today, period. The United States of American can't save.

So, if the ten people make twenty bundles o' goods, all twenty must be consumed today. We can't save them. What can be saved, however, is the revenue from producing the bundles, and if workers do that then they can't buy all the bundles. Meanwhile, if the retirees have cash left over from back when they worked, they can use it to buy the bundles the workers didn't consume.

That's how Social Security (and any sort of retirement program, public or private) works. We take money (either as taxes or saving) TODAY from those still working–this stops them from consuming everything that was just produced–and give it (either as a government transfer payment or spending from savings) TODAY from those who are retired–that allows them to buy those goods left over.

Long story short, it can't go bankrupt if it's an immediate transfer. So long as there's sufficient productivity to support retirees, all we have to do is adjust the tax rate accordingly. At that point, it is a political–not economic–problem. If folks don't want to be taxed, okay, but then we can't have Social Security. But that's not because of bankruptcy, it's due to personal preferences.

Speaking of which, some people can argue that they know better than the government how to invest their money, but:

1) it is possible for a few isolated individuals to beat the market, but they are still free to make private investments in addition to Social Security;

2) the much bigger issue is what happens in the event of a market collapse (as in 1929, 1937, 1962, 1987, 2000, and 2007-8), where everyone is screwed through no fault of their own–Social Security, meanwhile, is totally unaffected;

3) most importantly, it's not being invested, anyway, it's being handed over directly to retirees.

To reiterate, what Social Security does is take money from workers to prevent them from buying as much as giving it to retirees so they can have the remainder. Of course, workers get to play that game, too, once they hit retirement age. And this is no different from a private system, except that it sets guaranteed levels. A financial-market crisis can't wipe out your Social Security savings. And remember, so long as we have the productivity, we can afford it. It's a question of how many bundles o' goods we can make, not how much money we have.

The elderly used to be the most poverty-stricken group in America–no more, and for obvious reasons. Don't let anyone fool you into abandoning the single most effective social program in our nation's history. We can afford it–and we can't afford to lose it.

The TCU Economics Major

We offer three degrees: A BS or BA in Economics and a BS in International Economics. Our students move on to a variety of careers, including finance, management, and research. In addition, an economics major is an excellent foundation for a graduate or professional degree.

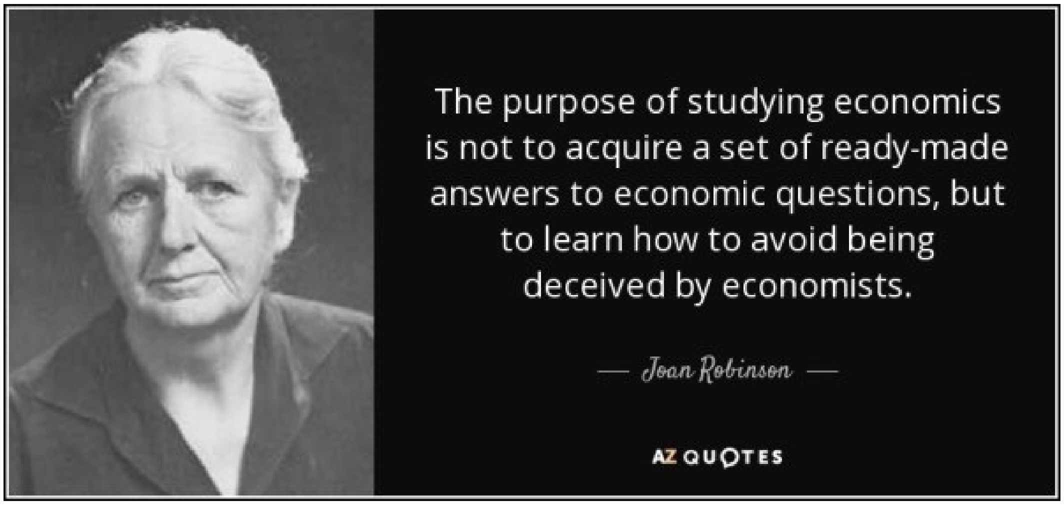
According to our graduating senior survey, our department's #1 strength is our faculty. We all love being in the classroom and interacting with our majors, especially when we get a chance to share our research with our students. Recent graduates commented:

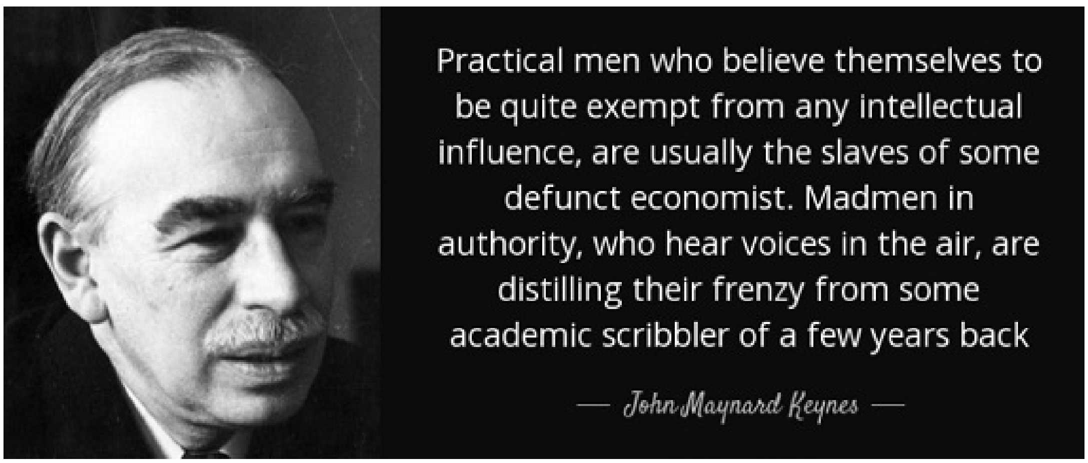
- The department has some of the most brilliant teachers and there are some who deeply care about their material and want the students to benefit from it.
- The teachers are all incredible! Great array of knowledgeable professors, all with different backgrounds.
- I think learning about various perspectives in economics was extremely helpful in contextualizing arguments

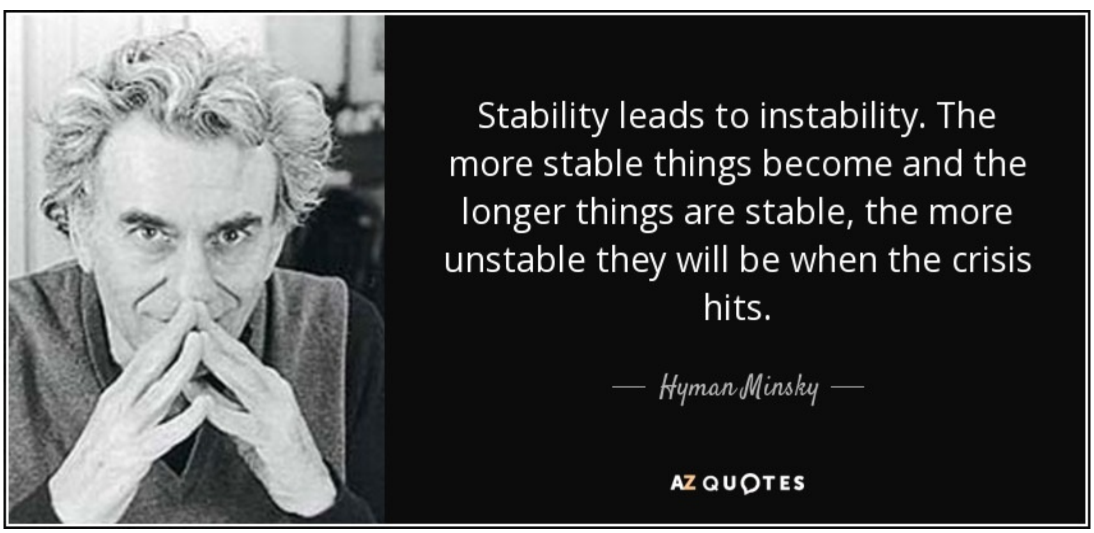
Economics

Learn to use economic reasoning to help businesses and organizations make better decisions.

As an economics major or minor, you'll graduate with skills that will prepare you for a successful career in almost any sector.


The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.
— Joan Robinson —
AZ QUOTES


Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back
— John Maynard Keynes —


Stability leads to instability. The more stable things become and the longer things are stable, the more unstable they will be when the crisis hits.
— Hyman Minsky —
AZ QUOTES