MAGAZINE · ISSUE 8

Berkeley Economic Review

FALL 2022

Berkeley Economic Review presents

equilibrium

IN THIS ISSUE:

STAFF

TABLE OF CONTENTS

Mission Statement: In Berkeley Economic Review, we envision a platform for the recognition of quality undergraduate research and writing. Our organization exists to provide a forum for students to voice their views on current economic issues and ultimately to foster a community of aspiring economists.

FROM THE EDITORS' DESK

Dear BER Reader,

The Berkeley Economic Review has reached its seventh year as a student organization at UC Berkeley, coming a long way from the ten member organization it once was. It has spectated and commented on nearly two presidential terms, roughly twice as many UK Prime Ministers, a global pandemic, the ignition of a land war in Europe, record high inflation, and employment shock after employment shock.

Our world has never stopped changing, and it never will. Each new generation of young economists grows up in a fundamentally different world from the generation that came before, shaped by new forces and experiences. The world ahead of us is already terraforming as AI advances outstrip our expectations and we still grapple with the massive loss of human life to the virus in the years before.

Our job as a magazine has been to observe these changes and analyze them, debating what they mean for tomorrow. From 'The Financialization of Education' to 'The Impact of Musk's Twitter Takeover', the articles before you are a snapshot of the economic worries of the day, and we hope you will find them as fascinating as they are informative.

On behalf of the 67 staff members of Berkeley Economic Review's five departments and executive team, we are proud to present the Fall 2022 volume of our magazine, Equilibrium.

Best,
Ani Banerjee & Tatiana Nikolaeva
Editors-In-Chief
Berkeley Economic Review

Berkeley Economic Review

THE PARADE OF INEQUALITY: INVESTIGATING EXCERBATED DISPARITIES

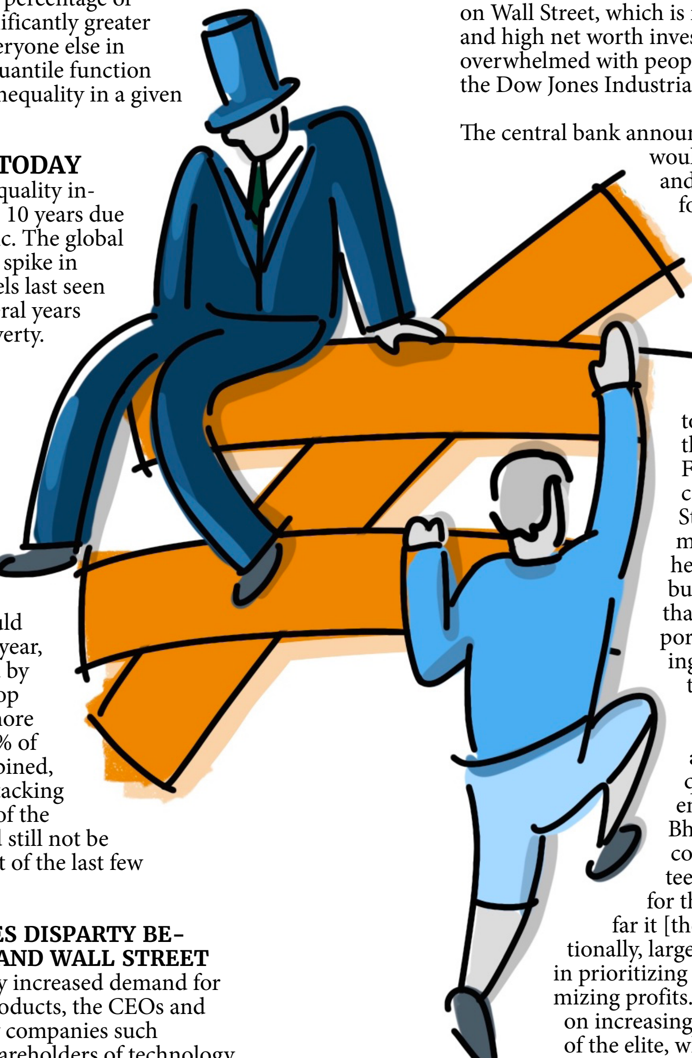
BY HANNAH SHIOHARA AND DENYSE CHAN

THE PARADE

Imagine you are at a parade. Between 12 p.m. and 1 p.m., every single person in the economy will walk in a single file line arranged in order of income, with those earning the least at the front and those earning the most at the back. In this parade, marchers' heights correspond to the amount they earn, such that people with an average income are of average height, while those making twice the average income are of twice the average height. As a spectator, let's say you are of average height.

At 12:10 p.m, you check your watch, puzzled, as no one has yet to walk by. The parade had actually begun but the first several marchers cannot be seen; they are walking upside down with their heads underground. These are the people suffering from debt, many being owners of loss-making businesses. Slowly as time passes, upright marchers begin to pass by, but they are so tiny that spectators are peering down on them. Finally, at 12:45 p.m., the people walking by reach your height. These are the individuals earning the U.S. mean household income of $70,784 in 2021. The heights of the marchers start rising more quickly than before, and in the last 6 minutes, heights start skyrocketing. Doctors and lawyers that are 20 feet pass by, and by the next moment, successful corporate executives and bankers who are 50 feet, 100 feet, and 500 feet walk by. In the last seconds of the parade, pop stars and the most successful entrepreneurs pass by, but they are so tall you can only see their knees.

This parade is called the Pen's Parade. It was introduced by Dutch economist Jan Pen in his revolutionary book Income Distribution in 1971. The parade is a visual illustration of the quantile income distribution graph, which places the cumulative share of the population on the x-axis and income on the y-axis. As seen in Figure 1, the rise of income earned (y-value) is relatively slow in the first four income quintiles, from 0-80% on the x-axis. This corresponds with the illustration given in the Pen's Parade, as marchers' heights rose very slowly from 12 p.m. to 12:45 p.m. However, the graph depicts incomes skyrocketing in the last income quintile, demonstrating that a small percentage of the population earns a significantly greater amount of income than everyone else in society. The less even the quantile function is, the greater the income inequality in a given society.



THE PEN'S PARADE TODAY

In 2021, global income inequality increased for the first time in 10 years due to the COVID-19 pandemic. The global health emergency caused a spike in economic inequality to levels last seen a decade ago, undoing several years of progress in reducing poverty.

Since the beginning of the COVID-19 pandemic, the world's top 10 richest men have doubled their fortune from $700 billion to $1.5 trillion, while the income of 99% of humanity has decreased. For reference, Elon Musk, the last giant to walk the Pen's Parade today, would be 10 times taller than last year, as his real wealth increased by 1016%. Furthermore, the top ten billionaires now own more wealth than the bottom 40% of the global population combined, suggesting that vertically stacking almost the entire first half of the parade's participants would still not be enough to match the height of the last few men walking.

COVID-19 EXACERBATES DISPARTY BETWEEN MAIN STREET AND WALL STREET

As the pandemic drastically increased demand for online services and tech products, the CEOs and shareholders of technology companies such products, the CEOs and shareholders of technology companies such as Apple, Google, Amazon, and Facebook were the big winners; Amazon's shares went up by 87% over the past 15 months, and Tesla's stock is up by more than 700%. These winners were already some of the wealthiest people on the planet before the pandemic.

Moreover, though the stock market was temporarily shaken in March 2020, it has since rebounded and soared, leading to a large disconnect between Main Street and Wall Street. While life soured for those on Main Street, which represents the "real economy" with the average investors, small businesses, and investment institutions, stocks were doing better than ever before on Wall Street, which is made up of global corporations and high net worth investors. While food banks were overwhelmed with people experiencing food insecurity, the Dow Jones Industrial Average hit an all-time high.

The central bank announced several measures that would help support the economy and markets, acting as a catalyst for a swift stock market recovery. Expansionary monetary policy cut interest rates to a record low, and when rates couldn't be pushed down.

any lower, quantitative easing was employed. Low bond yields also left investors with no better place to put their money. Unfortunately, the Federal Reserve has a significantly larger influence on Wall Street than Main Street, with a majority of its programs aimed at helping small and medium-sized businesses being less effective than those aimed to aid large corporations. The Main Street Lending Program, which was supposed to lend $600 billion to small and medium-sized businesses during the pandemic, has only assisted 1% of businesses that qualified, leaving the 50 million employed in this sector to suffer. Bharat Ramamurti, a part of the congressional oversight committee and one of the leading voices for this program, has stated that "so far it [the program] has failed." Additionally, large corporations strongly believe in prioritizing their shareholders and maximizing profits. This meant companies focused on increasing share prices for a small portion of the elite, while putting a downwards pressure on all other costs, including wages for workers. These combined factors have exacerbated inequality in the American economy, disproportionately negatively affecting those on Main Street.

IMPLICATIONS OF INEQUALITY ON HEALTHCARE AND EDUCATION

Though income inequality is largely fueled by the events and decisions made in the corporate realm, its impacts can be felt throughout all aspects of society. Low-income communities continue to be under-resourced, increasing the gap in academic achievement and educational attainment between high-income and low-income children. Children in poverty are disproportionately disadvantaged when looking for labor opportunities, creating a poverty cycle that they do not have the resources to break out of.

Income inequality also drives healthcare inequality, with those living in poverty to be at higher risk of serious illness if infected with COVID-19. This is largely because low income populations have restricted access to proper healthcare, due to geographical location, asymmetrical information, and/or their inability to take time off of work. Poor health also results in reduced income, creating a health-poverty trap.

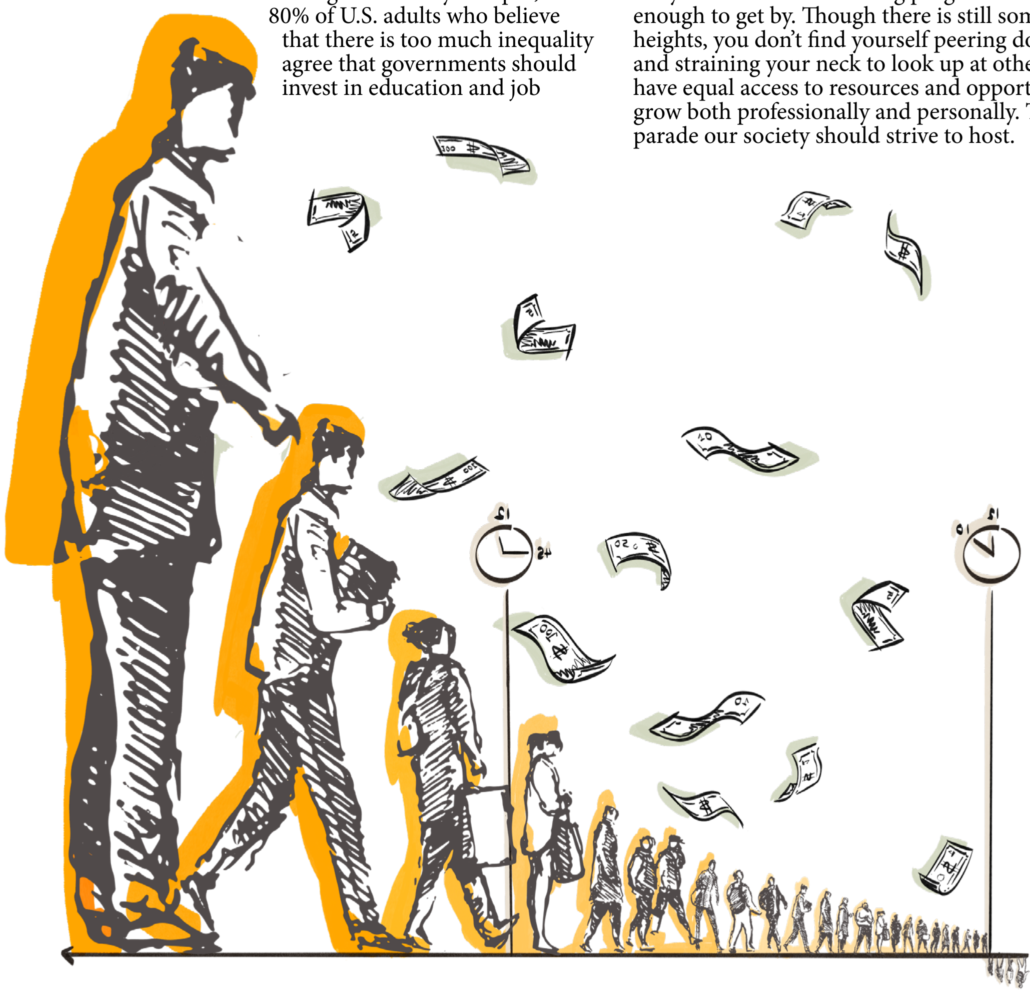
WHY INCOME INEQUALITY IS SO HARD TO RESOLVE

Systemic issues such as income inequality cannot be resolved without structural reform because its cause cannot be attributed to one factor, rather, the issue is inherent within the overall system. In order for impactful and lasting change to be made, our society requires dialogue, compromise, and a consensus from its citizens. However, America continues to become increasingly politically polarized—at a rate faster than any other democracy. There are virtually no ideological overlaps between the Democratic and Republican parties, and the share of people with a negative view of the opposing party has more than doubled since 1994. The Attack on Capitol Hill of January 6th, 2022 symbolized this national divide, as supporters of former President Donald Trump descended into the U.S. Capitol and ransacked congressional offices.

Though it is difficult to identify the causality and direction of political polarization and income inequality, there is substantial evidence to conclude that the two phenomena are correlated. Income inequality is quantified by the earning gap between the highest and lowest income decile, and political polarization is calculated by subtracting the share of individuals identifying as extreme Republicans from those that identify as extreme Liberals. Analysis of data collected depicts that a 1 percent rise in income inequality is associated with a 0.18 percentage point increase in political polarization. Furthermore, higher levels of polarization are associated with lower labor productivity, with fewer hours worked and higher unemployment.

The increased income inequality thus suggests that the nation will only become even more polarized. People who received little support in times of crises will have vastly differing values and sentiments within politics compared to those that thrived during the pandemic. Even though our society needs solidarity to close the gap between the extremely wealthy and the poor, divisiveness continues to pervade.

Moving Forward
The increase in income inequality after the COVID-19 pandemic is a wake-up call for the urgent need for change. Though there is little common ground among Americans as to how income inequality should be addressed, there has been one common voice: the importance of education and skills training. While Democratic and Republican views on direct financial assistance and taxing the wealthy are split, about 80% of U.S. adults who believe that there is too much inequality agree that governments should invest in education and job training for the less skilled.



Education about inequality should start at a young age, such that our youth grow up understanding how systemic issues are formed and what their root causes are. For example, the Pen's Parade is a great visual of income inequality to inform those that may be unfamiliar with the concept. Skills training and education for adults must be accessible and provide enough compensation to incentivize people to participate. Though this is easier said than done, closing the gap between the rich and the poor is necessary not only for the well-being of our citizens, but for the economy and society as a whole.

Imagine you are back at the Pen's Parade. Only this time, you don't have to wait 10 minutes to see the marchers, because they are no longer upside down. They attended skills training programs and now earn enough to get by. Though there is still some disparity in heights, you don't find yourself peering down on some and straining your neck to look up at others. People have equal access to resources and opportunities to grow both professionally and personally. This is the parade our society should strive to host.

GLOBAL DEBT'S VIBE SHIFT

BY ZACHARY HAGEN-SMITH

When I spoke with New York Assemblywoman Pat Fahy in September, she was days out from a press conference on her foreign debt bill. It had been two years since Zambia started missing payments on its debt, and a year since Ethiopia and Chad followed suit. They weren't alone. COVID-19 had stimulated countries' spending while slashing their revenue, catalyzing an unprecedented, global accumulation of government ("public") debt.

Though wealthy countries led the debt surge, developing nations have faced its harshest consequences. Many defaulted, breaking their loan contract by missing a debt payment. Argentina defaulted. So did Lebanon. Ecuador, too. In 2020, the UN calculated that 44% of low-income countries were at high risk of debt distress or already in it.

Defaults are bad news. They precipitate economic devastation — soaring unemployment, trade disruption, market contraction — worsened today by climbing interest rates and a strong US dollar. And they're contagious: a default in one country can create a regional or global crisis. During the pandemic, things seemed to be headed that way. In November 2020, the Financial Times warned that a "debt tsunami" was hurtling towards the developing world. Catastrophe loomed.

"It's not something you typically picture New York State having jurisdiction over," said Jake Egloff, Fahy's legislative director, "but we do." Since New York City is the capital of global finance, most internationally traded assets are governed under New York State law. Stocks, bonds, securities, you name it. Whenever assets are traded across borders, New York is probably involved. Its financial omnipresence makes the Albany state legislature one of the most powerful regulatory bodies in the world. Especially for debt.

Over half of public debts, in the form of international sovereign bonds, are governed by New York."Because I'm at the state level, I don't usually do international affairs," said Assemblywoman Fahy, "this bill is probably one of the most unusual bills I've ever done, but it's also one of the most fascinating."

The story behind Fahy's bill starts in May 2020, when the G20, an intergovernmental group composed of the world's top twenty economies, suspended debt payments for a number of low-income countries during the pandemic recession. This Debt Service Suspension Initiative (DSSI) was popular, but temporary, set to expire in December 2021. So, the G20 hacked out a permanent DSSI-like alternative: the Common Framework.

It's way different than the DSSI, though. Instead of suspending debt payments, the Common Framework lets the world's mostimpoverished countries erase chunks of debt. In a first for relief initiatives, China, Saudi Arabia, and other lending countries outside the traditional, US-aligned "Paris Club" are also participating. Nothing like this has ever happened.

Before the Common Framework, debt restructuring relied on individual contracts rather than international procedure. This decentralized system — still in effect for most countries — involves debtor nations engaging in complicated negotiations across conflicting legal jurisdictions with an array of separate creditors, each with specific interests. Some want to stabilize economies. Others want to make a buck.

These "vulture" creditors buy bad debt at bargain prices and sue defaulting countries for full loan repayment plus interest. It happens all the time. During its 2001 default, Argentina, despite arranging a settlement that 93% of their creditors accepted, had to negotiate a separate deal with a group of hedge funds demanding full compensation. Argentina couldn't even start repaying the creditors they had settled with, since under New York State Law, debt restructurings can't go through without approval from 100% of creditors. After an eleven-year court battle and the seizure of an Argentine navy ship, Argentina reluctantly footed a $4B bill plus legal fees — just for the vultures.

While the new Framework may be preferable to the old system, it's not perfect: many developing countries aren't poor enough to qualify, and debt service payments are still required during debt negotiations. Its biggest problem is that for any restructuring to go through, private creditors (commercial banks and hedge funds) need to participate on comparable terms as public creditors (lending countries and multilateral groups, like the World Bank).

Banks hate this set-up. Though the Framework is supposed to involve all creditors coming to shared relief agreements, banks, who own most sovereign debt, worry that their public counterparts could just dictate numbers without concern for private creditors' balance sheets.

Of the three countries that applied to the Common Framework — Chad, Ethiopia, and Zambia — none have begun restructuring. In October 2021, the President of the World Bank told the G20 that, "progress on debt has stalled.” Part of the delay is on countries’ ends: Chad needs to reorganize government debt tied to a private company, Ethiopia is in a civil war, and Zambia is recovering from a polarized presidential transition. But, as the Director of the IMF’s Africa Department acknowledged, “The challenge is a coordination problem.” Translation: private creditors ain’t biting.

While lending countries have put up substantial financing, the Framework requires that, for any deals to take place, private creditors offer equivalent amounts. So far, they’ve offered zilch.

That’s where Fahy comes in.

Her New York Taxpayer and International Debt Crises Protection Act, introduced in May, would require banks and other private creditors to join debt relief initiatives at the same rate as public creditors. Egloff said they view the bill as an enforcement mechanism for the Common Framework. The plan, Fahy said, is to keep the global economy stable: “[We’ll] still require some debt payment but work with them on what would be feasible to write off.”

This is the second time in a year that significant sovereign debt legislation has been introduced to the New York legislature.

In February 2021, Senator Gustavo Rivera and Assemblywoman Maritza Davila introduced a bill that would allow a supermajority of creditors to restructure debt, rather than a 100% total majority. This would prevent “vulture” holdouts from strong-arming countries into legal battles that block the debtors from important international credit markets, like Argentina was during its default.

Fahy’s bill and the 2021 legislation haven’t made it to the floor yet, and some would like it to stay that way. “The idea of the New York State Legislature… having anything to do with anything important is absolutely terrifying,” Virginia law professor Mitu Gulati said on a March podcast on the 2021 supermajority bill, “I find this whole thing just a bit loony.”

“If major countries and so on start to legislate individually in this space, there’s going to be very significant market fragmentation,” his guest Deborah Zandstra, a partner at the law firm Clifford Chance, said, “I think the problem is that it leads to uncertainty, unpredictability, complexity… everyone will suffer.”

Fahy’s team has consulted an array of experts, among them, renowned Georgetown Law Professor Anna Gelpern, as well as Aldo Caliari, the Senior Director of Policy at Jubilee USA, an advocacy group that traces its origins to the Jubilee 2000 campaign. Founded in 1996, Jubilee 2000 fought for debt cancellation for the world’s poorest countries, making its name with flashy endorsements from celebrities like Muhammad Ali, Annie Lennox, and U2.

“I had the chance to meet Bono,” said HEG professor Nicolás Depetris Chauvin, “I was working at UNDP, part of the UN, and he was there. He was super smart.”

Jubilee 2000’s flare kick-started Depetris’ interest in sovereign debt. In the mid-2000s, as the UN’s HIPC waned and the Easterly-Sachs debate called foreign aid into question, Depetris grew skeptical of relief. He conducted an early study in the burgeoning subfield: “What Has 100 Billion Dollars’ Worth of Debt Relief Done for Low-Income Countries?”

Depretis’ answer: debt relief issued between 1989 and 2003 wasn’t helpful.

But not all debt relief is created equal.

A 2015 Harvard study found that borrowing countries’ economies significantly improved after debt write-offs; in low-income countries, GDP per capita increased by 11%. However, the loan extensions and interest reductions found in most debt restructurings weren’t beneficial, only delaying root problems.

Despite growing research, there’s still no consensus on debt relief. Depetris acknowledges the effectiveness of some micro-level relief initiatives and sympathizes with Fahy’s bill: “The devil is in the details… I’m not saying it’s not worth trying. I’m saying incentives work in weird ways and markets don’t forgive.”

He worries that Fahy’s bill could make things worse by chasing debt out of New York to legal jurisdictions where debtors have fewerprotections.
“

It’s a legitimate question.” Egloff acknowledged “For me, New York State has such a favorable legal regime… it wouldn’t behoove them to go somewhere else.” Additionally, Egloff said, since New York City is the world’s financial center, if private creditors want the best business professionals and most financially-literate courts, they have to stay. Fahy also mentioned that England adopted similar legislation years ago without losing its 45% slice of the sovereign bond market. “It’s a strong precedent,” she said.

Depetris raised another issue: who’s paying for the relief? When debt is erased, banks need to cover their erased finances. It’s possible that they could be forced to inflict expensive premiums on future loans to poor countries or block them from borrowing entirely.

“This actually dovetails well into why we believe this is actually in these financial institutions’ interest.” Egloff said. Fahy’s office, and some academics, theorize that partial debt relief could forestall political turmoil that would erase more. “If you’re at all familiar with what’s gone on the past year or so in Sri Lanka, they have had such a heavy debt burden, their political system collapsed under the weight of that debt,” Egloff said. “China has actually been forced to just write off a lot of that debt. They’re never going to collect on that.” For banks, it’s better to collect on 75% of a loan than nothing at all.

“I’m a progressive person, so I would like all these things to work, but I’m not that convinced.” Depetris said.

The economics of the Common Framework are hard to put a finger on. Moderate relief seems like a good thing, but it might not be the right thing. While debt “haircuts” could let debtor countries access international credit markets, if trims are too small, their debt problems will persist. Another issue: relief could absolve or even encourage the bad policy that got countries in debt in the first place.

Though the Common Framework is a modest risk, if it can unify public and private creditors towards safeguarding the global economy and help poor countries, it will be worthwhile. Some experts think the ultimate path for global debt is a multinational default structure, like a world bankruptcy court, which could offer more reliable restructuring to thwart future balance-of-payment crises while also strengthening debtors’ rights and bargaining power.

The Common Framework could be the beginning of a much bigger change in how the world treats sovereign debt. But for any of that to happen, the Framework needs New York. It needs Fahy.
“It is going to be a lift,” she told me, “Our next objective is to find a senate sponsor.”
With inaction on the world stage, legislation in New York could be the greatest hope for a more just and stable global economy. Albany holds the world in its hands.

A BIRD'S FREEDOM: THE IMPACT OF MUSK'S TWITTER TAKEOVER

BY SID GUPTA

A decade ago, Twitter's future was looking bright. The company was benefiting from a flood of funding into the social-networking space, eventually leading to an IPO in 2013 that raised $1.8 billion. Now the company is back in private hands. And they happen to be the hands of Elon Musk, the richest person in the world and one of the app's most high-profile provocateurs.

But why has the news of Elon Musk buying Twitter created such widespread attention and alertness? What makes it different from other IT companies to send such a ripple of tension and uncertainty throughout the tech, political, and civil rights world?

It was in 2011 when Twitter showed its true power for a monumental social and cultural change. Twitter became an essential social media tool used during the Arab Spring, the wave of anti-government protests throughout Egypt, Libya and Tunisia. Protesters used the site to post reports and to organize. The Arab Spring, sometimes dubbed the Twitter revolution, shook regimes across the Arab world. Using the social media platform, massive demonstrations were mobilized across countries like Egypt, Libya, Jordan, Yemen and Syria. Using wide-scale online activism, the protesters used Twitter to organize and coordinate protests, and even helped dissidents get access to the Internet when their regimes tried to shut it down.Twitter soon became a mainstream cultural phenomenon.

It's a massive moment. Twitter has become a key place for people to debate, joke and pontificate in their own circles of politics, sports, tech, and finance. It's also served as a platform that gives a voice to the voiceless, helping protesters organize and express themselves in repressed regimes around the world.

In recent years, however, Twitter and social media rivals like Facebook have been at the center of controversy over the distribution of fake news and misinformation, sometimes leading to bullying and violence. In 2016, Twitter was criticized for their role in letting prominent users like Donald Trump, who would win the U.S. presidential election that year, spread misleading information without consequence.

Over the next couple few years, analysts found correlations between President Trump's voracious use of Twitter and various markets underscoring the cultural power of Twitter. Finally in 2021, Twitter permanently banned Trump over inflammatory comments the president made during the U.S. Capitol riots in January that the company said could lead to "further incitement of violence."

While Twitter has faced a lot of heat in the past few years, its effect on the market economy and culture is undeniable. Tweets have gone from being benign musings about what you ate for breakfast, to small but powerful messages that influence stock price fluctuations, directly from the source. These tweets are coming from power players around the world, from the highest ranks of business and politics, delivering snippets of policy and information that traders use to decide when and what to buy and sell. In addition to its significant financial influence, there are plenty of examples of the weaponization of Twitter. Before he was banned, Donald Trump used to go after his political opponents via tweets, but it was more than that. He also regularly announced new government policies via Twitter which had delineating effects on the economy. Recent history shows that even though Twitter allows information to be disseminated more quickly, the real-life benefits of taking the time to digest a tweet rather than react to it immediately is where the real value lies.

We may never know exactly why Elon Musk, the world's richest man and wildly disruptive narcissist , was thinking when he sent out a tweet in early August that ended up costing him, and his company Tesla, $40 million USD. In it, he suggested he had secured funding to be able to take Tesla, a publicly-traded company, private for $420 USD a share, which was significantly more than where Tesla stock was trading at the time.

The Securities and Exchange Commission wasn't amused by the nearly 9 percent jump in Tesla's stock price, presumably caused by that one tweet. It's difficult to attach an economic domino effect to a single catalyst, but there are rules about the kind of information heads of companies aren't allowed to share in the public sphere. In a settlement reached this week, Musk must pay a $20 million fine and step down as Tesla's chairman for three years, though he can stay on as CEO. Tesla, the company, must also pay a $20 million fine for failing to keep their commander-in-chief's tweets from causing confusion and spreading lies (or jokes, depending on who you ask). Incidentally, Tesla stocks rebounded after the SEC ruling.

"As thoughtless and as trivial as Elon Musk may have felt the tweet was, it had extraordinary real-world impact on the market and he's paying for it," says Matt Fullbrook, who is an expert on governance as the manager of the Clarkson Centre for Board Effectiveness at the University of Toronto.

After months of confusion, mixed signals, and attempted withdrawal from the deal, on October 28, Elon Musk sent out a tweet that said "the bird is freed", alluding to the completion of the deal to buy Twitter. Is the bird really free though?

Musk claims this whole journey is a noble undertaking to make the platform a beacon for free speech. In a note to Twitter's advertisers that he posted on Thursday, Musk described the takeover as a philanthropic venture designed to "help humanity, whom I love." Repeating some of the themes that he has raised since launching the takeover bid, back in April, he also wrote, "The reason I acquired Twitter is because it is important to the future of civilization to have a common digital town square, where a wide range of beliefs can be debated in a healthy manner, without resorting to violence".

On the face of it, this sounded like a commendable statement. In actuality, though, the phrase "common digital town square" is an oxymoron, which suggests that he either doesn't understand what he is getting into or is being disingenuous. Standing on a soapbox in a town square, the delirious ranter, or even the genuine prophet, can reach a few hundred people. Twitter is a global communications platform, on which celebrities—including Musk himself—can reach tens of millions of people; where online mobs (some of them carefully orchestrated) can target individuals relentlessly; and where bad actors, such as political extremists, terrorists, and rogue intelligence agencies, can plant misinformation to sow hatred and violence.

In terms of human history, social-media platforms represent something radically new, and we are still learning about the impact that they have on people's cognitive-processing abilities, emotions, and behavior. But if the events of the past decade—including the U.S. elections of 2016 and 2020, along with the pandemic—have taught us anything, it's that these platforms can potentially be destructive of truth, democracy, and the very humanity that Musk claims to hold dear.

In his message to advertisers, he did implicitly acknowledge some of these dangers, writing, "Twitter obviously cannot become a free-for-all hellscape, where anything can be said with no consequences! In addition to adhering to the laws of the land, our platform must be warm and welcoming to all, where you can choose your desired experience according to your preferences, just as you choose, for example, to see movies or play video games ranging from all ages to mature." Musk attempts to put this in a way that sounds user-friendly, but what does this passage mean in practical terms?

In recent years, all the big social-media companies, Twitter included, have, under public pressure, invested in content-moderation policies, which employ artificial-intelligence programs and actual humans to search out posts and users that violate the platforms' terms-of-service agreements. On paper, Twitter's rules are quite strict. They say that users can't use the platform to "threaten violence against an individual or a group of people," nor promote the "glorification of violence," nor "promote terrorism or violent extremism," nor "encourage suicide or self-harm", and so on.

It was on the basis of these rules that Twitter, two days after the January 6th assault on the Capitol by supporters of Donald Trump, issued a permanent ban to the former President's account "due to the risk of further incitement of violence." Musk's insistence on "free speech" and his claims of "left bias" in Twitter policies have sparked concern that he would loosen concern that he would loosen content-moderation standards and let Trump back onto the platform. Such a move would likely be accompanied by the return of many other right-wing incendiaries and disinformation merchants. Yet, according to some reports, Musk has told prospective investors that he intends to slash Twitter's workforce by nearly three-quarters. Already out the door are many of Twitter's top executives through firings or resignations, with staffers and employees likely to follow. Although he reportedly denied that figure in a meeting with Twitter employees, there is obviously a danger that large job cuts would undermine the site's ability to moderate its content.

Another important issue that he hasn't addressed is whether there will be any changes in how Twitter deals with authoritarian countries that censor social media or mount disinformation campaigns on it; among the worst offenders are China and Russia, to whom Musk has business ties through his other companies. China is a major manufacturing center and product market for Tesla; Russia is an important source of raw materials used in the manufacture of electric cars, including lithium, aluminum, and nickel. Earlier this month, Musk tweeted out a peace proposal for Ukraine that included formally ceding Crimea to Russia. According to Ian Bremmer, the head of the Eurasia Group consulting firm, Musk told him that he had spoken to Vladimir Putin about Ukraine. (Musk subsequently denied this, saying that he had only spoken to Putin once, eighteen months ago, about space.)

Unfortunately, even the most optimistic case is that Musk, in downplaying the dangers of adopting a laissez-faire approach to content, is being naïve, or that, despite his public assurances, he isn't operating in good faith. While he claims to be a political centrist and a responsible new owner of Twitter, some of his own tweets have targeted individuals for abuse or echoed right-wing memes. In 2018, he called a British diver who was involved in a rescue operation to save a group of Thai boys "pedo guy." (In a subsequent court case, Musk apologized and was cleared of defamation). In April, 2020, during the initial coronavirus lockdowns, he tweeted, "FREE AMERICA NOW". Earlier this year, he said that he had voted Republican for the first time, supporting Mayra Flores, a conservative Texas congresswoman who won a special election in June. He also said that he was leaning toward supporting Florida's Republican governor, Ron DeSantis, in the 2024 presidential election. What can we understand from all of this?

Elon Musk is an indefatigable self-promoter. He's a billionaire but isn't motivated primarily by money. Nor is he fueled by any larger purpose, principle, or ideology. His singular goal is to imprint his giant ego on everyone else — to exercise raw power over people.

His politics is neither conservative nor liberal. A better term to describe it would be megalomaniacal authoritarian. But why now — why does he achieve such prominence at this particular point in history? And why are so many enthralled with him?

The answer, I think, is that a large segment of the public projects its needs and fantasies on him. People who are "mad as hell and not going to take it any more" crave strongmen who shake up the system.

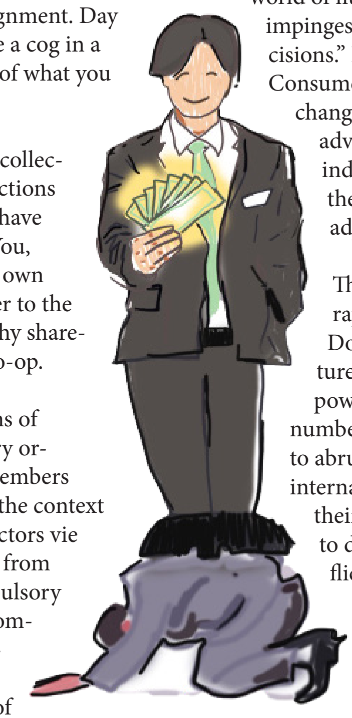
People who have been bullied their whole lives want to identify with super bullies who give the finger to the establishment, answerable to no one but their own ravenous egos. His arrogance and certitude attract millions of followers, fans, and cultish devotees, along with a fair number of goons and thugs, who want to vicariously feel superior. Everyone will do better when fewer of us feel so helpless and insecure that we're drawn to reprehensible bullies who parade across the public stage as if possessing admirable qualities.

Twitter is at a turning point in its young life. As the world is still learning to live in a more connected age, Elon Musk's Twitter has the chance to be an online place of civil discourse or democracy, or become a platform that spreads fear and misinformation. The fact that it's up to a man like Elon Musk to see which it will become, leaves us with uncomfortable foreboding.

CO-OPS VS. FIRMS: DIFFERENT SIDES OF THE SAME MARKET COIN

BY EVAN DAVIS

Imagine you walk into work one day. At your old job, you'd be greeted by your boss, who would give you some menial task to fill out in a cubicle, while at the same time most likely reprimanding you for being late. Upon completion of a task, you'd get a slap on the back before being given some other unfulfilling assignment. Day after day, this cycle repeats itself. You are a cog in a machine which operates independently of what you truly desire.



Instead, at this new job, you walk into a collective board meeting to vote on the next actions taken by the company. You, the worker, have a say in the direction of your business. You, along with your fellow workers, directly own the company, instead of having to answer to the whims of a corporate hierarchy or wealthy shareholders. This is because you work in a co-op.

Capitalist firms and co-ops are two forms of economic association. Both are voluntary organizations formed of, by, and for the members rather than a state. Both operate within the context of a market economy where economic actors vie for profit by earning voluntary payment from consumers, rather than relying on compulsory funding via state taxation. However, a common critique of capitalist market economies is that workers do not get a say in the production or marketing processes of most businesses, and the resulting hierarchy in executive decision-making exacerbates inequality. This is because the interests and wishes of the workers are not properly considered; they often clash with those of their bosses, who want to give them fewer benefits and lower wages to maximize profit. In this article we will analyze these claims and weigh the potential pros and cons of both co-ops and firms. We will focus on issues such as relative flexibility, relative stability, employment, wages, worker satisfaction, productivity, and profit.

Firms and co-ops have distinct theoretical and empirical advantages relative to one another, trading blows in some metrics while a clear winner emerges in others. As economist Ludwig Lachmann notes, the market economy is "a world of flux in which the ceaseless flow of daily news impinges upon human choice and the making of decisions." In other words, markets experience change. Consumer desires change; available materials change; economic policies change. One potential advantage of traditional firms, typically run by individuals or smaller groups of people, is that they are generally more flexible and able to adjust to these changes.

The structure of firms is more conducive to rapid policy changes than that of co-ops. Eric Dontigney, a writer for AZCentral, conjectures that "[t]raditional firms, which centralize power into the hands of a comparatively small number of hands, can often respond quickly to abrupt changes in the market or unforeseen internal crises." Co-ops, on the other hand, with their increased number of voices contributing to decision making, may create more conflict and stall decision-making. Specialized entrepreneurial knowledge or talent held by individuals may be dampened by majority decision-making, further hindering a co-op's productivity or growth.

Generally speaking, this is a trend: co-ops are less flexible, preferring to adjust wages rather than change the number of workers they employ. An empirical study by Stanford economists found just this, concluding "[c]o-ops had 14% lower wages than capitalist enterprises, on average; more volatile wages; and less volatile employment."

As market conditions change, wages rise and drop more often than employees are hired or fired. As such, co-ops are not a great source of job creation or a good solution to unemployment. This lack of flexibility with regards to employment may further hinder a co-op's performance, as it's less likely that they can hire more competent workers or fire the less competent ones. A business which coldly fires an unskilled worker and replaces them with someone more competent may often experience an increase in productivity. In not doing this, a co-op may be more true to the interests of its employees, at the expense of higher customer satisfaction.

Furthermore, the co-op wage system is more of an egalitarian one, where wages are sometimes, although not always, uniform. This less hierarchical and competitive system can drive away the most talented workers, who don't receive as much compensation as they otherwise could for their superior performances. A study focused on workers in Uruguay found that high-talent workers are more likely to abandon co-ops, notably when labor market conditions related to capitalist firms are good.

These factors give firms a natural advantage when it comes to productivity and turning a profit. A study by economists Olubunmi Faleye, Vikas Mehrota, and Randall Morck concludes that "[co-ops] deviate more from value maximization, invest less in long-term assets, take fewer risks, grow more slowly, create fewer new jobs, and exhibit lower labor and total factor productivity." In other words, traditional firms are more productive and tend to exhibit higher growth. These results seem to vindicate the theoretical arguments outlined above that co-ops can suffer from an overall lack of flexibility, which hurts their growth rates due to their trend of taking more 'low risk, low reward' actions.

However, the case for co-ops is not lost, as they have a set of advantages of their own. For starters, their lack of flexibility means on the flip side that they are more stable. They are much more resilient during recessions. Some economists argue that recessions are economic re-adjustment methods meant to shift labor and capital towards more productive uses. When businesses go under in a recession, they lay off workers and stop utilizing resources. These workers find new jobs and resources are used by new businesses, who survived the recession or formed after it. While co-ops would skirt this re-adjustment, in doing so they'd maintain employment for their workers in times of economic downturn, allowing them to weather recessions much more easily than traditional firms. Indeed, some evidence goes as far as to show that "cooperatives [historically evolved] independently of the business cycle."

Similarly, as they are more stable, co-ops are more likely than firms to survive once they're established. While firms may be easier to establish, implied by the fact that more firms are created per year than the total number of existing co-ops. A research report found that co-ops across the world were much more likely to survive their first five years of business, most likely because once established, the 'low risk, low reward' behavior typical of most co-ops pays dividends in ensuring their survival.

Evidence comparing co-op worker satisfaction to firm worker satisfaction is somewhat mixed, but tends to favor co-ops. This makes intuitive sense, as cooperatives allow for far greater worker influence over decision-making. Hence, one would expect decisions to align more with worker interests, and greater worker satisfaction to come about as a result. A study by political philosopher and theorist Mark Kaswan found that since the interests of the worker align with those of the business under a co-op model, co-op workers are happier, both theoretically and empirically.

There is also evidence showing co-ops may sometimes be more productive or pay better wages than traditional firms. Empirically, while one report focused on plywood mills in Washington state finds that co-op practices result in "neither major efficiency gains nor efficiency losses" relative to firms, another much broader report finds that co-ops from around the world are more egalitarian, sustainable, stable, profitable, and productive than their firm counterparts, with employees working "better and smarter." Furthermore, the Spanish study found that in their particular case, co-ops paid their workers better wages than comparable firms. These findings directly challenge some of the earlier evidence in favor of firms.

In conclusion, are co-ops or firms the superior business model? Neither clearly beats the other. A quick way to summarize the evidence would be that firms are more flexible, while co-ops are more stable. Firms are better at satisfying consumer desires, while co-ops are better at serving the interests of their employees. This indicates neither business model should be done away with in favor of the other. Indeed, economists Arando, Gago, Jones, and Kato, conclude that their work shows co-ops are viable and possibly superior to firms, yet do not believe their "findings imply that employee-owned enterprises are a universal panacea."

While the mixed results indicate it would be a grievous mistake to forcefully mandate co-ops or ban capitalist firms, it is nonetheless clear that co-ops are viable. A cooperative market economy is a way to synthesize increased worker control over the economy with the freedom, competition, and innovative dynamics unique to a market economy. Society can take steps to foster co-op success while also leaving the door open for traditional businesses to thrive alongside them.

LIV GOLF: STARTUP LEAUGES AND THE FUTURE OF SPORTS

BY JACOB HEISLER

For the first time in its history, the PGA Tour faces a threat to its longstanding claim to be the premier golf league in the world. The PGA Tour began when many of the top American golfers broke off from the PGA of America to create a professional-centric golf league in 1967. Since its inception, the PGA Tour has undoubtedly been the best league in the world to join, and all other major golf leagues are either subsidiaries of the PGA Tour, or merely seen as a stepping stone to the PGA Tour.

LIV Golf, backed by Saudi Arabia's Public Investment Fund, was created in 2021 with the intention to shake up the current professional golf landscape. The league, headed by former PGA Tour star, Greg Norman, quickly gained attention due to the massive sums of money it offered notable PGA Tour players to attract them away from their current league. For example, Phil Mickelson reportedly signed a multi-year deal with a guaranteed $200 million, and Tiger Woods is rumored to have rejected nearly a billion dollars to join LIV Golf. The first LIV Golf Tournament took place in London beginning on June 9, 2022, and as of August 30th, 26 of the top 100 golfers in the world according to the Official World Golf Rankings (OWGR) were part of LIV Golf. That number is falling, not because of quality of play, but because players are ineligible to earn OWGR points in LIV events.

LIV Golf has already caused a contentious divide in the world of golf. Players on each tour have come out with deeply critical statements of those on the opposing tour, and many appear to have icy relations with one another when they have been together at golf's Major tournaments. The split has also impacted the viewer experience, as having multiple leagues with top players has caused a lower quality talent pool overall in each tour than when all top golfers were exclusively on the PGA Tour. The PGA Tour also immediately indefinitely suspended any player who joined LIV Golf from participating in any PGA Tour or associated events.
In addition to the concerns about the golf itself, the fact that LIV Golf is funded by Saudi Arabia has been a source of much criticism. Saudi Arabia is accused of engaging in sportswashing, a strategy utilized by regimes with poor human rights records to boost their standing throughout the rest of the world and legitimize themselves via high profile sporting events. In order to transform their public image amidst numerous human rights abuses such as the murder of journalist Jamal Khashoggi and regressive policies regarding women, Saudi Arabia has hosted and funded several major sporting events, with LIV Golf being one of their most high profile investments yet.

Payouts on Each Tour

LIV Golf stands out from the PGA Tour, both in terms of the way the golf is played and how the money is earned by the players. On the PGA Tour, there are four rounds in a tournament, and around half of the field is cut after the first two rounds. Players who are cut leave the tournament with no money earned whatsoever over the course of the week. As of the '21/'22 season, the average purse in a PGA Tour event was approximately $9.1 million. This value was divided amongst the 60 or so players that made the cut in a given event, with players making more the higher they finished on the leaderboard. Money earned on the PGA Tour, therefore, was exclusively determined by individual performance on the course.

LIV Golf, on the other hand, consists of three rounds in a tournament with no cuts and smaller playing fields. Players compete for the individual championship and are placed in cohorts of four for a team championship. A last place finisher in any given tournament receives $120,000, and the first place finisher receives $4 million due to each purse being $25 million. In contrast, only 22 players on the PGA Tour made at least $4 million over the course of the entire season from PGA Tour earnings. Additionally, money can be earned by players in LIV Golf based off how well their team that they are assigned to performs overall. All of this is on top of the aforementioned massive 8- and 9-figure deals that provide guaranteed money regardless of performance, compared with the fact that Tiger Woods is the only player to top $100 million in career earnings on the PGA Tour. There are also benefits for caddies in LIV Golf, namely that their travel and hotel stays are covered.

With the PGA Tour hemorrhaging players at a rate that it has never experienced, the leadership has been forced to adjust many of its business practices and dealings with players. The PGA Tour increased the purses of 12 events to over $20 million, expanded a program to provide bonuses to top players, ensured minimum earnings of at least $500,000 per year for players who participate in at least 15 events, provided $5,000 for each missed cut, and subsidized travel expenses.

These altered criteria are clearly an attempt to mimic LIV Golf's financial strategies, as the LIV Tour was undoubtedly a financially advantageous choice for players. Additionally, Tiger Woods and Rory McIlroy, two of the most famous figures in golf and strongest opponents of LIV Golf, announced the creation of TGL, a golf league complementary to the PGA Tour that will utilize technology and creative designs to provide a prime-time television golf viewing experience. This league will take inspiration from LIV Golf and incorporate team play into the matches.

If the PGA Tour was financially able to pay its players something closer to what seems to be the market rate, why didn't they? As they were the dominant league in terms of prestige and quality of product for so long, it can be argued that they effectively had monopolized the professional golf landscape. Since the PGA Tour controlled the supply of golf content and opportunities, they had the ability to set wages below the market rate. Furthermore, the PGA Tour operates as a nonprofit organization while likely overrepresenting their donations, which allows for additional spending on high-level executives, lobbying, and marketing. LIV Golf, with its attractive schedule and astronomical player payouts, introduced competition.

LIV Golf has entered an antitrust lawsuit alongside several players who were suspended from the PGA Tour after joining LIV Golf, claiming that the PGA Tour has engaged in anticompetitive practices against LIV Golf. The lawsuit alleges that the PGA Tour has threatened to economically punish players and companies that associate with LIV Golf by blacklisting them. Whether the lawsuit is successful remains to be seen, as the trial will not begin until 2024. However, the fact that the PGA Tour engaged in practices that were anticompetitive in nature seems to suggest that it was effectively a monopoly, at least until LIV Golf challenged it. In response, the PGA Tour recently announced a countersuit of LIV Golf, alleging that LIV Golf used their access to inordinately large sums of money to encourage players on the PGA Tour to breach their contracts.

Many of the top sports leagues, such as the NBA, NFL, ATP, and more, could be similarly considered to be monopolies due to the simple fact that they house nearly all the most talented players of their respective sports. Many sports fans and athletes consider this to be a good thing, because this ensures the highest quality product with the greatest competitive intrigue. Nonetheless, the very nature of these leagues' structure could cause their respective markets to produce at suboptimal levels. The results of these lawsuits could cause long term repercussions for the future of premier sports leagues. If the courts rule that the PGA Tour did engage in anticompetitive actions, that could limit how other leagues could protect their status. If the courts rule that LIV Golf did not mislead and encourage golfers to breach their contracts, other startup leagues with large amounts of liquid cash could use similar methods to lure talent away from other leagues.

The market for professional sports leagues is extremely top-heavy, with many high barriers of entry. LIV Golf is a unique example of a league that was able to successfully enter this market and make a significant impact within it. While the methods used by LIV Golf were certainly effective at attracting talent and attention, it is not necessarily a successful business strategy if profit is the primary objective of an organization. LIV Golf is a success because of how it has changed the landscape of the sport and brought a different type of attention to Saudi Arabia, not because of any type of profit, as the massive investments to the league will require a very long time to reach a profit, if a profit is reached at all. The question that remains: will there be a new surge in startup rival sports leagues in response to evidence of LIV Golf's success?

THE FINANCIALIZATION OF EDUCATION

BY DHOHA BARECHE

Introduction
Following WWII, there was a great sense of optimism regarding development, globalization and the role of education in facilitating these advancements. In 1983, U.S. President Ronald Reagan published a report titled "A Nation At Risk: The Imperative of Education Reform" blaming the education system for why other countries were advancing past the U.S. in commerce, industry, science and technology. Economic advancement didn't solely rely on acquiring physical capital, but cultivating human capital. He argued, "learning is the indispensable investment required for success in the information age we are entering."

The 1980's ushered in a new era for American higher education that linked it to international corporatization. It marked the inauguration of neoliberalism that brought about market reforms to every aspect of society and succumbed the education system to the needs of the market. According to political theorist Wendy Brown, neoliberal rationality unleashed destruction upon higher education and changed the way we view it. Rather than pursuing an education for one's own edification, social and market pressures have enslaved people to industry demands and allowed them to disregard the value of learning.

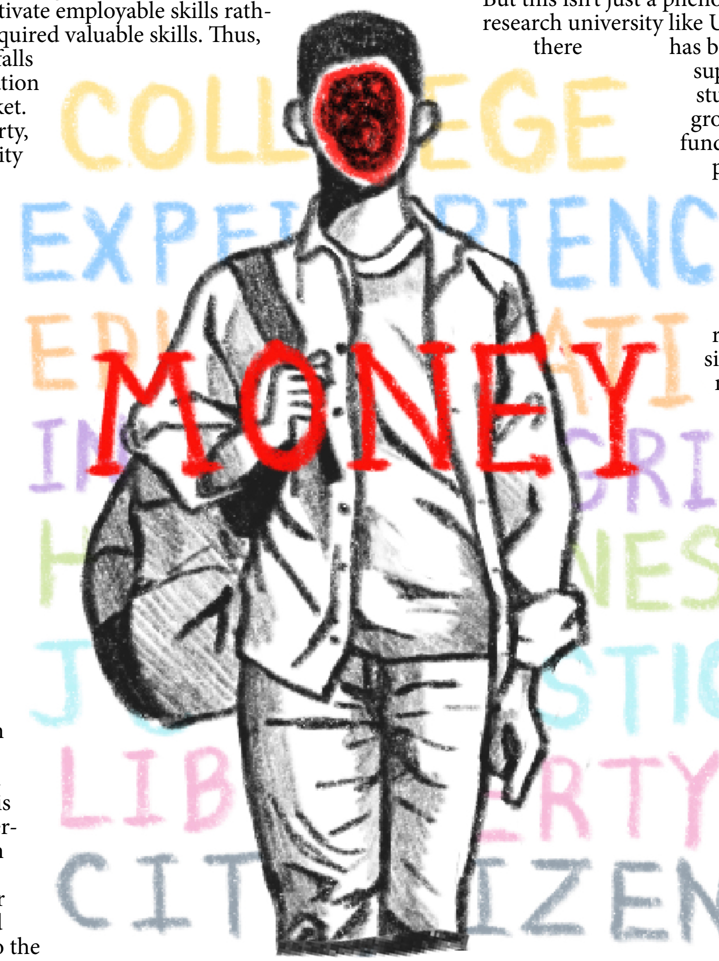
Not only has neoliberal reform transformed the way individuals value education, but it has also changed the way universities operate. First, unemployment, poverty and inequality were seen as a failure of the education system rather than a structural capitalist problem. Second, it placed a great emphasis on educational advancement yet decreased funding for it, leading to high tuition increases and the reliance of universities on private fundraising. Third, universities became subjected to market pressures by prioritizing research with commercial applications.

The Mismatch Discourse and Human Capital Theory
The mismatch discourse emerged in the 1950s and blamed the education system for not meeting the needs of the market, according to professor of international education policy Steven Klees. In other words, education was not teaching what the economy needs and unemployment was to be blamed on schools for not preparing a skilled workforce that met corporate demands.

Underlying the mismatch discourse, he argues, is human capital therry. Coined by American economists Gary Becker and Theodore Shultz in the 1960s, human capital theory is the idea that education increases one's productivity and skill set. Klees argues that human capital theory took out sociology from labor economics and commodified it into something based on supply (education) and demand (jobs). However, he said greater emphasis was placed on individuals to cultivate employable skills rather than creating jobs that required valuable skills. Thus, the burden of employment falls on the individual and education system rather than the market. The triple challenge of poverty, unemployment and inequality were seen as dependent on individual skills and how well the education system prepared future employees.

But underlying both human capital theory and the mismatch discourse is neoliberal reform. Klees writes that neoliberalism is more than just an economic system but has political, social, and cultural ramifications. It's a system that advocates for decreased government spending and privatization of public services. The objective of neoliberal reform in education, Kleez writes, is to cut spending. This was reflected in decreased teacher salaries and educational resources since the 1980s. Although production of human capital is the role of the education system in a capitalist society because it is dependent on labor, neoliberal reform is contradictory in its realization of this goal as it has decreased funding for public higher education and made it more inaccessible to the lower classes.

At UC Berkeley, for example, state funding has been decreasing on a per student basis for the past 20 years while enrollment has increased from 32,000 in 2000 to 43,000 today. As the UC system tries to meet the state's goal of



it has decreased funding for public higher education and made it more inaccessible to the lower classes.

At UC Berkeley, for example, state funding has been decreasing on a per student basis for the past 20 years while enrollment has increased from 32,000 in 2000 to 43,000 today. As the UC system tries to meet the state's goal of expanding higher education to promote social mobility, university resources are struggling to meet the demand of existing students.

But this isn't just a phenomena unique to a large public research university like UC Berkeley. From 1991-2008, there has been a stagnation in public support of higher education as student enrollment continued to grow at a faster rate than public funding. According to a 2019 report by the Center on Budget and Policy Priorities, public higher education has seen significant cuts since the Great Recession that has led to increased tuition costs and limited course offerings, resulting in greater inaccessibility for low income and marginalized students.

Although a Pew Research study based on a 2019 Survey of Household Economics and Decision Making found that adults with a bachelor's degree earn more than those who don't, first generation graduates still lag behind others. The study shows that the educational attainment of one's parents affects their likelihood of completing a degree and impacts future earnings.

Since first generation college students are more likely to incur student debt than those with college educated parents, households headed by first generation graduates earn lower ($152,000) than households headed by a second generation college graduate ($244,500).

But since there is great pressure on students to develop the skills and knowledge necessary for tomorrow's jobs, incurring student debt for the purpose of an education is justified under the assumption that they would be able to pay it off with their future salaries.

In 2019, the Federal Reserve found that student debt increased by 107% this decade. In 2009, American student debt was around $772 billion dollars but at the end of 2019 it increased to $1.7 trillion dollars. Not only has higher education become inaccessible, but people no longer see the value of a college degree due to rising costs.

Besides the contradictory goals of neoliberalism that recognized the importance of human capital yet decreased the funding to enhance it, another major effect of neoliberalism on higher education is how we no longer value it as a tool of personal growth but rather measure it in economic terms.

"The End of Educated Democracy"
Besides privatization of public goods and skyrocketing tuition costs, what's more at stake, Brown argues, is the loss of an educated citizenry. From the interwar period up until the 1960s, a great emphasis was placed on a liberal arts education because of its holistic approach to knowledge and the importance of cultivating a well-rounded, free individual. A college degree wasn't solely valued because it promised social and upward mobility, but because of the knowledge and intellectual skills it granted.

But now the status of a liberal arts degree is eroding from all sides. In the End of Educated Democracy, Brown writes, "Cultural values spurn it, capital is not interested in it, debt burdened families anxious about the future do not demand it, and neoliberal rationality does not index it."

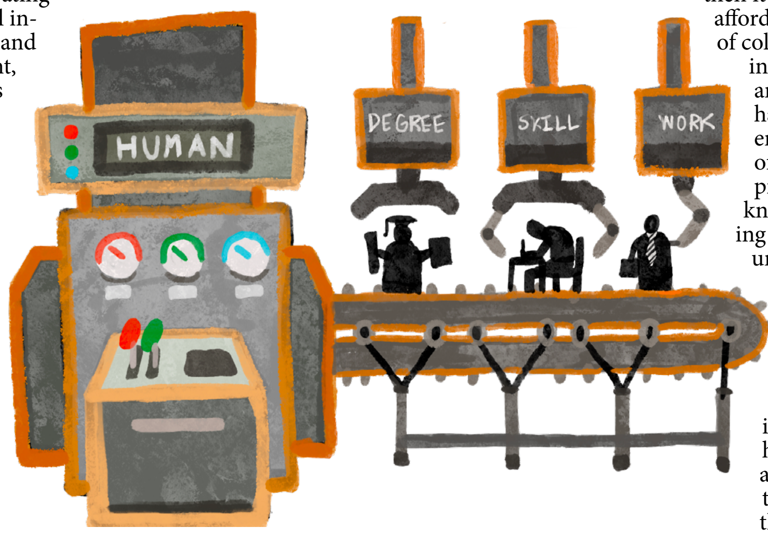
As a result, humans are solely viewed as market actors that can be understood "in the financial language of speculation, leveraging and risk-taking" as opposed to sovereign individuals. One's worth is defined by the value of their labor rather than their intellect or character. Neoliberal market reforms in higher education have pushed universities and college students to prioritize technical and practical degrees over intellectual development.

Academic Capitalism
Academic capitalism is a theory that explains how the university system has transformed in response to external pressures such as market demands and funding cuts. The global economy has made knowledge a valuable asset that universities buy and sell in the market, according to associate professor of higher education

Wilmington Kevin R. McClure.

Academic capitalism takes shape in the university system in different ways. As a result of declining funding, faculty are pressured to apply for more grants, seek funding for research projects with market applications, and attract students by teaching more practical courses.

Additionally, there's been a massive decline in tenure-track positions as universities continue to replace them with adjunct faculty. One of the reasons for this, McClure says, is that adjunct faculty are a low-risk investment. If the university, for example, wants to experiment with a project or program and it doesn't work out, they would much rather hire an adjunct professor to teach it due to the flexibility of letting them go in case it doesn't work. While tenure faculty are tasked with doing important research for the university's revenue-generating programs that will increase its prestige and student enrollment, adjunct professors and part-time faculty are tasked with teaching the majority of other courses so tenure faculty can focus on research.



As a result of decreased public funding over the years, universities have had to reexamine their priorities. In Unmaking the Public University, Christopher Newfield argues that universities have become increasingly reliant on private funding, and as a result, resources are allocated toward programs that meet market demands in science and technology. Furthermore, this dependence on private funding "fed the tendency to judge higher education less by its overall contribution to all the forms of development–personal, cultural, social and economic–than by its ability to deliver new technology and plug in workforce to regional businesses."

This can be reflected in the types of degree awarded. Between 2009-2020, business was the most popular degree nationwide. At UC Berkeley, however, computer science has been the top degree since 2019. Before that, economics had the largest number of undergraduate degree recipients from 2014-2018.

Conclusion
Brown writes, "Human life wholly bound to the production of wealth, whether laboring to produce it or hovering over its accumulation, is small and unrealized."

While an industry-influenced education is necessary to prepare students for the workforce, it should not be the sole function of a university. The education system should develop both the politically and socially aware citizen and job holder. According to Brown, the U.S. in the postwar era reflected a commitment to a liberal arts education that emphasized the holistic development of the citizen and worker as well as made it more accessible to historically marginalized groups. A liberal arts education used to be only accessible to the elites then it shifted to being afforded to people of color and lower income individuals and now its status has completely eroded in favor of technical and practical forms of knowledge, according to Brown. The underlying issue with neoliberal reform in American higher education after World II is its regard of the human subject as a form of capital to be exploited by the market. Not only is it dehumanizing in that it disregards the importance of developing a well rounded ethical individual with a wide variety of skills and traits, but it decreased funding for higher education and placed the burden upon the individual and university.

Even in today's technologically advanced society, industry does not solely seek individuals with technical skills but looks for well rounded employees with a wide variety of skills such as empathetic listening, communication, creativity and critical thinking.

As the disconnect between employers and employees continues to widen with the rising trend of "quiet quitting," it becomes increasingly important for the public higher education to rethink its model and for students to reevaluate their educational and career goals.

HIGH SCHOOL ESSAY CONTEST: WINNER

THE IMPACT OF INFLATION ON GENERATION Z

BY JAEHEE JUNG

Humanity is currently going through a historic moment of inflation; fallout from the pandemic has caused rates of inflation to skyrocket. Meanwhile, as more people are forced into the rental market, landlords have drastically increased rents, leaving many on the streets, including young people. In fact, adolescents are often hit hardest by inflation, as they are likely to be the lowest earners. Approximately 30% of the homeless are under 24 currently, and nearly 1 in 5 homeless public school students live in California; 34,200 out of 171,000 homeless students in the US are from California alone, and this number is only escalating due to the pandemic. On a psychological level, the trauma of homelessness can significantly impact a youth's mental development. According to the Substance Abuse and Mental Health Services Administration, children who experience homelessness have significantly higher rates of emotional, behavioral, and immediate and long-term health problems. Homeless students are more likely to struggle with mental illness, self-esteem, and suicide ideation. The correlation between inflation, increased rates of poverty, and adverse impact on mental health illustrate the destructiveness of COVID-19 inflation, altering not only the current economic landscape, but also the societal landscape for decades to come.

Inflation can affect youth in many different ways, most notably through its impact on families. While family conflict and "aging out" of the foster care or juvenile justice systems may play a significant role in a youth's negative experience with homelessness, with one in ten young adults experiencing some form of homelessness unaccompanied by a parent or guardian for over a year, accompaniment and overreliance on adults can be a double-edged sword. In Pennsylvania's Chester County Leah Reynolds, executive director of Kennett Area Community Services, states "more and more Americans are losing their homes through eviction and foreclosure...These forced displacements are intensely traumatic financially, physically, and emotionally. Children have to switch schools, parents lose their jobs, families' possessions end up on the sidewalk, and suicide rates spike" (Maye).

So how can we keep families housed and together? Though controversial, a universal basic income would help prevent people from falling into poverty. There have been pilot programs throughout the nation supplying UBI of around $6,000 yearly, which have been total successes. One example is the Stockton Economic Empowerment Demonstration, SEED, which recorded participants involved in the experiment spending 99% of their funds on essentials rather than luxuries. Underprivileged Stockton residents were able to afford schooling, get better jobs, and pull themselves out of poverty. Contrary to popular belief, no one stopped working; instead, they were able to find better employment and significantly improve their families' lives. Physical and mental health outcomes as well as housing stability were vastly improved by limited monetary assistance. Similarly, because of the Biden administration's efforts, 3.8 million children were kept out of poverty in 2021 via $3,600 per child tax credits. This assistance also decreased the number of families who lacked the money to buy food by 24%—approximately a quarter of the nation's impoverished families. Furthermore, there is little evidence that UBI will cause inflation itself; a recent large-scale study in Mexico designed to study this very question revealed that food prices in areas where residents were given cash rose only .02%, with uncertainty about whether or not the cash handouts were the cause of this mild rise. The advantages of UBI to the local economy found in that study far outweighed the little hike in prices.

However, the implementation of small-scale UBI programs among the impoverished takes time. As a temporary solution, an eviction moratorium and government subsidies to affected landlords would help ease the worst ramifications of inflation, thus mitigating the number of families and young people ending up on the streets. During the height of COVID-19, there was an eviction moratorium to prevent people from living on the streets and spreading the virus, and a similar program could help prevent those living in precarity from sliding into homelessness now. All in all, current poverty solution attempts such as homeless shelters, food banks, and various assistance programs are funded by taxpayers, so despite the substantial national budget it would take to institute UBI and an eviction moratorium, the government and therefore taxpayers save money in the end: by boosting the economy and improving people's employment prospects and purchasing power—and in the long run by keeping them off the streets and participating in society.

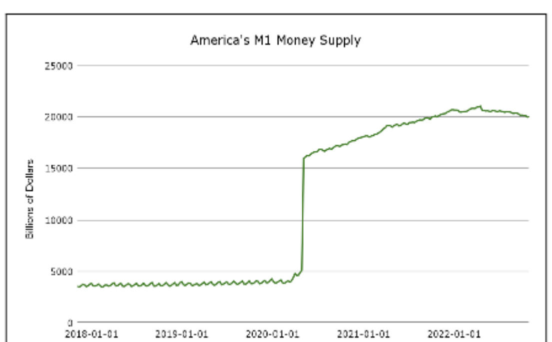
HIGH SCHOOL CONTEST: RUNNER UP A POLICY PROPOSAL FOR FIGHTING MODERN-DAY INFLATION

BY JUSTIN WANG

The average price of a dozen eggs in the U.S. has jumped from $1.45 to $3.42 from February 2020 to present day – a 136% increase. Over the same timeframe, electricity services have exhibited a 25% hike, while rent has soared over 12%. With such marked price surges sweeping across all sectors of the American economy, inflation's ominous grip has left no consumer or business unscathed. The threat of rising inflation in the U.S. undoubtedly preceded the recent pandemic, but it was amidst the turbulent macroeconomic setting of COVID-19 that it fully manifested in rapidity not seen in generations. While the scope of today's upward inflationary spiral has had some smaller historical roots, its sharp rise and the alarming speed at which it has unfolded is astounding.

The onset of COVID-19, a pervasive modern pandemic, in conjunction with several accommodating governmental policies, has collaboratively and effectively stoked the flames of several underlying economic instabilities. The unique combination of several ongoing developments, including global supply chain disruptions, resource terrorism, the housing crisis, and widespread labor shortages, exacerbated an already vulnerable economic dynamic.

Unearthing the roots of the inflationary threat in the U.S. requires more detailed, time-lapsed analyses of all contributory elements, hierarchically ordering the most impactful one, if identifiable. The fiscal stimulus in March 2020, although necessary, set the nation into



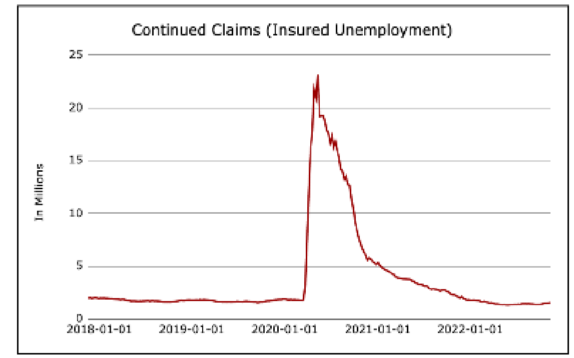
an incredibly diffuse demand shock: as consumers received thousands of dollars in federal stimulus funds, their purchasing power for COVID-related goods, combined with a fickle reaction to exclusivity for scarce items, yielded a widespread demand shock that emptied shelves and strained supply chains. Notably, in the month-long period between April and May 2020, America's domestic money supply skyrocketed, with the M1 money supply, in particular, increasing four-fold from pre-pandemic levels.

This abnormal surge of the domestic money supply manifested in a domino effect as consumer demand, supply chain challenges, and pandemic regulations intersected. Steep increases in demand for both essential and discretionary purchases led to ill-equipped producers being unable to keep pace with market demands. Tax guidelines and inventory policies had been loosened in the months prior to COVID-19, which spilled over into supply chain bottlenecks when consumer demand soared. In light of the pandemic's regulatory frameworks, difficulties relating to logistics and deliverables emerged, posing new obstacles that prevented manufacturers from bringing their products to market on a timely basis. Maritime shipping and airborne freight transport, two pillars of international trade, were faced with COVID-related disruptions that led to a slew of problems, including container shortages, port congestion, and route cancellations.

This pairing of abnormally high levels of demand with widespread supply chain issues has thus far prompted one of the worst inflationary episodes that the American economy has ever witnessed. In the absence of effective moderation from government intervention, upward pressure on consumer price levels and minimum wages will only increase further, sparking an even heftier wage-price spiral and initiating a bullwhip-like sequence of economic events that would only result in steeper increases in inflation. An extended period of inflated prices would only serve to further bruise segments of the population who have already been disproportionately impacted by the pandemic and its economic effects.

Essential workers, especially those employed in the food and retail industries, comprised a significant proportion

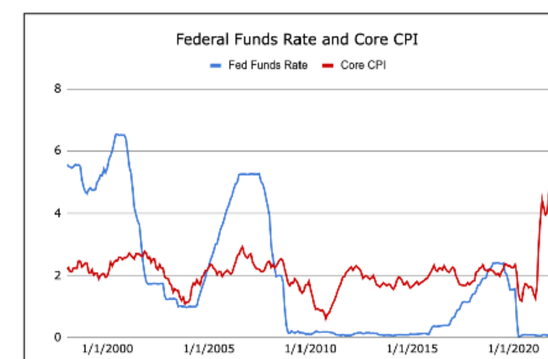
significant proportion of the U.S.'s unemployment claims during COVID-19. These workers have already exhibited large-scale exodus from the labor market – a marked result of the nation-wide lockdown procedures from Spring 2020. From March to May 2020, for instance, the U.S. Department of Labor noted a staggering twelve-fold increase in insured unemployment claims: in a matter of just two months, continued claims rose from roughly 1.8 million to over 23 million. Even the notable rate claim increases of historic economic downturns, including the 2008 recession and the dot-com bubble burst of 2000, pale in comparison to the scales seen in 2020.



Moreover, these lower-income consumers were intrinsically predisposed to suffer a greater impact from the effects of rising prices: the marginal propensity to consume amongst these liquidity-constrained consumers soared as inflationary impacts eroded their purchasing power. This impact is confirmed by the multiplier effect, which works in reverse when incomes stagnate while prices rise. To address the worsening state of inflation in the American economy, proactive measures must be taken to tighten the nation's money supply and cut unsustainable spending, regardless of the short-term economic consequences that may arise. The key to fighting long-term inflation lies in a comprehensive set of stringent fiscal and monetary policies; the Federal Reserve must turn towards unconventional tools, including quantitative tightening and interest rate hikes, while Congress needs to enact strict policies to disincentivize spending, whether it be from the government or from consumers. Utilization of these fiscal and monetary agendas would simultaneously normalize the Federal Reserve's balance sheet and deter spending, placing the economy in the ideal position for recovery from the grip of inflation.

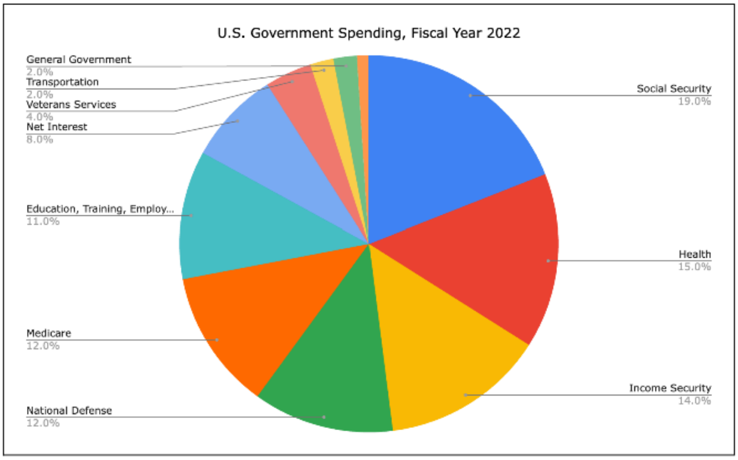
Following the 2008 recession, central banks engaged in quantitative easing, or QE, in a coordinated effort to revitalize the global economy. A leading group of central banks, including those in the U.S., the U.K., the Eurozone, and Japan, commissioned large-scale purchases of mortgage-backed securities, two-to-ten year Treasury notes, and a variety of alternative assets to broaden national balance sheets and stimulate spending across all sectors. In the U.S., the Federal Reserve underwent three rounds of QE, spending over $2.5 trillion in doing so. These decisive injections of liquidity into the financial markets, both domestic and international, were able to largely serve their purpose of accelerating economic recovery following the 2008 market crash. Amidst the current macroeconomic landscape, however, the converse must be accomplished. National balance sheets must be curtailed and spending must be checked to counteract the rapid growth of inflation. Quantitative tightening, or QT, must be collaboratively incorporated into the monetary policy agendas of the aforementioned financial institutions in an effort to reverse the tailwinds of the current inflationary crisis. Boldly, an extensive sale of assets from various central banks to the financial markets would successfully spark a sequence of decreasing asset prices, ultimately leading to less inflated costs being associated with consumption. In the U.S., QT would take on the form of a considerable release of the Federal Reserve's excess fund accumulation, particularly through the sale of mortgage-backed securities, two-to-ten year Treasury notes, and alternative assets.

The incorporation of QT policies within the Federal Reserve System would also function as a means of increasing interest rates. As assets from the Federal Reserve flood the market, priceswould fall, and upward pressures would be placed upon interest rates, effectively triggering noticeable increases. With continuous, heightened interest rates, consumers and corporations will veer away from both borrowing and spending at normal levels, causing a taper in inflationary growth. Here, interest rates and inflation have proven in holding an inverse relationship:



Monetary policy and inflation share a close, causal relationship with one another. Indeed, while central banks are well-equipped to confront inflation using these using these policies, supplementary assistance from fiscal policy administered by governments provides irrefutable, beneficial support. Following the 2008 financial crisis, governments scrambled to introduce a plethora of anti-recessionary fiscal policies. Many Keynesian procedures were implemented, including stimulative government deficit spending in the form of tax cuts and infrastructure investments. In the U.S., the Economic Stimulus Act of 2008 and the American Recovery and Reinvestment Act of 2009 were approved. Put together, these two acts endorsed $939 billion in government spending through tax rebates for lower-income consumers, tax incentives for corporations, and investments across multiple industries. Again, as was the case with QE following the 2008 recession, these fiscal policies proved successful, as their long-term benefits outweighed their upfront costs.

Governments must assume a proactive form of fiscal policy to facilitate economic recovery from the present-day threat of inflation. As opposed to inducing deficit spending, policymakers must produce legislation that ultimately bottlenecks spending, both from the government and from the consumer. Contrasting with the policies set in place in 2008 and 2009, the U.S. must raise tax revenues while cutting government spending. To account for the disproportionate economic impacts that the pandemic has already had upon lower-income consumers, tax revenues must be shifted towards targeting large corporations that benefited from the sustained market rally from April 2020 to December 2021. To cut government spending, legislators must push for lower costs within the healthcare industry to reduce Medicaid and Medicare related expenditures, which when combined, account for the largest proportion of government spending.



Given the deleterious economic impacts suffered since the onset of inflation, and understanding the possible implications of sustained price hikes on the American consumer, and indeed the broader economy, it is clear that a multifaceted policy agenda that utilizes both monetary and fiscal tools must be implemented. While it is still not too late, America's policymakers must take initiative in sacrificing short-term satisfaction and political popularity in return for an escape from the grip of inflation, and ultimately, the establishment of long-term economic stability.

Berkeley Economic Review

FALL 2022