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Foreword

Dear Reader,

Like every other business, economy, and organization, Emory Economics Review has been through numerous radical changes over the course of the last two years of the pandemic. Collectively, we have undertaken a drastic internal restructuring of our organization, worked towards obtaining a recognized Emory charter and set ourselves in the direction of becoming a premier academic publication attempting to bridge economics with various interdisciplinary fields of study. Now, as we begin to return to normalcy, we want to recognize the exceptional work our members have completed throughout the year. This year, we saw a range of articles, more diverse than ever — from the economics of Netflix's popular series "Squid Game," to the economic impact of government and power structures on people, as well as profound looks into the very existence of our economic philosophies — we are proud to say that these were not just some of the best works of the year, but some of the best since EER's conception.

On behalf of the EER executive board and the Department of Economics at Emory, we are excited to showcase the following seven articles, published during the 2021-2022 academic year. We hope you find this wide selection of topics intriguing and informative. We also hope to continue producing such high-quality content and providing the Emory community with a platform through which they can voice their opinion on economic and interdisciplinary theories about which they are passionate.

— Aayush Gupta and Andrew McArthur,
Presidents, Emory Economics Review

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About the EER

The Emory Economics Review (EER) is a student organization of Emory University in Atlanta, GA, whose aim is to foster discussion around socio-economic issues present around the world. Among the very basic principles that guide our writers and editors are those expressed as respect for the integrity of knowledge, objectivity in analysis, and openness to new perspectives.

Through our professor and faculty partnerships, our socially and academically diverse collection of students, and physical and digital platforms, the EER is a purposefully constructed environment in which intellectual curiosity is promoted and thought-provoking questions are explored. Although economics is in our name, we accept individuals from all academic backgrounds whose goals are to produce work that makes a positive contribution to ongoing debates within our society.

On a semesterly basis, the EER recruits members that push boundaries by bringing unique perspectives to our content, with the end goal of producing work that is holistically representative of the Emory community. Our annual volumes of print issues reflects the best work of our writers and editors from throughout the academic year. Although we cannot feature all content in our print issues, every article is available on our website and feature on social media. If you are interested in learning more, please refer to the “Explore the EER” page at the end of this copy.

What's Next for the U.S. Labor Market?

Written by Suheyla Kipcakli '23
Edited by Andrew McArthur '22

Employers are claiming that "no one wants to work anymore" because generous COVID-related unemployment benefits have led to a nationwide shortage of labor. How true is this, really?

It is true that workers have not fully returned to the labor force, with 4.3 million fewer people in the labor market than there were pre-COVID.[1] Restaurants and hotels, in particular, seem to be understaffed, with "now hiring" signs everywhere.

However, studies show that unemployment benefits may have little to do with this "labor shortage." Researchers have found that the termination of the CARES Act's extra $600 unemployment benefits did not lead to job gains[2] and that "workers facing larger expansions in UI benefits have returned to their previous jobs over time at similar rates as others".[3] Furthermore, pandemic-related unemployment benefits ended in early September, while other states chose to end them earlier.[4] Some have argued that COVID welfare has cushioned household savings and thus given people greater freedom to quit their jobs,[5] but there is still significant doubt surrounding whether or not savings has actually increased for those earning less than $25,000 per year.[6]

Although the reason for this hesitancy to rejoin the workforce is unknown, it is clear that workers are no longer as willing to put up with low wages or poor working conditions as they were before the pandemic. It is possible that the pandemic — during which 70% of Americans employed in outdoor jobs worked at their own risk without hazard pay (Economic Policy Institute, 2020) — made workers realize that they were being undervalued.

"Many, many people are realizing that the way things were prepandemic were not sustainable and not benefiting them," says Rachel Eager in a New York Times interview shortly after quitting her job.[5]

Workers are fed up— and if they're not quitting, they're striking. According to Cornell's strike tracker, there have been 181 strikes so far this year, "with 38 strikes just in the first two weeks of October." This includes workers from Kellogg's and John Deere as well as a large number of healthcare working individuals. Kellogg's workers are protesting seven-day workweeks and a tiered hiring structure in which the lower tier gets half the pay and no benefits.[7] Workers are not just striking for better wages or benefits, but also for better working conditions such as weekends off, meal breaks, and, as Chris Isidore of CNN Business puts it, "to gain basic improvements in the quality of their lives, such as time with their families, which they say they deserve."[8]

Though Isidore probably did not intend it this way, "which they say they deserve" suggests that the dignity of workers in this country is not a given. It's not hard to see why. The relationship between employers and employees has favored employers for 40 or so years.

Figure 1 illustrates how wages have barely increased in comparison to company profits since the early 2000s. Wages have grown slowly and marginally for everyone except the affluent, as shown in Figure 2,[9] while corporate consolidation has increased[10] and labor unions have shrunk, giving employers the upper hand.[11]

Furthermore, if wages kept up with GDP, the median salary would be about $100,000, about double what it is now.[12] If wages kept up with productivity, the minimum wage would be almost $26 an hour[13] — much higher than the current federal minimum wage of $7.25. $7.25 an hour is not a living wage in any state, and for a family of four, neither is $15, as shown in Figure 3.[14] Starvation wages have been the norm in America for a while, so it is understandable that employers are unaccustomed to worker leverage.

Though employers aren't used to it, the easy market solution to a labor shortage is, as a matter of fact, to raise wages. Some companies— such as Bank of America, Amazon, Costco, McDonald's, and Chipotle— have indeed done this,[9] though they, or the media, are doing their best to pretend that they cannot. For instance, it was reported that Chipotle "hiked menu prices by roughly 4% to cover the cost of raising its workers' wages," despite the article itself saying that "the timing of the price hikes coincides with rising ingredient costs across the restaurant industry as suppliers grapple with the return of demand."[15] Lucas also did not mention that before Chipotle decided to raise its wages to an average of $15 an hour, its CEO got a pay raise of $23 million.[16] Thus, we should look at anxieties about raising wages with a healthy dose of skepticism, especially when it comes to large corporations. For instance, Pollo Tropical reported that increasing wages and benefits has almost eliminated their staffing problem.[17]

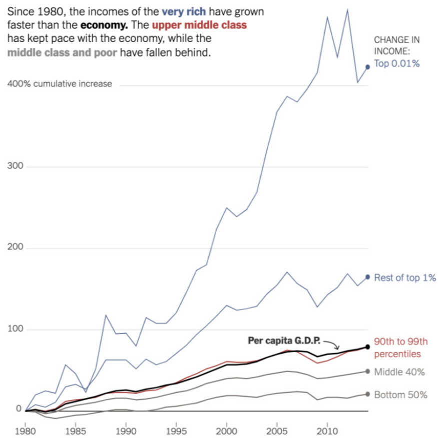
However, it seems like many employers are doing everything they can to avoid raising wages. Restaurants are cutting open hours, employees are being asked to take on more responsibilities and work overtime, and hotels are cutting down on housekeeping services. Furthermore, busi-

Figure 1

Chart is based on 1-year moving averages that were adjusted for inflation.

By The New York Times | Source: Federal Reserve Bank of St. Louis

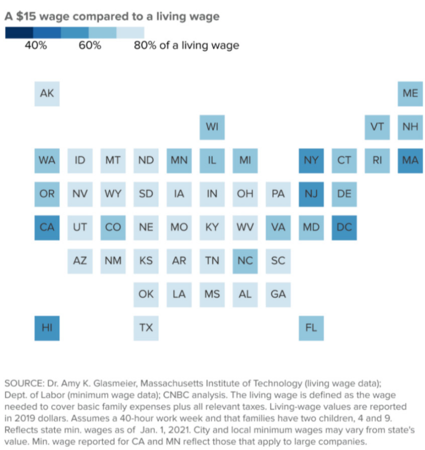
Figure 2



Note: Incomes are after taxes and include government transfers. • Sources: Thomas Piketty, Emmanuel Saez and Gabriel Zucman (incomes); Bureau of Economic Analysis (G.D.P.) • By The New York Times nesses are turning to automation, such as self-checkout machines, in order to replace workers.[1] Wisconsin's Senate has even turned to expanding child labor, proposing a bill to allow 14 and 15-year-olds to work later and "help plug the state's labor shortage."[18]

With companies acting allergic to raising wages, it's hard to say if this year represents a shift to a new paradigm of labor. Workers may hold off on accepting low wages until they run out of money, but businesses may hold off on raising wages until being perpetually short-staffed starts costing them customers. Thus, this new era of tight labor markets might only last if the worker leverage we're seeing right now is crystallized into public policy, such as protections for organized labor, subsidized child care, and higher minimum wage,[5] some of which is in the Build Back Better bill that's currently struggling to get through Congress.[19] ■

Figure 3



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How Economic Policies Can Restore Trust in Government

Written by Oliver Hicklin-Coorey '22

Edited by Lola Cleaveland '23

Americans' current lack of trust in their government will surprise few. Since the country's inception, suspicion of federal overreach and the persecution of racial and ethnic minority groups have led many to be apprehensive towards authority. However, the current low level of trust in the federal government is unprecedented. Since 1964, the number of Americans who trusted the government to "do what is right" fell from 77 percent to 24 percent.[1] Despite strong economic growth, record job and wage gains, low unemployment, decreases in poverty, and rises in real disposable incomes, trust in government is low. Although the recent positive economic indicators may have been partially offset by factors such as the emergence of high inflation and the expiration of the monthly Child Tax Credit leading to recent increases in child poverty, declining government trust over such a long period is unusual and the level is now lower than in many other developed countries.[2]

Implications of Low Trust

The US ranks 17th out of 38 OECD member nations in terms of trust in government.[3] Low trust in government hurts the country because it contributes to political polarization and hampers the ability of the nation to respond adequately to emerging challenges. Current levels of polarization in the US increase the risk of future violence and threaten democracy following an increasing number of violent political events in the past decade while authoritarianism becomes more palatable to the electorate.[4] In terms of response to emerging challenges, a new Lancet study found that, after examining many potential factors, citizens' trust in government and in each other were the most statistically significant links to a country's number of COVID-19 cases.[5] According to the study, there would have been 440 million fewer cases worldwide if citizens in every country had the same level of trust that the Danes do in government and the South Koreans do in their fellow countrymen.[6] As a result, low trust in government costs lives due to both a higher likelihood of violence in the case of extreme political polarization and an unwillingness to follow lifesaving advice in the case of COVID-19. This trend will only continue with the challenges the US will have to face in the 21st century if policymakers do not step up and restore trust by responding to the public's concerns.

What Can Policies Do?

Although there is no one-size-fits-all solution, economic policies aimed at reducing inequality, improving social mobility, and increasing government responsiveness and integrity through transparency and accountability are necessary first steps to restoring trust in government. Reducing inequality and improving social mobility can be done through strengthening the weak social safety net and making long-term human capital investments, such as in childcare, high-quality public education, and healthcare. These goals could be made possible through a tax reform package to raise revenue by targeting the wealthiest Americans and corporations, whose incomes have increased disproportionately, while minimizing distorting effects. This package could include making income taxes more progressive (for example by raising the capital gains tax rate), closing tax loopholes and expenditures benefiting the wealthy, introducing a global minimum tax to reduce tax avoidance, taxing inheritances by lowering the threshold for estate taxes, adopting a wealth tax on the ultra-wealthy, and increasing IRS funding to ensure the agency has the resources to focus audits on the wealthy rather than on lower income Americans.[7]

However, these proposals may not restore trust on their own. Economic improvements may not restore trust if dominant-status groups feel that vehicles of change threaten their position. A 2018 study found that those who supported then-candidate Donald Trump in the 2016 election did so out of a fear of losing status, rather than being economically left behind.[8] While both factors likely played a role, these results indicate that reducing inequality through income transfers and improving social mobility alone may not restore trust unless the policies are designed to also give people dignity and opportunity that can overcome fear of change. Progress could be achieved through publicly-funded occupational training and active labor market policies, which may help restore trust not merely by transferring income but by providing opportunities to those who have lost work, giving a sense of dignity through their contribution to society.[9] Policies to increase unionization would not only raise wages and improve working conditions, but would also make people feel included in a group that gives them more say in their future.

Economic improvements may also not restore trust if the government is only responsive to rent-seekers. The OECD argues that "good policy design and economic recovery may not be sufficient to restore trust if citizens are suspicious of the policy-making process and perceive the distribution of costs and benefits as unfair".[10] Given the current U.S. political climate, improving government responsiveness and integrity is crucial because the top two reasons for lack of trust in government include corruption or fraud and wrong incentives driving policies.[11] Lawmakers must pursue measures to get money out of politics, through avenues such as campaign finance and lobbying reforms aimed at reducing the influence of powerful concentrated interests and incentivizing politicians to be more responsive to the public good. The proposals in Congress to ban current members and their immediate family and staff from trading stocks are an overdue signal in the right direction.

The critical aspect with these proposals is that the government must communicate the benefits of their policies in a transparent manner. In other words, it must be obvious and indisputable to everyone that they are better off due to government policies. If not, the problem of the "submerged state" occurs where the complicated nature of policy leaves the populace unaware that the government has improved their situation.[12] As a result, a large share of the population may still have low trust in the government and be hostile to the policies, even those who benefit from them. With this need for transparent communication in mind, the solutions outlined could begin to restore trust among each other and in government, thus easing polarization, improving the nation's response to future challenges, and saving lives. ■

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The Significance of History of Economic Theory in Light of œconomia

Written by LongEr Wang '24
Edited by Jackson Pentz '23

The heart of economics is the drive to create wealth. The contested part of this statement is the intention in one's drive for wealth[1]. In Ancient Greece, Aristotle divided market activity into two categories: the first he named "œconomia"; the second, chrematistiké[1]. The former is where contemporary scholars coin the term for "economics," yet more than once has the proposition to rename our subject into "chemastistics" been brought up[1]. From the very linguistic root of economics there is the perpetual controversy in money making. Do we truly aim for œconomia, a well-run state, or has humanity devoted itself to chrematistiké, the amassing of money for its own sake?

The maintenance of the state, or "housekeeping," is a necessary and honorable endeavor. As ancient economists delineate, money was made to be a medium of exchange, not a fertile land to breed wealth. The foundation of pre-antiquity economies was farming and husbandry, or efforts to support others. Money-making industries, conversely, included all forms of commerce, marketing, and personal services. There were also intermediate occupations like lumbering and mining, which sat in the gray areas between contributing for the greater good and that of the contrary. Despite all his condemnation towards usury, however, Aristotle was the first philosopher to acknowledge an analytical and moral aspect in moral affairs.[1] This laid the groundwork for future economic theory advancements.

The Middle Age theories were heavily influenced by religion, centering around justice and morality in pecuniary activities. This period saw the doctrine of the "just price" and a heavily-Catholic redefinition of usury[2]. The Old Testament went as far as to forbidding money interest practices, which contributed to the further alienation of the Jewish community when large portions of this religious minority were forced into "usury." Higher-educated theologians faced the dilemma of treading the thin line of flourishing commerce and aligning with Biblical teachings. On one hand, mercantilists' eminence in bringing about higher life standards were indisputable; conversely, the Church's ultimate aspiration was not to guide their flock to prosperity, but to Heaven.[2] While the Europeans struggled with religious affiliations, pre-antiquity China commanded an intensely authoritarian view on economics well into the Late Qing Dynasty. Guanzi's views and the dominant economic theories of this time were studies of political economics rather than pure commerce. To maintain power, the emperor must maintain equality, competency, and most importantly, control. Inequality marked by the very existence of rich merchants was a calamitous presence to an emperor's reign.[3] Chinese theologists determined that while a degree of free market trade was desirable, an empire must ultimately control its economy and population to maintain its legacy. The Chinese held contradictory views to that of their Western counterparts, believing that free trade only essentially benefits the minority and oppresses the vast majority. This was a view particularly understandable in light of China's circumstances, with a small portion of educated and privileged as opposed to the predominantly illiterate farmers.

Adam Smith is well-known as the father of modern economics. While wealth was historically measured in terms of coins and precious metals, Smith assessed real wealth as the standard living qualities of households.[2] This era saw a new appraisal in private ownership, as Smith recognized that the desirability of "motivation, invention, and innovation inspire an economy to greater prosperity." [2] The emergence of mercantilist politics bore the fruits of monopoly, protection, and the birth of modern Capitalism.

Thus, in retrospect, Capitalism was born for œconomia. It was conceptualized no longer for shepherding the general public to Elysium, but rather for leading persons to increasingly better lives for their mortal physique. The original aspiration of our economic theory should not be overlooked, for we retain the obligation to avoid chrematistiké. Unfortunately, complications with individual self-interest relegate such ideals to theory alone.

Take the notion of "just prices" as an example. To discuss this we need first to define how prices are 'just.' Prices can be just for a variety of reasons for different populations depending on perspective. For the prices of labor to be just, workers should be compensated in line with their individual marginal product, which may vary greatly due to the nature of their work and their respective amounts of effort. From the firm's perspective, a just price pays only what they value their inputs at. The very foundation of this debate relies on the assumption that a universally agreed price can theoretically exist. In other words, it assumes a "fairness" in distribution of wealth, as richer and poorer households would most certainly not have one price in mind. Definitions based on equity versus fairness are famous paradoxical examples.

For prices to truly be just in the definition where the entire population concurs, it would require the region to have the same set of values, culture, and traditions that induces them to be willing to pay the same price for the same products. In addition, producers must be able to supply this demand, and any hindrance in their ability to do so would detract from the perceived fairness. Then the question would be, would achieving just prices be easier in pre-antiquity villages or small-scale gatherings? In theory it seems that it would be facilitated, yet even then the paradoxical nature of humans being both "herd animals" and maintaining strong individuality with unique interests simultaneously would always impede our potential to reach "just prices."

Unfortunately, in the balance between value maximization and self-interest, decision makers often cross the line to chrematistiké. A history of economic theory, debates, and discussions has failed to provide a resolution; however, the examination of past premises remains crucial to developing a more holistic interpretation of economics. In our search for the better good, it is certainly ignorant to dismiss our past. Robert Lucas's criticism on general macroeconomic analysis in 1996 fails to realize that the quantity theory of money that he interprets differs from "Hume or anyone else in this golden age before the rational expectations revolution of the 1970s." [4] In re-examining previous works, we aim not to criticize but to understand the context that these thinkers were exposed to. We want to inquire with historical reconstructions to explain the fruitful endeavors that would increase the breadth and multi-dimensional depth of our economic knowledge.

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The Perseverance of Colorism in Latin America and Its Links to Economic Exclusion

Written by Yuritzy Ramos '23
Edited by Matthew Takavarasha '22

Colorism: the act of discriminating against a person due to the darkness or lightness of their skin; an issue that has persisted across borders for centuries. It can take on many forms, whether it be the sale of whitening creams, racial stereotypes in the media, or verbal microaggressions. But one aspect rarely spoken about is the economic impacts colorism has on individuals of Indigenous and African descent who do not match this model of whiteness. Such is the case in Latin America, a region where culturally and racially diverse people continue to struggle with the economic impacts of colorism, derived from their colonial roots.

Pointing out the inefficiencies caused by colorism in Latinx society hasn't been enough to eliminate them in the past. Colorism remains as prevalent in Latinx culture today as it was centuries ago, and has in turn, affected the policies put in place by governments. But how did this system come to be in the first place? Historically, the colorist practices that exist in present-day Latin America descended from those instituted by Spanish colonialism. One particularly infamous practice was that of the caste system, which allowed lighter-skinned Spaniards and their descendants to hold social, economic, and political power at the expense of Indigenous and African groups. An individual's place in this social hierarchy also determined their access to other privileges including noble titles, class, and formal education.[1]

In order to downplay the privileges available to those of lighter complexion, the Spaniards created the mestizaje ideology, which provided a false sense of equality by regarding everyone as being of mixed ancestry. Subsequently, the Spanish government encouraged the mixing of races between those of Indigenous and African ancestry with Europeans, promoting European immigration to areas with large populations of Indigenous and/or African peoples. These whitening policies, an attempt to eliminate any remnants of Indigenous and African ancestry in Latin America, were justified as being part of the process to "mejorar la raza" [better the race].[1] The ramifications of these historical events ring loud and true for Latinx individuals of African and Indigenous descent who still bear the economic brunt of Latin America's colonial ghosts.

Afro-Latinx individuals make up one-third of the population in Latin America and 40 percent of the region's poor.[2] This is an astonishing number, taking into account that populations of African descent live near locales attributed to economic growth and employment opportunities such as urban, coastal, port, and mining areas.[3] The economic exclusion faced by members of the Afro-Latinx community varies by country and region, however, the inequitable nature of their livelihoods is undeniable. The Afro-Brazilians, who make up 48 percent of the country's population, only contribute to 20 percent of the nation's GDP. Afro-Columbians make up 26 percent of the country's overall population, but 75 percent of the country's poor population.[3] Listing the experiences of Afro-Latinx peoples for each Latin American country would be an extensive task but regardless the outcome would be the same, inequitable access to economic opportunity.

The state of Indigenous peoples in Latin America isn't much better. There are 50 million Indigenous peoples in all of Latin America from about 500 ethnic groups.[4] Despite constituting only eight percent of the Latin American population, indigenous peoples make up 14 percent of the population living in poverty and 17 percent of those living in extreme poverty. As for material poverty, 43 percent of Indigenous households are affected.[4] When it comes to employment, Indigenous peoples take on unstable, low-skill jobs which are susceptible to changes in the economy. For example, tourism, the industry which the Indigenous communities of Mexico and Peru depend on for income, has yet to recover from the effects of lockdowns and travel restrictions put in place during the coronavirus pandemic. In spite of outcries from Indigenous groups and allies alike for change to these unjust conditions, little action has been taken by a majority of Latin American countries. It makes one wonder if history will ever cease to repeat itself in this region of the world.

The economic consequences that colorism has on 21st century Afro-Latinx and Indigenous peoples in Latin America demonstrates the important intersection that exists between history and economics. While members of the Latinx community may not consciously recognize the harmful impacts of upholding a system originally meant to erase the stories and traditions of their countries, the experiences of those who find themselves lower in the social hierarchy should be evidence enough that such a system is inequitable and economically inefficient. In fact, a report from the Inter-American Development Bank states that the Latin American economy could expand by a margin of one-third if Latin American countries included all people of color in their workforce.[3] But even this incentive has yet to convince government policies and Latinx employers to see past an employee's color. One thing is for certain, if Latin America wants to boost its chances of experiencing economic prosperity of its own accord, the color it should try to wash out of its social fabric is that of its colorist past.

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The Economic Value of Quality Architecture and Urban Design

Written by Jace Bausher '24

Edited by Matthew Takavarasha '22

The relationship between something as abstract as design and something seemingly concrete like economics challenges the notion that they can be related and furthermore influence each other. Design is everywhere, even places where it goes unnoticed; from the bathrooms in the ESC to the chairs in the Math and Sciences building, design touches every aspect of life. Architecture and urban design can be both large and small in scale, but nevertheless influence people's lived experiences both terrene and intangible. With the understanding that design is everywhere, determining what equates to good design poses a more subjective question. How can architecture and urban design be determined as 'quality' and how can this 'quality' be analyzed from an economic lens?

Defining quality as a quantifiable variable proves problematic as it is universally ambiguous. Equally ambiguous is the measurement of 'utility' in economics that denotes some benefit from some event or possibility. In this economic context, quality can be interpreted similarly as utility. In an architectural context, quality is defined as the level of satisfaction brought to a given area's inhabitants[1]. These disciplinary definitions are similar in that they focus on the provided utility to targeted and untargeted groups. Factors such as environmental sustainability, affordability, structural soundness, and longevity all provide obvious measures to determine the quality and economic impact of quality architecture and urban design, but the value of varying places and demographics should still be questioned. Plurality is essential to understanding quality in an economic context: the dissemination of the factors of quality is crucial to understand the influence of quality design on economic applications. Governing bodies exist to ensure that technical design and construction processes remain consistent and of a high standard. The demand-performance model provides a quantifiable definition of quality based on engineering and architectural theory. While the model provides verifiable quality in terms of construction, it fails to measure social consequences that are equally as important. Detrimentally does this method exclude contexts imperative to understanding the influences of architecture and urban design on those who utilize the two, for relational and domainal capacities are needed to truly define quality. Quality and context are codependent variables where quality can be determined by physical and social settings while quality, or the lack thereof, can improve or worsen said setting. Preferences change, and preferences of a population are ultimately what dictates quality architecture and urban design.

The stakeholders of architecture and urban design are those who have investment in urban and architectural capital; be it a monetary, emotional, or cultural connection to a place. From design to construction to inhabitancy, all individuals and groups involved in architecture and urban design all hold stake in ways unique to themselves, making it obligatory to ensure satisfaction in terms of quality for each group. How can the quality design of public spaces, transportation networks, and affordable housing increase economic activity in socially inclusive and environmentally sustainable ways?

Given the privatization of land use, planning, and design, many populations that are most impacted are marginalized from the design and implementation processes. Privatization contributes to the preferences of only one, often detached group, to determine what is a quality built environment. In addition to the differences of pre-existing motivations among types of stakeholders, time and the externalities that accompany it varriably change these preferences and the relationships between stakeholders. Research provides insight into the preferences and concerns of certain stakeholding demographics by compiling responses into broadly representational statements provided by each stakeholder type.[1] Collected responses appear contradictory, making it paradoxical to appease all stakeholders. As the table demonstrates, it would be impossible to satisfy Local communities' desire for no development while simultaneously satisfying land developers' wants for profitable and marketable land upon which to build. The valuation of design must be endogenous and co-determinate. While this approach does not guarantee all stakeholder preferences are met, it does maximize the preferences that can be met. These preferences are to be interpreted as each groups' method for determining what gives design value or utility, and these methods are influenced by hierarchical power sturctures and context.

Figure 1

Stakeholder (commercial property)	Primary motivations	Concern for better urban design
Private interests		
Landowners	Maximizing returns from land development	Only insofar that profits are not diminished and other holdings are protected
Funders (short-term)	Good financial security, risk balanced against return	Only if higher risk is balanced by a higher return
Developers	Buildable, marketable, profitable, quickly delivered, profitable	If better urban design adds to either marketability or profitability
Design professionals	Meets brief, satisfies client, individually designed, innovative	Depends on training, but too often concerned for building design at the expense of urban design
Investors (long-term)	Good liquidity, easy/cost effective to maintain, profitable over the long term	If a market exists and therefore if design adds to profits and reduces running costs over time
Management agents	Management efficiency	Only that increased costs are reflected in higher fees
Occupiers	Value for money, flexible, secure, functional, correct image	Insofar as better urban design creates a more efficient work environment and is affordable
Public interests		
Planning authorities	Protects local amenities, delivers planning gain, meets planning policies, respects broad public interest, low environmental impact	Highly concerned, but frequently unable to articulate requirements or concerned to the extent that wider economic and social goals are not compromised
Highways authorities	Safe, efficient, adoptable (roads)	As long as functional requirements are met first
Fire and emergency services	Accessible in emergencies	Little direct concern
Police authority	Designed to prevent crime	As far as better design improves image and reduces crime
Building control	Designed to protect public safety	Little direct concern
Community interests		
Amenity groups	Contextually compatible in design and uses	Highly concerned, but often broadly conservative in outlook
Local communities	Reflecting local preferences and protecting property values	Highly concerned but would often prefer no development at all

Professors Kerry Vandell and Jonathan Lane attempted to empirically model architectural quality by predicting rent and vacancy outcomes based on trenant demand for design, visual utility, and non-design, functional utility, and factors in 102 class A office buildings in Boston and Cambridge. Architectural quality was determined by 20 architects observing multiple dimensions of design for each building. The functional vector is limited in scope of needed amenities while the design vector is unrestrained by the infinite preferences of stakeholders, such as developers and tenants. By establishing vectors for design and functionality, a base design was determined as a least costly, strictly functional design, with any increased amount of design adding cost beyond that of the absolute functional design. The study concluded that, although offices rated higher in terms of design were predicted to demand 22% higher rent prices, the increased cost of good design may not be more profitable on average. While design increases rent, the construction costs incurred by implementing good design outweigh the increased rents. However, the paper provides that good design may have the potential to offer high returns to developers. This paper, co-interpreted with that of Carmona et al., provides a complex insight into the applicability of good design. Seeing that "occupies" in Carmona's table seek value for money and efficiency, while "developers" look for profitability, Vandell and Lane's research would suggest that 'good design' is design that increases efficiency.[3]

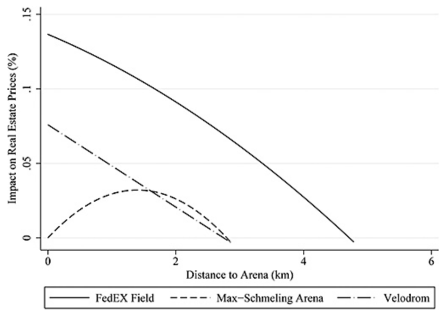
A similar study carried out by Douglas Hough and Charles Kratz explores a similar hedonic price equation for office space but in Chicago.[2] Their research explores this measure through similar dimensions of both building and location amenities in addition to a design dimension where design is considered an amenity. Similarly, Hough and Kratz found that tenants are willing to pay higher rents for buildings with better architectural quality. Unique to Kratz and Hough's study however was the consideration of the age of each building. This differentiation revealed that tenants were only inclined to pay higher rents when a building was 'new', while there was little demonstrated demand for buildings that were of quality architectural design but 'old'.

The findings of these studies yield policy and develop relevant results; if old buildings are in low demand, then those who wish for their preservation must establish methods to avoid what Kratz and Hough call a "market failure." As for land developers, they can consider design quality as more functionally efficient than visual in respect to attracting office tenants. Important questions can also be raised by this research. If this definition of good design is true, then why are all buildings not indistinguishable and built with parallel interior layouts? Do these findings imply that unique and creative design languages are valueless? And, If the historic buildings have little monetary value, then does preservation have any economic benefit?

A common structure through which the above studies can be interpreted is the stadium. Stadiums are present in most major urban centers and facilitate opportunities for economic and social interaction. Past stadia construction holds continuous with the data from Carmona et al. where local communities, especially those geographically closest to stadium development, have strong preferences against such development. A study conducted by Gabriel Ahlfedt and Wolfgang Maennig analyzed the role of stadium design in promoting economic growth and social welfare.[4] Maennig and Ahlfedt suggest that iconcism is a phenomena that increases the value of design that is beyond a baseline of functional, finding that although residents find stadium development taxing, with time these locations become spatial sources of pride.[4] It is unconventional design that creates this inconocism and resulting sense of geographic identity. Furthermore, iconicism generates modest tourism influxes through structures that reach a certain level of notoriety. Stadium construction can catalyze urban revitalization, such as that seen by the 1992 Barcelona Olympics that resulted in the redevelopment of underutilized industrial zoned coastline. Comparatively, stadium construction in Durban's King Park resulted in both economic development and iconic design, thus marrying the utilities of functionality and design. In the case of Durban, the stadium was designed as a new center for economic activity for which future developments could be concentrically installed. Barcelona's Olympic development design was embedded into pre-existing settings. These two approaches were found to be equally ideal by Maennig and Ahlfedt, yet the economic value of stadium design, beyond iconicism, was found to be dependent on an array of non-design factors. Distance from stadia was found to be a significant determinant of land value changes in terms of rent prices as apparent by the graph. Conclusively, Maennig and Ahlfedt find that unconventional design given certain contextual variables can promote economic growth and urban revitalization, suggesting that 'good design' is design that is atypical and region identifying.

The quality of architectural and urban design is challenging to define,

Figure 2



as apparent by those mentioned who have attempted to do so. Yet, even more challenging, is satisfying stakeholders' definitions of good design and determining how said groups individually determine value in an infinite amount of contexts. Collectively however, there does appear to be both a quantitative and temporal value to good design, but this value is dependent on dimensions beyond a building that is visually appealing. Policy designers must evaluate the relevance of design in their respective domains by considering the preferences of stakeholders, determine the value of old and new building types, and consider the influence non-design factors have on the valuation of good design. Good design is markedly unconventional but regionally embedded; economically efficient yet socially dynamic; and contextually dependent yet broadly appealing.

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The Financialization of Corporate Profits: A Measure of Value or a Maker of Inequality?

Written by Lola Cleaveland '23
Edited by Andrew McArthur '22
& Aayush Gupta '22

For the past half-century, American labor productivity growth has outpaced wage increases by almost 50%, raising the question: if additional profits aren't being used to pay workers more, where are they going?[1] The logical first assumption (following neo-classical economic thought) would be that excess profits are being used for capital investment that will snowball into further productive capacity.[2] However, analysis of modern business trends has shown that excess profits have instead been used for corporate stock buybacks–companies purchasing shares of their own stock to inflate its price and impress shareholders. Mariana Mazzucato, the founder of University College London's Institute for Innovation and Public Purpose, reports that "Between 2004 and 2013 share buybacks by Fortune 500 companies amounted to a remarkable $3.4 trillion. In 2014, these companies returned $885 billion to shareholders, more than their total net income of $847 billion." [3]

This "financialization" of corporate profits through share buybacks causes stock prices to skyrocket as investors bandwagon on a firm's increasing share prices. Neo-classical economists have supported the notion that rising stock prices increase a firm's equity valuation which in turn enhances their ability to raise capital through equity financing or debt financing. This heightened capital held by corporations and shareholders is presumed to be invested in productive activities. However, according to heterodox economists such as William Lazonick, the reverse now holds as share buybacks–that cause price jumps in stocks–make "corporations massive suppliers of funds to the stock market, rather than vice versa." [4] With little evidence to link rising share prices with investment in innovative activities, this money is essentially removed from the cyclical flow of the real economy where it could spur productivity. Criticism of share buybacks goes back to the 20th century when scholars first noticed that CEOs were sacrificing research and development in pursuit of short-term gains in stock prices.

Since these findings, a range of economists and policy experts have called on firms to shift focus from shareholder value to stakeholder value, but in reality there is little consensus over what that would look like. Stakeholder value is a broad term that describes a firm's value to the swath of people who they influence–such as consumers and employees. In a recent report by McKinsey, analysts warned companies against shirking stakeholders, citing company reputation, employee productivity, and union action as possible consequences.[5] Specifically, the report points out that paying above-market wages to employees may be financially advantageous to companies that will in turn attract higher-quality human capital. Capital investment would increase the productive capacity of a firm, mirroring Lazonick's argument that companies should invest excess profit in factors of production to spur innovation.[4] A look into policies that aim to promote a focus on stakeholders elucidates just how difficult this shift may be.

A tenet of neo-classical economics is the idea that market failures (a lack of investment in people and innovation in this case) can be solved through policies that promote socially optimal levels of supply and demand. The implementation of Environmental, Social, and Governance (ESG) ratings for stocks has been heralded for bringing stakeholder value into the public eye. Ideally, the score incorporates the social value of a company into its price, shifting the demand for that stock to a more socially optimal level and offsetting the impact of policies like stock buybacks that allow corporations to inflate stock values. However, a 2020 report by Northwestern's Kellogg School of Business found that the loose guidelines for calculating ESG scores allow businesses to inflate their scores, doing little to bridge the gap between shareholder and stakeholder value.[6] Heterodox economic theorists have rejected the notion that stakeholder value will be achieved through stock pricing and have called for more innovative policies that incorporate stakeholders in corporate decision-making processes.[4]

Many prominent CEOs and politicians back this theoretical perspective. In 2018, Senator Elizabeth Warren proposed the Accountable Capitalism Act during her bid for the US Presidency.[7,8] This Act would have sponsored the creation of an Office of United States Corporations that would require large corporations to sign a "charter of corporate citizenship" to shift "American business culture out of its current shareholders-first framework and back toward something more like the broad ethic of social responsibility." Perhaps the most radical stipulation of this policy is the requirement that at least 40% of a corporation's directors must be selected by employees. This mechanism took inspiration from The German Corporate Governance Code which mandates that companies with over 500 employees incorporate employees in their Supervisory Board that oversees employment contracts and the long term planning of the firm.[9] While the Accountable Capitalism Act was not passed in the US, it helped spark a conversation regarding innovative ways of ensuring corporations' responsibilities to stakeholders. In 2019, Business Roundtable put out a statement regarding the importance of prioritizing stakeholder value rather than just shareholder value in American Businesses. CEOs such as Jamie Dimon of JP Morgan and Alex Gorsky of Johnson & Johnson signed onto the statement that prioritizes objectives such as fairly compensating employees and supporting communities in which corporations work.[10] However, without policy measures to enforce this stated shift in interest, it is unclear whether these corporations will hold themselves accountable.

Clearly, innovation in the field of

corporate governance is essential to move away from corporations' short-termist proclivity towards enhancing shareholder value above all else. As evidenced by stagnant wages and increasing inequality in major economies, orthodox economic theories of profit distribution through the stock market are not doing enough to promote stakeholder value. Companies must be pushed to realize that long-term self-preservation relies on the well-being of stakeholders. New policies such as Warren's Accountable Capitalism Act are necessary to shift the paradigm, and policy debates should be open to this type of innovation. ■

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The True Culprit Behind America's Racialized Wealth Gap

Written by Charlize Samuels '24
Edited by Andrew McArthur '22

Financial literacy can be described as the accumulation of skills that helps an individual make informed and rational decisions regarding budgeting, debts, and investing. The idea of rational decision-making also occupies the baseline assumption found in many economic models and implies that individuals will always maximize their utility with respect to their endowments. From this, we can see that there is a possible linkage between financial skills and economic outcomes. However, because of new research and academic discourse surrounding financial literacy, there seems to be an even greater, socially relevant association between the two disciplines: the role of financial literacy in the existence of the racialized wealth gap.

The racialized wealth gap refers to income disparities that exist along the lines of racial marginalization. In America, the racialized wealth gap is particularly glaring. In 2020, the Federal Reserve released a summary of the 2019 data on the incomes of Americans, obtained through the Survey of Consumer Finances. The data showed that the median and mean incomes of White Americans were $188,200 and $983,400, respectively. The survey also reported that the median and mean incomes of Black Americans in 2019 were $24,100 and $142,500, respectively.[1] A quick analysis of this data will reveal that the median and mean incomes of Black Americans only occupy less than 13 and 14 percent than the median and mean incomes of White Americans.

The existence of an income gap on racial lines has been a relatively undisputed sociological reality in our country. What has been heavily disputed, however, is the cause of this wealth gap. Recent discourses surrounding racial socioeconomics have been focused on the role of financial education on the disproportionate economic plight of Black Americans. Those who argue that financial literacy, or lack thereof, is one of the primary root causes of Black poverty were often swayed by the solid statistical data showing a particular pattern between race and financial knowledge. The TIAA Institute administered their personal finance survey (P-Fin Index) in 2020 which managed to reveal this relationship. According to their reports, "African Americans answered 38% of the P-Fin Index questions correctly, with only 28% answering over one-half of index questions correctly. The analogous figures among whites were 55% and 62%, respectively." [2] The gap that exists between the level of financial knowledge between Black and White Americans seems to mimic the degree of the existing wealth gap that also lies in between them, fostering a potential association between race, wealth, and financial knowledge. Similar data have been produced by other studies as well, contributing to the current dialogue surrounding the influence of financial literacy on Black economic prosperity.

In the end, the ultimate goal is to find out if there is any real usefulness behind the numbers shown. As a result, we need to ask: Is financial illiteracy one of the root causes of Black poverty and the consequent racialized wealth gap in America? No, not at all.

Many reports that argue that financial education is the key to remedy the racialized wealth gap often look at the data in isolation. Yes, there is an association between being Black, poor, and financially "illiterate." However, the notion that financial education is a potential solution to the economic stagnation among Black Americans undermines the persistent structural and institutional social inequities that torment Black communities and their hopes for socioeconomic ascension. The statistics below tell this story quite concisely:

1. Black men are 5 to 7 times more likely to be incarcerated for a drug-related offense relative to White men, despite the fact that both groups use drugs at similar rates according to research by the NIH.[3]
2. In 2015, it was revealed by the Prison Policy Initiative organization that post-incarceration incomes of men in America were 41% lower than their pre-incarceration incomes.[4] Considering that Black men are more likely to be incarcerated than White men in America, it is accurate to conclude that the financial burden of being a convicted felon falls the heaviest on the Black community.
3. 2018 data from EdBuild revealed that predominantly White school districts receive $23 billion more than predominantly Black school districts on a yearly basis.[5]
4. One in five renters on the verge of eviction are Black women despite Black women only occupying less than 10 percent of the renter population in the U.S.[6]

Social disparities such as disproportionate incarceration rates, eviction rates, and school funding all represent just a few of the underlying factors that sustain economic oppression among Black Americans, all of which can and do exist irrespective of the ability to prove "adequate" financial knowledge. Placing the blame on financial illiteracy is essentially placing the blame on Blacks for their socioeconomic standing; it encourages the long-held narrative that Black poverty is self-inflicted while simultaneously dwindling the accountability of America's flawed social structures. The real cause of the racialized wealth gap is the existence of the nation's institutionalized racism and implicit (and sometimes very explicit) political, social, and economic public policies that work directly to limit Black economic potentiality. Is financial education important? Absolutely. Is it our end all solution? Not even close. Closing the gap begins with addressing the current social complexes that are particularly unforgiving towards the Black community. With that, financial education can be one of many initiatives that can be used to supplement the (hopefully) growth of Black wealth in America within the near future.

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— Aayush Gupta and Andrew McArthur,
Presidents, Emory Economics Review

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