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LETTER FROM THE EDITORS

To our readers,

Thank you for picking up *Volume I*, the first digital publication from the Michigan Journal of Economics (MJE)! MJE is fortunate to publish articles written by talented authors at a large scale each year, but in an effort to showcase a selection of pieces which we believe are particularly exceptional, we are starting to compile the best work into a semesterly issue.

MJE was founded in 1979 and holds the title of the oldest undergraduate economics journal in the country. As quoted from the journal's first official website, which was created in 2006, "MJE provides an opportunity for outstanding undergraduates interested in economics to have their papers published. It provides undergraduates with models of how to write economics papers [and] it encourages students to become interested in economics by providing examples of what is studied within the discipline." This mantra has been at the center of the organization for the last 47 and remains a core principle that guides us now. Thanks to the foundation created by our predecessors, MJE has grown tremendously since. Today, MJE fosters the ambitions of over a hundred economic scholars on campus.

Both of us joined MJE for two main reasons. Firstly, we wanted the opportunity to put our Economics coursework into practice outside of the classroom. Secondly, we both had an interest in writing. Combined, we have now written articles on a variety of topics that represent our economics interests: everything from antitrust policy to shrinkflation. However, we could not have anticipated all that we have gained from this organization – a plethora of career resources and lasting friendships. We've learned that MJE's true value is realized in taking advantage of all that it has to offer, which includes both professional development and social opportunities.

We are grateful to Kelsi Archibald and the Michigan Economics Department for their constant support. We would also like to express our profound appreciation to Professor Edward Cho for his guidance and support! Most importantly, thank you to our writers, editors, and Executive Board members. MJE would not be what it is today without these people.

Sincerely,

Nitya Wanchoo & Rohan Girvin

MJE Co-Presidents, Winter 2026

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SECTION I:

BOUNDARIES OF ECONOMICS

This section highlights interdisciplinary work that expands the traditional scope of economics, drawing on insights from psychology, sociology, political science, law, history, and other fields.

Prediction Markets as "Truth Machines"

Aryan Desarapu

Prediction markets have taken off as tools to estimate the probability of a variety of uncertain events, from elections to Super Bowl outcomes to the peak temperature in New York today. Rather than relying on mathematical models to come to these conclusions, prediction markets allow individuals with diverse, fragmented information and beliefs to anonymously express their beliefs with their money. Specifically, users can buy a "Yes" or "No" contract to answer a certain question, like "Will Democrats win the 2028 U.S. presidential election?" Each contract is offered for some fraction of a dollar, meaning winners receive a full dollar and losers earn nothing. Thus, the price of the "Yes" contract on a given event can be interpreted as the aggregated expectation of that event occurring.

Today, the two biggest prediction markets in the U.S. are Kalshi and Polymarket (Osipovich & Ostroff, 2026). Trading volume on world events has already grown enormously since prediction markets have entered the public eye; for example, Polymarket markets on the 2024 presidential election peaked at a volume of over 3 billion dollars(Liu & Bierwirth, 2025). A forecast from the firm Eilers & Krejcik claims that annual trading volume in prediction markets could hit a staggering 1 trillion dollars by the end of the decade (Brewer, 2025). As of February 2026, however, about 50% of the trading volume on Polymarket and 90% of volume on Kalshi went to wagers on sports events, despite lawsuits from multiple states alleging that such bets violate state gambling laws (Sweet, 2026). Although sports markets will likely continue to drive revenue growth for Kalshi and Polymarket, their role as information-gathering marketplaces arguably lies elsewhere, like in markets where different individuals with distinct sets of information and beliefs can collectively produce worthwhile signals about financial, political, and social outcomes. As prediction markets keep growing, investors and regulators alike will have to contend with the unique role of prediction markets in the wider financial system and media economy.

Crucially, trades on prediction markets like Polymarket and Kalshi allow anonymous traders to use possibly confidential information to inform their bets (Park, 2026). These markets have therefore come under fire for allegedly failing to prevent insider trading; for example, prior to the January 2026 capture of Nicolas Maduro, an anonymous trader won over 400,000 dollars on Maduro's capture from trades placed just hours before the raid (Rogelberg, 2026). Critics of prediction markets pointed to the transaction as evidence that the anonymity shields insiders from facing consequences for insider trading (Park, 2026). On the other hand, this incident can also be seen as evidence of the epistemic value of prediction markets. Those who saw the price of the "Yes" contract increase after the 400,000 dollar bet essentially received an early, albeit weak, signal that Maduro's capture was imminent. Thus, even if they fail as traditional financial markets to prevent insider trading, prediction markets can still serve as powerful aggregators of information that may not be entirely publicly available. This carries an important

qualification—the participation of insiders who can manipulate the outcome, rather than simply having some private information, blurs the line between predicting an event and manufacturing it.

The anonymity and incentive structure provided by prediction markets can create moral hazard when participants exercise some control over the outcome of a market. In economics, the concept of moral hazard refers to a situation where an individual or entity has an incentive to behave more riskily than they otherwise would because they are at least partially protected from the consequences of their actions (Ahrens, 2008). For example, a member of the Federal Open Market Committee (FOMC), which sets the target range for the federal funds rate, could anonymously bet on how much the Fed will cut interest rates and therefore sway policy decisions for their own gain. Here, the incentives posed by the prediction market do more than create an early signal of future interest rates while helping the insider profit from their knowledge; rather, they can distort interest rates decisions themselves, thanks to the participation of the policymaker. Even if such cases are rare in practice, the fact that they could occur poses challenges for prediction markets like Kalshi and Polymarket that position themselves to the wider public as credible, trustworthy tools to consolidate information.

Beyond fears of insider trading and moral hazards, the gravity of political events whose likelihoods are bought and sold could provoke "moral discomfort" among those outside the market, posing yet another obstacle to widespread trust of information gathered through prediction markets. For example, consider the Policy Analysis Market (PAM), a prediction market proposed in 2001 by the Defense Advanced Research Projects Agency (DARPA), part of the then-Department of Defense (Hanson, 2007). Traders would be able to buy and sell futures contracts on possible geopolitical events in Middle Eastern countries; the prices of these contracts, reflecting collective belief in these outcomes, would therefore help the government accurately project and assess these risks over time (Wolfers & Zitzewitz, 2003). However, in July 2003, the initiative faced sharp congressional criticism, with lawmakers condemning PAM as a "terrorism futures market" (Wolfers & Zitzewitz, 2003). The project was swiftly cancelled after members of the media argued that, among other drawbacks, the market could incentivize terrorists to profit by betting on political violence before carrying it out (Hanson, 2007). In response, some of PAM's supporters contended that similar financial incentives already existed, since the prices of stocks and commodities like oil are known to respond strongly to such attacks (Wolfers & Zitzewitz, 2003).

Although there is a distinction to be drawn between markets organized by the federal government itself as opposed to private entities like Kalshi and Polymarket, the same underlying anxiety that led to PAM's cancellation will likely cause hesitancy and pushback as prediction markets aim to grow their role in the media ecosystem, which often deals primarily with the kinds of serious geopolitical events that PAM attempted to assess. Both companies have already begun expanding into the mainstream media space; either via Kalshi or Polymarket, companies like CNBC, CNN, and Dow Jones have agreed to incorporate prediction market data into their live or online media offerings (Park, 2026). Ultimately, in a time of AI-driven misinformation,

fragmentation of the traditional media landscape, and growing distrust in mass media establishments, the ability of prediction markets to inform the public hinges on if their ostensibly dual nature as both credible information institutions and venues for speculative investment can be reconciled in the collective consciousness.

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The Debt Delusion: America's $39 Trillion Question

Reed Krueger

$39,000,000,000,000. That's how deep in debt the United States of America is right now – and by the time you finish this article, that number will have grown by at least $15 million (Joint Economic Committee, 2026). Now, should we actually be frightened by this staggering number, or is this just a sign of a healthy, growing economy? The truth, as any honest economist will tell you, is far messier than either side is willing to admit. While the nation's debt is not at the level of crisis deficit hawks claim, supporters of Modern Monetary Theory should not exactly dismiss the problem, either.

Deficit hawks, economists who prioritize reducing budget deficits to control national debt, have every right to be worried about the current state of the economy. Right now, debt is at 101% of GDP, meaning the United States owes more money than it produces in one year. The CBO predicts that number will jump to 108% in 4 years, creating a new United States record (Congressional Budget Office, 2026). The previous record? Well, that was right after one of the most costly wars in human history, 1946, except this time, it is due to years of continuous overspending, not fighting a world war. On top of that, the United States is projected to spend over 1 trillion dollars on interest alone this year (Fortune, 2026). Averaging everything out, the total national debt comes out to $114,000 per person (Joint Economic Committee, 2026). Certainly an alarming number, but is it as big a problem as it sounds?

On the complete opposite side of the spectrum lies Modern Monetary Theory, a position in which supporters believe governments that print their own money cannot default on debt in their own currency. To put it simply, they believe that a country with currency sovereignty creates money as it spends, meaning it can always meet its financial obligations (Dufour, 2026). Stony Brook University's Professor of Economics and MMT's leading voice, Stephanie Kelton, claims that while the government cannot just spend infinite money, as long as inflation is controlled through fiscal policy, the theory will remain stable (Cooper, 2024). Skeptics of the debt issue also look to Japan to illustrate that a large national debt isn't necessarily an alarming problem. In December 2025, Japan's national debt as a percentage of GDP was a jarring 202%, double that of the United States (CEIC Data, 2025). Nonetheless, Japan's continuous low unemployment rate and robust economy make economists question how big a factor national debt really is. After all, government spending acts more like an engine than the enemy. Funding for research, infrastructure, and welfare programs forms the backbone of the United States economy, and trying to reduce this could slow productivity down. Foreign investors reinforce this by still showing strong demand for Treasury Bonds, furthering the case that $39 trillion is not the crisis it appears to be. However, MMT's optimism begins to crack under the weight of basic economic reality.

For decades, borrowing was remarkably cheap, and debt was easy to carry — but interest payments on debt are now expected to exceed the nation's entire defense spending, and the spiral that follows is relentless. Higher debt leads to higher interest payments, which widens the deficit, requiring even more borrowing. To break out of this interest spiral, some MMT supporters suggest simply printing more money; however, that leads directly to the second problem. When the government prints more money, it lessens the purchasing power of every single dollar in circulation. Zimbabwe, for example, reached a record inflation rate of 79,600,000,000% in November of 2008 (Pettinger, 2025). High national debt and a decline in national output led the government to try to print more money, which just made matters worse. Prices doubled every day, and they could no longer sell bonds due to the currency's instability. Obviously, something this severe in the United States is highly unlikely, but simply printing more money is not a feasible option to combat this staggering national debt.

The damage, however, extends beyond the spiral itself. 31 of the 39 trillion dollars of debt comes from public debt, which increases interest rates through borrowing markets (EPIC for America, 2025). The billions in interest payments on public debt act as a slow drag on economic growth, job availability, and wages. The last, and perhaps most overlooked threat, is America's potential inability to respond to a crisis. A growing national debt leads to a decrease in investor confidence, spiking interest rates abruptly. As of now, the United States dollar is the international currency; however, the dollar's global dominance is no longer guaranteed. Back in 2020, the United States deployed $5 trillion in emergency funding for COVID-19 thanks to the available borrowing capacity (Granitz, 2022). If investor confidence wanes, the United States won't be able to borrow in times of crisis. In fact, the Penn Wharton Budget Model estimates that in the next 20 years without significant policy intervention, the U.S. faces a debt ceiling at which the U.S. Treasury may be unable to roll over its obligations, resulting in either an explicit default or significant inflation (Lichtenberg, 2026). In the future, if a crisis hits and current policy remains constant, lives could be on the line. This transcends a standard national debt issue – it is a national threat to our economic and social well-being. Federal Reserve Chairman Jerome Powell said it best: "The idea that deficits don't matter for countries that can borrow in their own currency is just wrong" (U.S. News & World Report, 2021). Powell's warning highlights a truth many economists and politicians are afraid to acknowledge: solutions to the debt crisis exist, but political procrastination threatens this manageable problem.

While understanding the problem is quite simple, finding solutions to the issue remains close to impossible. The enormous disparity between Republicans and Democrats and their inability to find common ground makes fixing this national debt issue significantly harder. Social Security and Medicare chew up half the government budget, while defense and net interest eat up another quarter (U.S. Department of the Treasury, n.d). The math says to alter Social Security or Medicare, but politicians know touching that will only hurt them from getting elected. So, Republicans argue for tax cuts, insisting that economic growth will reduce the debt burden. Democrats, on the other hand, believe taxing the wealthy can solve the problem by itself. Time after time, we see neither of these solutions solves the problem. The

longer Washington waits, the murkier the water gets. The policy changes politicians will need to induce will only grow larger the longer they wait, but no one is being proactive. The hard truth is that any real solution requires political sacrifice that neither party is willing to make. Policymakers will treat this crisis as a distant concern until the moment it isn't.

While the United States economy will not crash tomorrow, it is exactly that security blanket that makes this whole situation so dangerous. The threat is slow and harder to escape the longer you wait. MMT's arguments remain valid: the U.S. won't likely see a problem like Zimbabwe, and Japan suggests that holding a large national debt isn't automatically detrimental. However, this still does not make a trillion-dollar interest bill acceptable or give us an excuse to delay action. The debt is a political problem disguised as an economic one. What is missing is political will from both leaders and the people they represent. The dollar is still trusted by most, and the least muddy shirt in the closet. That said, even the least muddy shirt eventually needs to be washed.

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The Diagnostic Gap: How Financial Inequality Rations Neurological Care

Adia Pudtalsri

Imagine two patients. The first is an affluent, well-connected professional with comprehensive insurance. The second is living on a fixed income. Both notice the same subtle tremor but face two completely different outcomes. The first individual brings up the symptom at his annual physical, and within 30 days, he is sitting in front of a neurologist undergoing testing. The second waits an undefined amount of time for availability in his local clinic's booking window. Months turn to years, and the tremor grows worse. After navigating the financial obstacles that once barred him from diagnosis, his available treatments are more limited, and his prognosis has dimmed. This startling difference, born of the same possible illness, highlights a fractured system: the market for neurological care is failing its most vulnerable patients. Financial inequality forms the basis of price, geographic, and informational barriers that hinder early intervention. This ultimately transforms manageable conditions into a cycle of neurological and economic decline.

The most direct economic barrier is price. For neurological care, the price elasticity of demand, which measures how sensitive consumer demand is to change in price (Strohkorb, 2025), is critically high among low-income households, where limited disposable income forces trade-offs between healthcare and basic necessities. A 2021 study of over 3.7 million patients found that out-of-pocket costs for key diagnostic procedures, such as EEGs and MRIs, rose substantially over time. For an MRI in 2016, patients at the 50th percentile paid $103, while those at the 95th percentile faced a staggering $875 bill (Hill et al., 2021). For families living paycheck to paycheck, this is a large financial burden, and can ultimately be a choice between a potential diagnosis and paying rent. This price shock is worsened by a parallel cost: time. A 2024 study found that 57% of workers lack employer-provided personal medical leave for major health needs, and 21% lack paid sick days for preventative care (Mason, 2024). For these individuals, the opportunity cost of seeking care is substantial. One study found that the average total time per hospital visit, including travel and clinical time, was 121 minutes. This translates to an average opportunity cost of $43 per visit, which often exceeds the patient's out-of-pocket payment (Ray et al., 2015). A half-day spent in a waiting room thus represents an unsustainable wage loss. As a result, individuals must either pay with the money they do not have, or pay with the time they cannot spare. In either case, the rational short-term decision is to delay care, sacrificing long-term neurological health for immediate financial survival.

A second structural failure is the geographical maldistribution of neurological specialists. A 2020 study mapping over 15,000 neurologists revealed a stark concentration: 94.33% practiced in metropolitan areas, while a mere 0.458% worked in rural populations (Curtis et al., 2020). This clustering is driven by agglomeration economies: specialists are drawn toward major teaching hospitals, dense professional networks, and regions with higher concentrations of privately insured patients, which offer greater professional opportunities (Tibocha-Nino, 2023).

This creates low-income, rural regions where specialist supply is effectively zero. For patients in these areas, the transaction costs of accessing care become prohibitive. The price of a diagnosis increases to include the cost of a tank of gas, a day's lost wages for travel, and often an overnight stay. One qualitative study of rural older adults found that travel distance was the strongest barrier to healthcare, endorsed by 33% (Buzza et al., 2011). The market, by failing to distribute supply according to population need, thus allocates care by geography.

The third barrier is an information inequity. Early neurological symptoms, such as an unexplained tremor or subtle memory lapse, are often ambiguous. Recognizing these clinical symptoms requires a baseline of health literacy, which is unevenly distributed and often correlated with socioeconomic status and education. A 2025 study of US adults found that over 60% of participants exhibited inadequate health literacy, with lower levels observed among lower-income households and racial and ethnic minority groups (Yu et al., 2025). Thus, individuals with greater health knowledge and stronger social networks are more likely to correctly interpret and act on early warnings. For others, these signals are missed. Research shows that patients with low reading fluency know less about their chronic diseases, manage their care less effectively, and are less likely to take preventative measures (Graham & Brookey, 2008). This leaves a knowledge gap that the system does nothing to bridge.

Confronting these factors requires equally targeted policy interventions. To bridge the information gap, federally funded public campaigns can help demystify early neurological signs. The National Institute of Neurological Disorders and Stroke's "Mind Your Risks" campaign, for example, raises awareness of the connection between high blood pressure, stroke, and cognitive decline ("Mind Your Risks," 2026). Disseminated through clinics and social media, these initiatives can correct information asymmetry and help individuals become more informed.

Universal school-based screening programs also offer a powerful solution. By checking for conditions like learning disabilities, schools can act as a platform that bypasses disparities in health literacy and socioeconomic status. California's recent mandate requiring universal reading screening in kindergarten through second grade demonstrates how early identification can prevent long-term challenges (Siebert et al., 2025), a model that could be extended to neurological screening.

Finally, teleneurology can be used to dismantle the geographic barrier. This technology allows neurology to be practiced across a distance, allowing a specialist in an urban center to diagnose a patient in a rural region at a fraction of the transaction cost (Patterson, 2025). The Stanford Stroke Center's Telestroke Program, launched in 2017, provides emergent consultation and transfer for acute stroke patients within the community, illustrating how remote expertise can bridge geographic divides ("Stanford Telestroke," n.d.). Together, these interventions offer a roadmap that can help repair a market that currently allocates care along the very lines of economic inequality.

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SECTION II:

BUSINESS & FINANCIAL ECONOMICS

Writing in this section explores corporate finance, financial markets, investment behavior, entrepreneurship, and the intersection of business strategy with economic theory.

The Cruise Industry's Economic Considerations, Impacts, and Trends

Lincoln Cha

After the widespread adoption of air travel as the preferred method of international transportation in the mid-20th century, many ocean liners became repurposed as leisure cruises (Kulik, 2026). Today, cruise ships are a well-known staple of global tourism, and recent years have brought significant growth to the industry (Cruise Lines International Association, 2026). This growth highlights some of the unique financial strategies and economic impacts of cruise companies.

Entering the Cruise Market

Before entering the market, or once in the market and considering expansion, a cruise company must take into account the capital-intensive investment of a ship. For example, The Icon of the Seas, one of Royal Caribbean Group's newest additions to their fleet, reportedly cost $2 billion to build (Meredith, 2024). The investment necessary to build a cruise ship is a significant barrier to entry for this sector of the tourism industry. Thus, the global cruise industry is dominated by a few large corporations: out of 34.64 million global cruise passengers in 2024 (Cruise Lines International Association, 2025), Carnival Corporation & plc carried roughly 13.51 million passengers (Carnival Corporation & plc, 2026), Royal Caribbean Group carried roughly 8.56 million passengers (Royal Caribbean Group, 2026), and Norwegian Cruise Line Holdings Ltd. carried roughly 2.93 million passengers (Norwegian Cruise Line Holdings Ltd., 2026). In total, these three corporations held around 72.2% of the global cruise market for that year, and although the data for total cruise passengers in 2025 has not yet been released, each corporation saw an increase in passengers from 2024 to 2025. Together, the high barriers to entry and small number of dominant companies give the cruise industry the characteristics of an oligopolistic market structure.

Financing a Cruise

Cruise companies can employ various techniques to cover the high capital expenditure of adding to their fleet. To begin with, many use dynamic ticket pricing, similar to what has now become a common strategy for airlines (Nikel, 2026). By adjusting ticket prices based on demand, season, and occupancy, cruises can capture a larger amount of consumer surplus (the difference between what someone is willing to pay and what they actually pay) and ensure occupancy is as high as possible. Tiered pricing models for dining plans and other amenities are an additional method of segmenting the market. Ancillary revenue, money earned from offerings beyond the core product, is also a crucial source. Onboard spending from casinos, bars, and other offerings makes up a significant portion of cruise revenues: 30.2% for Royal Caribbean in 2025 (Royal Caribbean Group, 2026), and 34% for Carnival in the same year (Carnival Corporation & plc, 2026).

In addition to these strategies, some cruise companies invest in or utilize private islands. Castaway Cay in the Bahamas, for example, is an island that is only accessible to passengers on Disney Cruise Lines (Reid, 2024). Not only do these islands provide a competitive advantage by offering passengers an exclusive experience, they also ensure that all money spent on these excursions, from activities such as parasailing, biking, and massage services, goes to the company. In this way, private islands serve as important additional revenue streams. Castaway Cay is owned by a subsidiary of The Walt Disney Company that paid over $220 million in dividends to its parent company between 2014 and 2024, signaling high profitability from island revenue.

Managing Expenses of a Cruise

Cruise companies utilize additional unique methods to manage costs. Many cruise ships owned by United States corporations are registered in other countries, such as the United Kingdom and Panama, even if they dock in the U.S. (Carnival Corporation & plc, 2026). Under international maritime laws, workers hired for cruise ships are generally subject to the labor laws of the country that the ship is registered in (International Labour Organization, 2006). By leveraging what is regarded as a "flag of convenience," U.S. cruise companies keep labor costs down by attracting multinational employees who will work for lower wages and longer hours than what stricter U.S. labor laws would require (Dooley, 2025). Two additional benefits of flags of convenience are that these ships do not have to be manufactured in the U.S. (which would currently be infeasible), and are not subject to U.S. Federal taxes.

Besides leveraging flags of convenience, cruise companies can also benefit from their industry having strong economies of scale, meaning average costs fall significantly as production increases (Ros et al, 2021). By bulk ordering food and creating larger ships (a recent trend in the industry), these companies can reduce the average cost per customer (Carrington, 2024). This can add up to significant savings when considering the millions of passengers these ships accommodate each year (Cruise Lines International Association, 2025).

Lastly, cruise companies can outsource their services to third-party vendors as a means of reducing costs. For example, Royal Caribbean Group partners with local companies for shore excursions and outsources onboard retail and information technology systems (Royal Caribbean Group, 2026). Through outsourcing, cruise companies can more easily scale operations up or down, thereby reducing costs associated with the need to meet shifting demand.

Economic Impacts of Cruises

Although the cruise sector accounts for only 2% of the global tourism industry, it can generate substantial economic activity in its frequently visited destinations (Cruise Lines International Association, 2025). Cruise passengers often contribute to spending in the local shops, restaurants, and other attractions of port cities (Chen et al, 2019). At the same time, however, the rapid influx of tourists can create challenges for some of these destinations. Recently, authorities in Barcelona, a location that would have high tourist foot traffic regardless

of being a port city, have cited concerns regarding overtourism and considered reducing cruise ship terminal capacity to manage the issue (Pons et al, 2025). Despite these concerns, cruise visits can still generate long-term benefits to local economies. While destinations such as Barcelona attract tourists independently, cruise passengers can contribute additional demand by supporting local suppliers, transportation systems, and tour services, creating jobs and a sustained stream of revenue for port city businesses.

Cruise ships also generate major environmental footprints, most notably in the form of air pollution, water pollution, and waste (U.S. Environmental Protection Agency). Many analysts argue that cruise corporations have historically externalized a portion of these costs, meaning the costs of the harm have not been fully paid by the responsible entities (Chen, 2025). However, newer cruise ships are shifting towards a capability of burning liquefied natural gas (LNG), which substantially reduces air and water pollution (Butcher, 2026). These investments can reduce environmental tax costs, mitigate the risk of violating environmental regulations that would result in legal fees and penalties, and protect a cruise company's brand reputation.

Trends of the Cruise Industry

Prior to the COVID-19 pandemic, the cruise industry was one of the fastest growing sectors of global tourism (Holland et al, 2021). In 2019, more passengers boarded cruises than in any year prior (Cruise Lines International Association, 2020). The following year's global pandemic abruptly reversed this growth, as travel restrictions and public health concerns brought tourism to a halt. Cruise companies suffered massively: Carnival reported a loss of $10.236 billion in 2020 (Carnival Corporation & plc, 2021), as well as losses in the three years that followed (Carnival Corporation & plc, 2023). Compared with many other industries, these corporations had limited ability to adapt their operational strategy. A restaurant can shift to delivery orders and a retail store can shift to online selling, but the business model of a cruise depends almost entirely on in-person travel and onboard experiences.

In recent years, the cruise industry has rebounded from the pandemic. Royal Caribbean Group and Carnival both reported higher revenue and net income than ever before in 2025 (Royal Caribbean Group, 2026, and Carnival Corporation & plc, 2026), and reports from the most recent two years showed that ships were sailing with the highest overall number of passengers in history (Cruise Lines International Association, 2025). Several factors could be contributing to this recovery, including pent-up demand for leisure travel following the lockdown. The launches of new ships, including Disney's Destiny and Royal Caribbean's Star of the Seas, could also be a factor in the industry's growth (The Walt Disney Company, 2026).

Outlook for the Cruise Industry

The cruise industry, characterized by its oligopolistic market structure as well as unique methods of increasing revenue and mitigating costs, is economically distinct from many other sectors. Its economic impacts present tradeoffs between generating revenue for port cities and contributing to challenges such as overtourism and environmental externalities. As the industry continues to move beyond the pandemic, cruise companies must weigh each of these considerations as they strive for further industry growth.

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The Death and Reinvention of American Malls

Reena Jari

Before the 2000s, shopping malls were places of congregation for younger generations to not only shop, but to watch movies, eat, and hang out. Malls are typically owned by real estate investment trusts (REITs), companies that own or operate real estate assets. These REITs lease out their retail spaces to tenants, and they pay the REITs in the form of base pay, operating expenses and a percentage of their sales. Bigger department stores, such as Macy's or Nordstrom are called "anchor stores" as they drive foot traffic, and as a result they normally get charged a lower rent per square foot (CFI, 2020). Malls have recently experienced a decline in retail sales and are no longer seen as strong investments because of the many economic and technological changes over the past few decades. This decline is due to many factors, including the rise of e-commerce, the effects of COVID-19, and competition from other malls, which have all contributed to store closures, bankruptcies, and the deterioration of many malls. However, with the new generation of shoppers and promising new investors, malls may still have a future.

One of the largest contributors to the decline of malls is online shopping. In the early 2010s, as Amazon and other big e-commerce companies were launching their platforms, consumers switched to online retail platforms. A study examining the impact of e-commerce on retail noted that, "E-commerce sales are increasing because of how convenient online buying is, how accessible it is, and how many different things are available" (Kothari, 2018). This convenience and lower pricing reduced the competitiveness of brick-and-mortar sales. This has made it difficult for many retailers to turn a profit. Another driving factor of mall closures was the COVID-19 pandemic, as many people started working from home and no longer needed to travel as frequently. According to a quarterly JP Morgan Chase Institute report, there was a decrease in consumer foot traffic because less people were commuting to work, and employment centers were unable to support the same level of retail establishments from before the pandemic. This report noted that other establishments, like grocery stores and restaurants have bounced back since COVID, however retail spaces are still lagging because of the rise of e-commerce (Wheat, 2023). COVID-19 and the rise of e-commerce have shifted consumer retail behavior patterns to online, which has significantly impacted the performance of malls across America.

In addition to the external factors, the internal pressure of competition between malls has caused many vacancies. Malls with poor asset management are being forced out of business, as they are struggling to compete with newer malls that have more amenities and a broader selection of stores (Fung, 2017). For example, a struggling mall was recently acquired by Dillard's after their previous owners were known for their poor management practices and "not paying their utility bills, [and] not paying property taxes" (King, 2025). Poor management structure causes stores to collapse, as it leads to financial instability making it very difficult to retain tenants. The closure of major retail stores also has a significant effect on the mall's overall

success. For example, the bankruptcy of Forever 21 led to the tenant loss of more than 200 stores in the United States. These stores often occupy very large spaces within the mall making it difficult for mall owners to fill the space once they close (King B, 2025). When large stores become vacant, it is easier for surrounding stores to then also break their leases or negotiate the rent, further weakening the overall occupancy and revenue of the mall (Thomas, 2019). The loss of an anchor store like Forever 21 shows how malls can be destabilized quickly and go into bankruptcy. Similarly, San Francisco Centre mall used to be a major retail location for the city. However, in recent years the mall has entered a "death spiral". The mall has struggled with years of homelessness, shoplifting, and drug use which has caused nearly all of its retailers to leave the store. Once anchor stores such as Nordstrom and Bloomingdale's closed, the mall ultimately collapsed as they lost significant foot traffic (King A, 2025). These examples demonstrate that both internal and external factors lead to deterioration of malls.

However, some investors and analysts see redevelopment potential in underperforming malls, in some cases the closure of struggling retail stores allows for stronger brands or a new type of business. As the Wall Street Journal explains, "That optimism reflects a surprisingly strong landscape for the mall industry. High-end malls are nearly fully occupied and rents are rising" (King B, 2025). Vacant spaces are being converted into restaurants, gyms, entertainment venues or alternative uses (Young, 2024). The mall owners have seen they need to adapt to economic and technological advances, so malls are evolving into entertainment centers rather than purely retail. The department store, Dillard's, recently purchased the Longview Mall in Texas and is going to renovate and maintain the property unlike the previous owners that allowed it to collapse (King, 2025). Dillard's decision to acquire this struggling mall and repurpose it shows how they understand the needs of the mall and are finding innovative ways to attract customers by enhancing consumer experience and foot traffic.

Lastly, younger generations are making malls more popular again. Studies show that "shoppers between the ages of 18 and 24 bought 62% of their total general merchandise purchases in stores last year. Shoppers ages 25 and older, by contrast, made 52% of their purchases in person, according to Circana" (King, 2026). Many younger shoppers want instant gratification when shopping and value the ability to try on the clothes in store. After the pandemic, Gen Z shoppers have shown an increased interest in demand for in person social retail experiences. The clothing brand Edikted was originally an online store, however, Gen Z has pushed for it to open physical mall locations. Overall, while many malls have struggled to adapt to e-commerce, changes post-COVID and bankruptcies, the industry might be making a comeback. Malls are adapting to consumer demand rather than disappearing entirely.

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Venezuelan Oil is a Gamble. For Whom is it Worth the Risk?

Aadi Kalra

On January 3rd, 2026, the US launched Operation Absolute Resolve, capturing the Venezuelan leader, Nicolás Maduro, and vowing to "run" the country until the nation is stabilized (Noronha-Gant, 2026). Trump stated liberation for the Venezuelan people as the primary reason for the attack, but also mentioned the economic benefits of controlling Venezuela's mass oil reserves. 3 months after the operation, who is benefitting and who stands to benefit from the US control of Venezuelan resources? Who is getting the short end of the stick?

The first major winners are US oil-field companies. More specifically, the firms that provide oilfield services such as Schlumberger (SLB), Halliburton, Baker Hughes, and more (Eaton, 2026). These firms provide technology, equipment, and services for drilling, evaluating, completing, and producing oil and gas wells. While they would initially have to put up a significant amount of capital, they would hope to take advantage of untapped resources and generate new sources of revenue through these reserves. The US Treasury has officially allowed US companies to provide supplies to Venezuela for oil production and there's already been a noticeable inflow of capital into Venezuela as a result. "U.S. Energy Secretary Chris Wright, speaking from Venezuela, has announced an investment of over $100 million to overhaul a plant run by the multinational oil giant Chevron" (Moleiro, 2026). European companies that were allowed under the Treasury's license, such as BP, Shell, and a select few others, are following suit. Players in other markets can benefit as well since there is a massive amount of infrastructure that needs to be built to extract Venezuelan oil. Highs of millions of barrels per day are now down to tens and hundreds of thousands simply because drills and transportation haven't been maintained. In terms of quantity, the oil is there, but there is a significant gap in infrastructure that can be filled by potential new players. Construction companies that provide essential machinery for oilfield infrastructure will see increases in sales, especially ones that are contracted with oil companies already (Jeddeloh, 2026). Financial services companies (who insure these processes), shipping companies, storage services, and other downstream sectors may also see an uptick in their revenue later down the line.

"Venezuela pumped more than 3 million barrels of oil a day in the 1990s. But its output has fallen to about 900,000 barrels a day, after years of low investment left the industry needing to repair pipelines, power systems and fix other infrastructure bottlenecks" (Eaton, 2026). That is part of a fundamental problem lying in Venezuela: the lack of infrastructure to actually utilize oil reserves. The American Oil & Gas Reporter discussed how the act of converting those reserves into consistent production of usable oil will be an undertaking of "formidable scale" (American Oil & Gas Reporter, 2026). Older documents indicate over $20 billion being spent attempting to harvest Venezuelan oil in 2010, and resulted in 600,000 barrels per day of heavy-oil capacity. This is a price of roughly $40,000 per flowing barrel – significantly above the

average of $20-30,000. Due to this high cost, Goehring & Rozencwajg, a natural resource investment firm, states that it would be extremely hard for investing firms to achieve just a 10% ROI.

Additionally, to reach levels of 3 million barrels a day (the peak Venezuelan oil production from the 1970s-90s) it would take over 15 years at $183 billion, according to Rystad Energy. The sheer investment is an addition to the geopolitical tension in the region. Chevron's chief executive Mike Wirth said in an interview, "The company is looking for stability in the country, as well as more favorable fiscal terms, before laying the groundwork for sizable new investments there" (Eaton, 2026). Violent militia groups are also standing in between full control of Venezuelan resources. NBC reported, "Given the vast distances and the difficult terrain, oil infrastructure is going to be very difficult to secure without a significant number of U.S. troops on the ground" (Parker, 2026). Security specialists continue to warn of these dangers and roadblocks to harvesting Venezuela's oil resources, as they are seen as a major risk factor to infrastructure investment.

While there are issues of climate change, oil spillage, and more, the primary fiscal loser is still going to be the green energy industry (Cedare, 2026). As oil becomes cheaper and cheaper due to the increased supply, the economic case for firms and individuals to invest in renewable energy, electric vehicles, and more will reduce. Less people are going to be willing to invest in environmental benefits when the economic tradeoff has increased. They could save more and more money when using oil rather than solar or wind. However this change may not be very extreme due to the high costs of processing Venezuelan oil, possibly leading to oil prices that aren't as low as consumers may hope for.

While many players are set to benefit from Venezuelan oil on paper, there are many obstacles to harvesting and profiting off of those resources. The economic motivation that partially led to Maduro's capture is seeming less ineffable as time goes on, but if geopolitical tensions cease and investment is poured into the nation, that oil can be an untapped gold mine. As of now, it is a swarm of risk factors chasing away investors, uncertain upside, and an enormous need for new infrastructure, with no clear path forward.

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SECTION III:

DOMESTIC ECONOMICS

Articles in this section examine economic phenomena and policy issues primarily within the United States, including labor markets, fiscal policy, regional economics, and domestic monetary dynamics.

Opinion: The Lasting Effects of "Operation Metro Surge" on Minneapolis

Alec Corey

Unprecedented internal immigration enforcement action has become a major talking point for its proponents and opponents alike. A flood of media coverage, both corporate media and individual social media, has taken to the scenes of I.C.E. and C.B.P activity, especially in my home state of Minnesota. Minneapolis, MN has been a divisive and forceful target of "Operation Metro Surge," the U.S. Department of Homeland Security's targeted effort to detain and deport unauthorized immigrants. According to former DHS Secretary Kristi Noem, the major goal of immigration enforcement was "making America safe again and putting the American people first" (Department of Homeland Security, 2025). This claim, however, is not supported by the data.

According to a leak obtained by the Cato institute, a libertarian think-tank, only 5% of nationwide ICE detainees have violent convictions, and 73% have no criminal convictions at all. (Bier, 2025). It's irrefutable that the average detainee is not the "worst of the worst" as former secretary Noem repeatedly claimed. Instead, many innocent citizens and law-abiding unauthorized immigrants—those who are guilty of nothing more than a civil immigration infraction—have suffered the consequences of "Operation Metro Surge." While Minnesotans have already paid a significant price from immigration enforcement presence, additional consequences may unfold in the long run, including lasting harm to endangered laborers, local businesses, and educational achievement.

The most obvious economic impact of immigration enforcement comes from targeting and arresting undocumented immigrants: fear to participate in the economy. Over the course of the operation in Minnesota, at least 3,000 people have been arrested by immigration enforcement (Brito, 2026). Seeing these arrests, especially the videos on social media exhibiting particularly brutal behavior by immigration enforcement, led a lot of workers with insecure immigration status to become fearful and forgo work. This temporary employment reduction, while fairly small for the metro area, caused two key effects: a reduction in labor supply for businesses and a reduction in household earnings for the endangered laborers. According to the city of Minneapolis, $47 million in wages were lost in one month due to "people too afraid to leave home and go to work" (City of Minneapolis, 2026). Down the line, this impacts economic wellbeing, including a need for $15.7 million in rent assistance since December and $2.4 million per week for food assistance during Metro Surge to support immigrant households (City of Minneapolis, 2026). Additionally, the harmful effects on the wellbeing of endangered people exist in an interdependent economy, causing a ripple effect on businesses.

As a result of this reduction in labor force participation among commonly targeted demographic groups, businesses that employ immigrant workers struggled to find people to pick up shifts. When people are afraid to engage in daily activities, the economy suffers at large, an

effect first seen in business revenues. According to the city of Minneapolis, $81 million of revenue for restaurants and small businesses was lost in one month during Metro Surge (City of Minneapolis, 2026). One possible effect for all Minneapolis consumers is increased food prices, further worsening the affordability crisis. This occurs through labor supply decreasing, causing total labor quantity to decrease and potentially increase wage rates in the area, making it more costly to hire workers.

Many small businesses and restaurants exist in predominantly immigrant communities, leading to employment of immigrant workers. According to a recent Pew Research Center report, 42% of U.S. adults believe food prices will increase in their area. Moreover, 64% of left-leaning adults, the majority political group in Minneapolis, believe their food prices will increase. Concerningly, 56% of immigrant adults believe their food prices will increase, underscoring the impact Metro Surge has had on the most heavily targeted community. (Noé-Bustamante & Gramlich, 2025). While we don't have data that provides a clear causal link between immigration enforcement and inflation in food prices, public anticipation of increased prices is enough to raise concern through inflationary expectations. Inflationary sentiment can itself be a driver of inflation if people choose to purchase more today to avoid higher costs later, driving up today's demand, pulling up prices immediately. In the long run, the struggle faced by these businesses could lead to permanent closures, similar to the effects caused by the COVID-19 pandemic in 2020. Unfortunately, Minneapolis may suffer a loss of business in some high-immigrant areas as well as a drastic loss in cultural diversity in local businesses.

In addition to businesses, schools were targets for immigration officers. According to Zena Stenvik, the superintendent of Columbia Heights Public Schools, "'ICE agents have been roaming our neighborhoods, circling our schools, following our buses, and coming into our parking lots multiple times and taking our kids'" (Romero, 2026). Two targets of immigration enforcement in Columbia Heights were 5-year old Liam Conejo Ramos and his father who were targeted on their way back home from school. Despite being pending asylum seekers acting within legal pathways, they were detained, causing national outrage. Out of concern for their safety, students and parents chose absence from school, missing out on important education. In some school districts that were particularly heavy-hit by federal officers, 20-40% of students were absent for weeks at the height of Metro Surge (Shockman, 2026). As we learned in 2020's COVID-19 pandemic, students who engage in remote learning experience more negative academic and social outcomes than their in-class counterparts.

A working paper published by the National Bureau of Economic Research confirms the damaging effect of immigration enforcement on educational outcomes. In Florida, "Immigration enforcement reduced test scores for both U.S.-born and foreign-born Spanish-speaking students" (Figlio & Özek, 2025). Foreign-born students in particular suffer more extreme consequences due to needing support to establish themselves in their new home country, including learning the skills they need to succeed in the U.S., such as becoming proficient in English. Indeed, a threat to public education for foreign-born students is a danger to educational opportunities for all students, regardless of their immigration status.

In order to reverse the damage of the lasting consequences of "Operation Metro Surge," policymakers need to act decisively and have a genuine desire to help their constituents. Metro Surge has evidently failed to deliver on making communities safer and more prosperous. In fact, it is clear that the opposite has occurred. The city of Minneapolis estimates a total damage of $203.1 million in lost wages, lost business revenues, and increased welfare support. To help workers, businesses, students, and families recover, much work must be done. Though Operation Metro Surge is at its end, the lasting effects have only begun to shape Minnesota. Hopefully, we will see a shift to end the campaign of mass deportations, instead focusing on protecting people's rights, making life more affordable, and making legal processes of immigration more accessible. If there's one thing I know about Minneapolis as a Twin Cities resident, it's that people will come together and rebuild, standing up for each other in solidarity as a community.

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Debt or Duty? The Economics of ROTC Scholarships

Addison Shull

Rising tuition costs and the growth of student loan debt have completely reshaped the economics of higher education in the United States. Over the past few decades, student loan balances have reached historically high levels. According to a Congressional Research Service (CRS) report, the federal student loan portfolio has now exceeded $1.6 trillion, with nearly 43 million Americans possessing federal student loan debt (Zota, 2025). Policy responses have largely focused on retroactively forgiving debt, like the Teacher Loan Forgiveness Program, which forgives up to $17,500 in student loan debt for teaching at a qualifying school for five consecutive years. Yet, these approaches raise concerns about cost to the federal government and long-term effectiveness. Far less attention has been paid to service-based aid programs that exchange funding for a labor commitment. One of the largest of these programs, Reserve Officers' Training Corps (ROTC) scholarships, remains underexamined in the realm of higher education.

ROTC scholarships are a tuition-for-service arrangement in which the federal government finances undergraduate education in exchange for a specified period of military service post-graduation. Army ROTC scholars receive their choice of full tuition coverage or total room and board costs, as well as allowances for books and fees, and a monthly stipend of $420 for living expenses (Scholarships). In exchange, students commit to serve as commissioned officers for eight years upon graduation, with a minimum of four years of active duty service required. From an economic standpoint, this structure resembles other service-based tuition programs, such as medical service scholarships or public service loan forgiveness, rather than traditional need-based financial aid. The government assumes the cost of recipients' education upfront while securing a guaranteed supply of trained military officers, thus reducing uncertainty. As a CRS report outlines, ROTC produces over 8,500 officers per year, making it the largest source of commissioned officers (Kamarck, 2024). Unlike loans, which put the risk of repayment onto students and rely on future income streams, ROTC receives the return on educational investment through direct provision of labor. This exchange-based model makes ROTC scholarships particularly relevant to public investment in human capital.

Human capital theory, which refers to the tangible economic value added by an employee's experience, skills and education, provides a useful framework for analyzing ROTC scholarships as an economic investment rather than a transfer of money. Economist Gary Becker's work conceptualizes education as an input that raises worker productivity, earning a return over time (Becker, 1964, p. 2). In the case of ROTC, the government acts as an investor, funding education with the expectation that scholarship recipients will apply the skills they acquire to their military careers, raising the productivity of the United States military. By linking education financing directly to post-grad service, ROTC allows the government to inherit the returns on an individual's education that otherwise would have accrued returns in

the private labor market. From this perspective, ROTC scholarships are a tactical mechanism of converting government spending on higher education into a targeted outcome on the military's labor force.

From a public finance perspective, evaluating ROTC scholarships requires comparing the upfront education costs to the long-term government personnel benefits they generate. Training and commissioning officers through ROTC may reduce recruitment costs from alternate officership pathways such as direct commissioning. Because scholarship recipients enter with a contractual service obligation, ROTC provides the government with a more predictable return on its educational investment. The Government Accountability Office (GAO) found that, apart from tuition costs, the average cost per officer produced through ROTC is roughly $68,000 (Military Personnel, 2013). However, the structure of ROTC allows the government to spread training costs over a guaranteed period of service. GAO also reported that from 2008-2012, each branch of the military met at least 91% of their goal for the number of officers commissioned from ROTC. As a result, ROTC can be interpreted as a valuable mechanism of investment in human capital rather than solely as an educational subsidy.

Beyond government cost considerations, ROTC scholarships also shape individual educational and labor market outcomes, which is how we can evaluate their effectiveness as a human capital investment. The National Institute of Health (NIH) states that prior military service generates "advanced leadership skills, cross-cultural experience, strong work ethic, and integrity," all skills that are transferable to and desirable within the civilian labor market (Mael et al., 2022). Unlike traditional student loans, which leave an individual's educational returns uncertain, ROTC guarantees both a degree and a stable career, meaning steady income post-grad and future civilian job prospects for products of the program.

This incentive structure may be relevant in policy discussions surrounding student debt. ROTC scholarships are an underexamined area of the landscape of higher education financing. They function not only as educational subsidies but as public investments in the military and civilian labor forces. By exchanging tuition coverage for a fixed service commitment, ROTC aligns incentives in a way that differs from standard financial aid. At the same time, economists can use the program to raise questions about the accessibility and implementation of service-based models beyond the context of the military. While ROTC is not a comprehensive solution to the nation's rising student debt or increasing tuition costs, it offers a valuable case study in how governments can design education programs and policies that inherit return in the form of human capital. Further research into service-based aid programs could clarify when and where tuition-for-service programs could be an efficient and profitable approach to investing in human capital.

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Opinion: The Good, Bad, and Ugly of Economics Fallacies and AI Biases

Nitya Wanchoo

I recently recruited for my junior summer internship, an internship that carries the weight of potentially being my first full-time job post-graduation. As most college students know, the job market is notoriously tough right now. According to a Cengage report, about 76% of employers reported hiring the same number or fewer entry-level employees in 2025 than in the year before (Cengage Group, n.d.). This is for two primary reasons: economic pressures, like inflation and tariff policies, and the rise of artificial intelligence (AI). AI has been a buzzword for the past couple of years now. I hear about it in class, read about it in the news, and see it being used all around me. I have had more conversations than I can count, all culminating in everyone's differing answers to one larger question: What does a future with AI look like?

The Good

Last semester, I took Economics 402, "Intermediate Macroeconomics". During the labor market unit, my professor taught us about the fixed pie fallacy, also known as the zero-sum fallacy. The fixed-pie fallacy, as defined by Psychology Today, is "the idea that there is a fixed pie and if one person gets more, that means the other person gets less" (Psychology Today, 2018).

Put simply, in the context of AI, many mistakenly believe that using AI to do work will reduce the work left for humans to do. History has proved contrary countless times. "New technologies often create new kinds of work even as they obsolete old tasks. The lamplighters lost their jobs when electric lights came, but we gained electricians, photographers, software engineers, and countless roles no one in the gaslight era could envision" (Chang, n.d.). The fundamental flaw in the fear that AI will steal our jobs is that we are incapable of imagining jobs that do not exist yet (RiskHedge, n.d.).

So why are we seeing megacorporations engage in mass layoffs? The headlines don't lie: Klarna shrunk their headcount by 40%, Salesforce laid off 4,000 customer support roles in September, and countless other titles that have flooded LinkedIn "Home" pages over the past months. The answer lies in the bottom line – AI offers the perfect way for companies to cut costs. Unlike humans, AI agents won't require five figure salaries or benefits like paid time off (Chang, n.d.).

On the contrary, in the long run, I imagine that AI will cause labor demand. After learning about the fixed pie fallacy, we were taught about production functions. Let us briefly examine a standard production function $Y = z\,F(K, L)$ where Y denotes output, z denotes total factor of productivity, and F denotes a production function with K, capital, and L, labor, as inputs. As z increases, because the adoption of AI will increase our ability to be productive, then firms will become more efficient because they can produce more output with the same inputs. This means that the marginal product of labor will increase for any given level of labor. Since

the marginal product of labor is the wage at which firms pay employees, a higher marginal product of labor will make it more profitable to hire more labor at the same wage. This causes the labor demand curve to shift right – companies want to hire more as employees get more productive because each worker becomes more useful.

This theory aligns well with the labor market in the real world. "Power tools didn't kill carpentry, Microsoft Excel didn't erase accountants" (RiskHedge, n.d.). They enhanced them. David Autor, an economist, even found that 85% of employment growth in the past 80 years has come from entirely new job categories created by innovation (RiskHedge, n.d.). Put shortly, AI is not a zero-sum race with only winners and losers.

The Bad

Many believe that AI will be the biggest game-changer since the creation of the internet. And, if you follow the money, it certainly seems that way. The biggest technology companies, including Amazon, Meta, Google, and Microsoft are racing, each spending billions on AI research and development. More than 1,300 AI startups now have valuations of over $100 million (CNBC, 2025). A report by UBS even shows that total AI spending is expected to reach $500 billion in 2026 (UBS, n.d.).

These numbers are undoubtedly high, perhaps even too high. People have begun to speculate that the money is creating an "economic bubble". An economic bubble is defined as "a bubble marked by rapidly increasing asset prices that exceed intrinsic value, leading to a sudden market contraction known as a crash" (Investopedia, n.d.). The most notable economic bubbles in history are the dot-com bubble in the year 2000 and the housing bubble which contributed to the 2008 financial crisis. Now, many are drawing parallels between those and recent AI investments. Michael Burry, famous for predicting the 2008 housing bubble and financial crisis that followed, posted on X, "The government will pull out all the stops to save the AI bubble to save the market to save the economy. The problem is too big to save" (Burry, 2025).

Unfortunately, when so much time and money has been invested, it is hard to withdraw efforts. The Bank of America has allocated roughly a third of its total technology spend to AI tools and automation, even though a Bank of America survey shows broader investment sentiment to be cautious, with 60% of investors calling global AI equities overvalued (Bank of America, 2025) (MSN, 2025). It follows then that excessive investment in AI could be attributed to the sunk-cost fallacy. Cambridge Dictionary defines the sunk-cost fallacy as "the idea that a company or organization is more likely to continue with a project if they have already invested a lot of money, time, or effort in it, even when continuing is not the best thing to do" (Cambridge University Press, n.d.). It is possible society is going all in on AI, because past investments feel too large to walk away from, and we're due for a bubble burst soon.

And The Ugly

Arguably, the ambiguity around a future with AI is the worst. Economists and politicians are at a crossroads regarding understanding, expectations, and opinions about AI. They are tasked with creating policy that will guide the economy through these complex times, without having a technical understanding of AI. Representative Jay Obernolte, a California Republican and the only member of Congress with a master's degree in artificial intelligence, told The New York Times, "Before regulation, there needs to be agreement on what the dangers are, and that requires a deep understanding of what A.I. is" (New York Times, 2023). That's tricky too, because, as The Stanford Report puts it "AI is advancing so rapidly that governments may not be able to keep up with its far-reaching effects, including on energy infrastructure, public trust, and national security" (Stanford University, 2025).

While most agree that there need to be guardrails, nobody seems to know what they should look like. Tech moguls, like the CEO of Alphabet Sundar Pichai, are relentlessly pushing for unrestrictive laws that will not hold back the technology (New York Times, 2023). The cost of strangling the technology could slow down innovation and advancements that would change lives for the better (Cato Institute, n.d.).

On the other hand, the less-than-enthusiastic public prefers more restrictive policy out of fear. As per Pew Research, more than half of U.S. adults worry that government regulation of AI will be too lax. Moreso, they have little or no confidence at all in the government's ability to regulate AI effectively and in U.S. companies' ability to develop and use AI responsibly (Pew Research Center, 2025).

The biases pushed in mainstream media both for and against AI, perpetuated by the fixed pie and sunk cost fallacies, showcase the vast range of opinions, and more importantly, the wealth of information available regarding this hot topic. Now that we have all this knowledge, the real danger lies in making the wrong decisions when managing the future of AI.

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SECTION IV: INTERNATIONAL ECONOMICS

This section features research on global trade, international finance, development economics, and cross-border economic relationships between nations and institutions.

Opinion: Greece's Economic Miracle: Between Hope and Reality

Andrea Demelas

Introduction

In August 2004, while all eyes were on Greece as Athens welcomed the Olympics back to their home, the country's unemployment rate stood at 10.6% (World Bank, 2026). Just 10 years later, it had skyrocketed to 26.7%: more than 1 out of 4 Greeks actively looking for a job were not able to secure one (World Bank, 2026). Over the course of a decade, Greece experienced the deepest economic recession in the history of the European Union.

A few years after the crisis, between 2021 and 2025, Greece's economy seemed to be back from the brink. Its Gross Domestic Product grew at an average rate of ~ 4.2%, the 5th highest growth rate among European countries (Papanikos, 2024). In 2024, Greece registered a budget surplus of 1.2% of GDP, and its unemployment rate reached 10% after a steady decline (World Bank, 2026). For a country that has long been viewed as the fiscal black sheep of Europe, Greece's recovery seems to be outstanding. The question is: will it really last?

Greece Crisis: What Really Happened?

Greece emerged from World War II in ruin. Upon returning its focus internally, a civil war erupted in the country, resulting in another three years of conflict (Papanikos, 2024). In the 1950s, Greece experienced an economic miracle fueled in part by foreign funds from the Marshall Plan: the average GDP growth rate for the period 1950-1973 was an impressive 7.3% (Papanikos, 2024). Starting from the 1980s, however, Greece's public finances began deteriorating. Debt rose sharply, the trade balance was persistently negative, and the pension system was unsustainable (Meghir et al., 2010).

In 1999, Greece was the only country in the European Union that did not meet the criteria for joining the Eurozone (Herz & Kotios, 2000). Two years later, after completing a package of reforms, Greece was finally able to adopt the Euro. Just as the country was starting to open its market to its European neighbours, the Great Recession hit in 2008. Thereafter, the Greek economy never fully recovered.

The country suffered three interlinked shocks. First was a sovereign debt crisis. Entering 2008, Greek public finances were already under strain, with a debt to GDP ratio of 103% (Gourinchas et al., 2017). Trust in the Greek government's ability to repay its debt soon collapsed. Second, a banking crisis: before the crisis, Greek banks' private loans accounted for 103% of GDP (Gourinchas et al., 2017). In order to finance this massive lending activity, banks were relying on the wholesale and interbank market – especially foreign ones. When the financial crisis hit, banks lost their source of survival. Lastly, a sudden stop in foreign investments, driven by the lack of trust in Greece's economy. Other European countries were

also hit hard by the crisis. 10 years after its creation, the Euro project seemed to already be on the verge of failing.

Nevertheless, the EU and the International Monetary Fund agreed to provide Greece with two subsequent bailout plans in May 2010 and in February 2012, amounting to a total €240 billion ($318 billion) (Council on Foreign Relations, 2022). Greece received those funds with the promise of implementing spending cuts and tax increases in order to reduce the debt-to-GDP ratio from 160% to 120.5% by 2020 (Council on Foreign Relations, 2022). Greece did not reach this target by 2020 – in fact, the ratio increased sharply to over 200% following the Covid recession (Matsaganis & Manalis, 2022). Nonetheless, the policies seem to have served their purpose as of 2026, albeit at the cost of tax increases, deep cuts to government spending, rising poverty and social unrest (Kouretas & Vlamis 2010).

Finally, Some Hope

After 10 years of crisis, a global pandemic and the shock of the war in Ukraine, almost every economic indicator showed a significant improvement with regard to the previous years in 2024 (World Bank, 2026). Currently, Greece's GDP is growing above the EU average, unemployment is constantly falling, and credit ratings have been steadily upgraded (Pelagidis & Kostika, 2023). Most importantly, Greece is running budget surpluses, meaning that every year it spends less than what it earns (Eurostat, 2025). Budget surpluses are not only new in Greece's history, but also an anomaly in the current trend of the most advanced economies.

Some argue that the outstanding economic recovery that Greece is experiencing in these years might be compared to the economic boom of the 1950s. Indeed, the cumulative GDP losses across 1939-1949 (Second World War and Greek Civil War) and 2009-2019 are very similar, all landing around 22% (Papanikos, 2024). Surely, one of the main reasons explaining the 1950s miracle was the Marshall Plan. Unfortunately, there is no Marshall Plan 2.0 on its way for Greece. However, after the Covid pandemic, the European Union provided its members with a massive recovery package, the Next Generation EU (Papadimitriou et al., 2022). Greece is entitled to receive €30.4 ($35.94) billion, of which €17.7 ($20.93) billion is in grants.

What Still Holds Greece Back?

Greece's economic recovery is an unquestionable fact. However, whether Greece will be able to turn such recovery into constant and persistent growth is indeed very questionable. Greece's debt-to-GDP remains the highest in the eurozone, at 154.2% in 2024 (Eurostat, 2025). Most importantly, though, some key structural weaknesses are holding back Greece's economy.

To begin with, Greece suffers from a high NAWRU (Non-Accelerating Wage Rate of Unemployment or natural rate of unemployment). Every country has a natural rate of unemployment, i.e. that rate that does not create wage pressure, but keeps wage inflation stable. When the unemployment rate decreases, more workers enter the market – the labor supply increases, thus generating a rise in wages. The NAWRU represents the rate at which such a

mechanism is not activated. Greece's NAWRU stands at around 10%: in the labor market's equilibrium, 1 out of 10 job-seeking people is not employed (Papanikos, 2024). In comparison with other advanced economies, 10% is a relatively high value and displays a structural problem.

Surely when output grows, more people will be employed. There is a clear negative correlation between GDP growth and unemployment rate. In economics, this intuitive and empirically verified relationship is known as Okun's Law (Papanikos, 2024). Whilst the sign of the relationship is not arguable, the extent to which the unemployment rate declines following an increase in output, differs across countries and time. This is called Okun's coefficient, and it measures how much unemployment changes for a 1% change in output. In Greece's case, the Okun's coefficient is estimated to be -0.2465 (Papanikos, 2024). This means that for every 1% increase in GDP, the unemployment rate will fall by only 0.2465. In OECD countries (Organisation for Economic Co-operation and Development), the average Okun's coefficient is -0.396 (Papanikos, 2024). In absolute terms, Greece has one of the lowest coefficients. Consequently, an impressive GDP growth would still not translate into an equally impressive drop in unemployment rate.

Finally, Greece showcases the weakest Net International Investment Position in the eurozone. The NIIP represents the difference between external assets and external liabilities. Greece's NIIP stands at -136% of GDP, meaning that Greece owes external investors 136% of its GDP more than what external borrowers owe to Greece (Aligishiev & Blotevogel, 2025). The consequence of such a high NIIP is that Greece is always extremely vulnerable to changes in external financing conditions.

Conclusion

Greece is finally out from the deepest recession. Its economy is currently recovering, though it has not yet reached pre-crisis levels. However, Greece's economic weakness is structural, not cyclical; factors such as a high natural rate of unemployment, low responsiveness of unemployment to changes in output, dependency on external credit, lack of competitiveness, and low profitability will prevent a 1950s-style economic boom from repeating itself in the next decades, unless these deep issues are addressed.

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Opinion: The Narrow Path to Energy Security & Economic Stability

Nathan Lynch

In response to recent military operations that began in late February, Iran has restricted the flow of commercial vessels out of the Persian Gulf. The Strait of Hormuz, bordered to the north by Iran, transports nearly a fifth of the world's oil and gas from the middle east to countries in Asia, Europe, and North America, and its closure has led to supply chain shocks throughout the global economy (Gamio et al., 2026). Despite efforts to open the Strait of Hormuz through ceasefire negotiations, it remains effectively closed, and economies worldwide that rely heavily on oil and gas exports and the flow of vessels through the strait are facing increased instability as the war progresses. Energy disruptions highlight the need for energy diversification as central to economic stability and national security.

The closure of the strait creates consequences far beyond the regional oil market, sparking widespread disruption across global trade, manufacturing, and agriculture. Southern and Eastern Asia are most affected by the blockage, as roughly 78% of oil leaving the strait is destined for countries like China, India, and South Korea (Gamio et al., 2026). Much of the world's manufacturing comes out of said countries, which is why the Federal Reserve Bank of Dallas expects global real GDP growth to lower by an annualized 2.9 percentage points in the second quarter of 2026, a figure expected to worsen if the strait remains closed (Kilian et al., 2026). The globally-benchmarked price of crude oil is increasing significantly, closing higher than $100 per barrel at times, which marks a 43% increase since the strait closed (Business Insider Markets, n.d.). As a result, even countries not dependent on the strait for oil and gas face rising costs and economic disruption. The International Monetary Fund (IMF) substantiates this claim, noting that the economic consequences of energy disruption often leak into other industries and companies, negatively affecting international trade and finances through higher energy costs and increased shipping rates, shrinking margins, and volatility in the global markets. Fertilizer prices provide one of the most prominent examples of this economic ripple effect, as the strait accounts for nearly a third of the world's fertilizer supply (Adrian et al., 2026). A blockade of this magnitude, therefore, increases the risk of global food insecurity. These shocks to countries and industries expose the global economy's overreliance on energy chokepoints and raise supply chain sustainability concerns for many countries.

The oil and gas transport blockage is altering both the economic and geopolitical landscape. China's demand accounts for nearly a quarter of all oil moving through the strait, while India accounts for roughly 13% (Gamio et al., 2026), resulting in both China and India pursuing diplomatic alliances with Iran. China has held talks with Iran to try to secure passage for its oil shipments through the strait. This dynamic introduces a new geopolitical dimension to the blockade, especially if Iran begins selectively permitting passage for certain countries, which may result in larger transformation of geopolitical treaties and alliances (Bao, 2026). South Korea and Japan account for nearly 10% each of the oil that runs through the strait, but

they receive nearly two-thirds of their oil imports from countries in the Middle East (Gamio et al., 2026). As oil demand rises, many oil exporting countries in the Middle East, notably Saudi Arabia and the UAE, have increased exporting oil through their pipelines which have become an additional focus for Iranian attacks in the recent weeks. This chaos has also led to uneven economic recovery for numerous countries, especially for more vulnerable countries that bear much of the burden (Adrian et al., 2026). Countries in Southeast Asia in particular have halted some industrial production, which not only amplifies the Dallas Fed's GDP drag, but also impacts the livelihoods of millions of workers (Sullivan, 2026). Overdependence on oil and gas can be a liability, and countries with more diverse energy sources, distribution networks, and grid security are likely at an advantage in the long run.

These vulnerabilities often reach beyond economic risk, posing clear implications for national security. These previous economic distributions often lead to strategic vulnerabilities, as they are often heavily correlated with military and political responses. Through this lens, dependence on the strait amplifies national security concerns, particularly for the US. For example, the United States is threatening to mount further attacks unless Iran reopens the Strait. Increased U.S. military engagement in conjunction with the possible prolonged closure of the strait risks further diminishing international support for the United States, given the adverse effects on the economic stability of other countries. The IMF warns that long-lasting disruptions could put pressure on global finance by raising hedging and credit costs, increasing debt and borrowing expenses, and potentially pushing countries to form new military alliances that go against U.S. interests (Adrian et al., 2026). Overreliance on this single waterway not only increases economic and military escalation risks but also erodes diplomatic leverage. Countries allied with Iran will continue to seek favorable treatment, reinforcing tensions with the United States.

Given the combined economic and national security risk posed by the dependence on a chokepoint, policy solutions such as accelerating alternative energy adoption, expanding energy and resource reserves, and forgoing diversified trade pacts will help counteract the risks of overdependence on oil and gas, while building long-term economic and geopolitical resilience.

Energy Diversification

Countries around the world should diversify their energy resources. In 2021-22, gas prices surged during a European shortage, as Italy relied on oil and gas for nearly 75% of its energy supply, saw prices increase by 96% at their peak, leading to reduced consumption and high inflation (Eurostat, 2024). On the other hand, countries like France and Spain rely on much more diversified and renewable sources for their energy, and are much more protected than countries like Italy as a result (Adrian et al., 2026). The current situation in Iran is no different. Countries with less reliance on fossil fuels as a source of energy are likely to fare better than countries with a heavy reliance on oil and gas from the region. Countries should pursue policy and invest in infrastructure supporting additional energy sources, with a particular emphasis on nuclear electric and renewables in order to reduce heavy reliance on oil and gas.

Expanding Energy Reserves

Countries and firms should advocate for an increase in energy reserves, extractable deposits of ready to use energy, by stockpiling energy while prices are low. As conflicts or extreme weather-related events arise, having a strategic energy reserve will allow countries and firms to continue production with reduced vulnerability, ensuring constant access. In economic terms, intertemporal substitution smoothes consumption and production in the long term, thus allowing for more long-term economic security.

Trade Diversification

Finally, countries should pursue measures to diversify trade routes and partnerships, especially for goods and services essential to the world economy. Pipeline infrastructure and more diversified trade alliances will reduce chokepoints similar to that in the Strait of Hormuz (Adrian et al., 2026). Diversified networks of the energy grid also alleviate national security concerns, as non-centralized grids allow for a decrease in a few vulnerable targets, which would reduce the possibility of allowing bad-actors to completely shut down energy-dependent systems.

Conclusion

In recent years, we have seen a remarkable increase in energy demand for our world economy. Artificial intelligence, data centers, and quantum computing are becoming increasingly entwined with our industries, governments, and daily lives. As a result, it is ever more apparent that pursuing energy diversification policy is necessary for the future of global welfare, security, and innovation. Proper implementation of these policies will result in less dramatic global shocks to energy prices and more stability from global GDP output. The Strait of Hormuz crisis signals to the world that single-source energy dependence undermines national security, fosters geopolitical volatility, and undermines economic stability. International policymakers must prioritize diversification in energy sources, alliances, and strategic reserve infrastructure to help secure nations and their futures alike.

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Under the Ice: Greenland's Importance in the Global Green Economy

Amelia Repp

Most people are familiar with the age-old marketing scheme behind the naming of Iceland and Greenland. Around 982 AD, Erik the Red, a Scandinavian settler who had been previously exiled from Iceland, arrived at an expansive landmass in the North Atlantic Ocean, covered 80% by ice (Evans, 2016). Despite its snowy, barren landscape, he named it Greenland, hoping to attract future settlers to build a sustainable community (Evans, 2016). Today, this same ice-covered island, now an autonomous territory under the European nation of Denmark, has emerged in global headlines due to a renewed interest from United States President Donald Trump in acquiring the territory. This sudden attention raises questions of Greenland's value: what lies beneath the 1.7 million square kilometers of ice (National Snow and Ice Data Center, 2026)?

Greenland has been considered a Danish territory for more than three centuries, but in 2009, the Folketing (Parliament of Denmark) passed the Act on Greenland Self-Government, which expanded Greenland's autonomy, granting the island authority over most of its domestic affairs, while Denmark retained control over foreign affairs, monetary policy, and defense (Roy, 2026). Additionally, as part of Denmark, Greenland falls under NATO security guarantees, though it is not part of the European Union (Roy, 2026). In recent months, American interest in Greenland has been driven by both national security and economic purposes. Greenland occupies a critical position in the North Atlantic between North America and Europe, making it an ideal location for military surveillance, especially regarding Russian activity (Roy, 2026). The United States already maintains a military presence at Pituffik Space Base, located in northwestern Greenland, which plays a key role in missile detection and space surveillance (Roy, 2026). Expanding American control in Greenland would enhance US capabilities to monitor the region.

Economically, Greenland is home to high concentrations of critical minerals—resources for which demand has recently skyrocketed due to their necessity in modern technology. In recent years, critical minerals have become a core pillar of global power, economic competition, and environmental policy (Council on Foreign Relations, 2025). Often described as part of a "race" for geopolitical stability and technological advantages, critical minerals are resources necessary for the development of renewable energy technologies, national security, and economic growth (Carr-Wilson et al., 2024). For centuries of human civilization, the demand for these resources was relatively low due to a lack of necessity in mass quantities. Today, however, critical minerals are vital components of over 200 technological products, including computers, laptops, and cell phones (American Geosciences Institute, 2026).

Additionally, these minerals are necessary inputs of low-carbon technologies like wind turbines, electric vehicles, solar panels, hydrogen production, and catalytic converters (Loewen, 2026). In order to achieve net-zero greenhouse gas emissions by 2050, the overall demand for critical minerals is estimated to increase by a factor of six, and as much as a factor of 40 for certain critical minerals (Carr-Wilson et al., 2024). As a result, this industry is increasingly referred to as "a new oil," reflecting its similarities in necessity and role in shaping global power dynamics (Carr-Wilson et al., 2024).

Cobalt and lithium, for example, are critical minerals necessary in the production of rechargeable lithium-ion batteries, which are used to power electric vehicles (EVs): a key proponent of the clean energy shift. In order to achieve carbon neutrality in the US by 2030, the industry would require a significant scale-up in the number of EVs used from the current 2.5 million to 44 million (Carreon, 2023). Therefore, as demand for EVs will increase, demand for the critical mineral inputs will follow.

Current supply-side issues with critical minerals arise from two key areas: geological supply concentrations and limited processing capabilities. Geological concentrations of critical minerals and the ability to process these materials limit control over critical mineral supply to only a few governments and countries around the globe, presenting supply chain vulnerability. 75% of the world's cobalt, for example, comes from Chinese-controlled mines in the Democratic Republic of the Congo (DRC) (US Department of Energy, 2026). Although the DRC, along with several other Sub-Saharan African countries, has high concentrations of critical minerals, most resources are exported to China for refinement (Uchumi360, 2026). Australia, similarly, is a major source of critical minerals but relies on China for trade and processing (Sherman, 2025).

This reflects a broader trend of supply chain dominance: China is almost exclusively the world's critical mineral refiner. The nation leads the globe in the processing of 19/20 "strategic minerals," or critical minerals vital to renewable energy and national security efforts (International Energy Agency). The country holds a quasi-monopoly for midstream and downstream supplies of lithium-ion batteries, holding shares above 95% for inputs in battery production (International Energy Agency). China's market dominance allows it to employ methods of weaponization of trade: leveraging its resource dominance for tariffs and export controls on other countries (Columbia School of International and Public Affairs, 2020). In April 2025, China enforced export restrictions on seven rare earth elements and other inputs in automotive production. The export controls resulted in production stress within the automotive and related industries in Europe and the United States, leading to increased prices for consumers (International Energy Agency). This example illustrates how the concentrated control of critical minerals leads to supply chain vulnerability and geopolitical tensions.

Thus, Greenland presents an incredible opportunity for the United States to reclaim a level of dominance within the critical mineral supply chain and, consequently, the green energy transition. Greenland is home to "25/34 elements deemed critical by the European Commission," including graphite, copper, nickel, and zinc (Luoma et al., 2025). The territory possesses an

estimated 36 to 42 million metric tons of rare earth metals, which would make it second only to China in terms of global deposits (Gilliver, 2026). Many of these resources face extreme global supply constraints, with only about 130 million metric tons available of the 300 million necessary (US Department of Energy). In Greenland, however, these minerals remain largely untouched (Luoma et al., 2025). Therefore, an American-controlled base on Greenland would provide a substantial American supply of resources necessary for a green transition, phasing out fossil fuel usage (Gilliver, 2026).

Though Greenland holds a significant supply of critical mineral resources, their extraction is often hindered by environmental concerns from locals and the Inuit Circumpolar Council (Inuit Circumpolar Council, 2026). Following pressure from the ICC and the public, in December 2021, Greenland's Parliament passed Act No. 20, which banned the exploration and extraction of uranium in Greenland (Inuit Circumpolar Council, 2026). Since then, the ICC has continued to advocate for equitable and ethical protocols for mining operations in the region (Inuit Circumpolar Council, 2026).

The future of Greenland's control remains uncertain over the next decade. Proposals by President Trump to acquire the territory have been met with strong opposition from both Greenland's government and its population. In April 2026, Prime Minister Frederik Nielsen responded to these comments by stating, "We are not some piece of ice. We are a proud population of 57,000 people, working every single day as good global citizens in full respect for all our allies" (Jacobsen et al., 2026). Similarly, the ICC has continued to advocate for continued peace in the region, urging all international countries, including the US, to "uphold international law and rules-based order" (Inuit Circumpolar Council, 2026). Yet, as countries increasingly transition toward renewable energy and sustainable technologies, Greenland's supply of critical minerals will become an even more strategically important asset in the global green energy transition. Thus, international pressure for its control is likely to persist.

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SECTION VI:

RESEARCH

Articles in this section present original empirical or theoretical research, including econometric studies, experimental work, and methodological contributions to the field of economics.

For length considerations, only the abstracts of the Research articles have been published in this issue. To read the papers in full, please visit the Michigan Journal of Economics website.

How Will the Dobbs v. Jackson Decision Affect States in the Coming Decades?

Marin Gallimore

Abstract

Historical precedent suggests that abortion bans decrease labor market participation (Mølland, 2016 and Hoffman et al., 2022), while increasing dependence on welfare (Gruber et al., 1999), poverty rates (Gruber et al., 1999), and crime rates (Donohue and Levitt, 2001). This research examines how the Dobbs v. Jackson decision has already affected the United States, and how it could affect various states in the future, given their differing abortion policies. Comparing Texas to California, Tennessee to Illinois, Mississippi to New York, and Georgia to Michigan, this research contrasts the effects of these states' varying abortion policy on real gross domestic product, total employment, medical residency enrollment, health and human services spending, and public opinion polls to determine the current effects of abortion bans and restrictions in different states. Results support the theory that states with abortion bans and restrictions are economically worse off than states that protect abortion access, while also showing that some states are more prone to these outcomes than others. Additionally, public opinion plays a key role in where young workers, as well as corporations, may choose to locate in the future, which could have catastrophic consequences for states with abortion bans and restrictions. The impacts that the data currently shows will likely snowball in the future, and could drive an economic divide between states with abortion access and those without.

Read the entire article here!

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Reshaping, Not Replacing: Institutional Control in the Post-Reform College Athlete Labor Market

MacLaine Gray

Abstract

This study evaluates whether the recent reforms in collegiate athletics, specifically Name, Image, and Likeness (NIL) compensation, expanded transfer mobility available to athletes, and revenue-sharing, have fundamentally reshaped the college athlete labor market or have simply altered the mechanisms through which existing institutional control is exercised. By drawing on labor economics theory, particularly theory regarding monopsony and oligopsony power, in addition to literature regarding labor markets in professional sports and superstar income distribution, this paper applies a comparative institutional framework to assess changes across three periods: the pre-reform amateurism model, the transfer liberalization era, and the current NIL plus revenue-sharing environment.

While reforms have expanded both opportunities for athlete compensation and athlete mobility, these reforms have not produced a fully competitive labor market. Rather, these reforms represent a partial liberalization of the college athlete labor market in which prior institutional constraints remain in modified forms. Transfer portal data indicates an increase in athlete mobility, but placement outcomes suggest that many athletes continue to lack credible outside options, thereby limiting their bargaining power. In a similar way, NIL compensation has generated substantial aggregate earnings; however, these earnings are highly concentrated among elite athletes and are often mediated through collectives that are institutionally affiliated, simply reinforcing existing power dynamics between institutions and athletes. When revenue sharing introduces direct compensation from institutions, it operates within capped limits and without a collective bargaining process, further differentiating the present system from a truly decentralized market system.

The post-reform collegiate athletic labor market reflects a hybrid system combining elements of competition with continued institutional regulation. In accordance with broader economic theory, the partial reforms in collegiate athletics have not completely eliminated monopsony power but have instead altered the mechanisms by which monopsony power is exercised. In contribution to ongoing debates concerning collegiate athlete compensation and labor rights, these findings suggest that an expansion in earning opportunities alone is insufficient to dismantle structural labor market constraints.

Read the entire article here!

Digital Transformation, Productivity, and Inequality: How Fintech Adoption Reshapes Economic Growth

Dev Mathur

Abstract

Digital transformation is reshaping global economic activity, and yet, its effects on productivity and inequality remain uneven across countries, firms, and labor markets. This study examines how fintech adoption and digital infrastructure influence economic growth and income distribution across global economies. The research analyzes the dual role of digital technologies as drivers of efficiency and sources of structural disruption through drawing on Solow's productivity paradox and Schumpeter's concept of creative destruction. And by using a mixed-methods approach, the study combines cross-country panel data with firm-level evidence between 2010 and 2024. The analysis evaluates the relationship between the Digital Adoption Index and measures of labor productivity and income inequality. The findings suggest that digital adoption significantly increases productivity; its impact on inequality is conditional on institutional quality, access to infrastructure, and human capital distribution.

Read the entire article here!

Compounding Disadvantage: Incarceration, Mental Illness, and Economic Outcomes Across Intersectional Identities

Lena Moltzen

Abstract

In the U.S., various racial, ethnic, and gender groups experience incarceration, mental illness, and their combined effects differently. Prior research has shown that these groups experience mental health treatment inequities while in prison, but has not examined the economic impacts faced by these groups after experiencing these inequities. This study examines the differences in income and employment levels after these groups experience incarceration and mental illness. The study utilized a comparison of mental health treatment in prison to establish the differential experiences of these racial and ethnic groups in prison. Then a quantitative analysis of data from 1997 to 2019 was completed to analyze the differing economic outcomes in terms of income and employment rates after these groups experienced incarceration and mental illness. The results show that the combined effects of incarceration and mental illness worsen economic outcomes for all groups, but the intensity of this loss in economic well-being varies by group. This affirms prior research that indicates that incarceration and mental illness lead to worsened economic outcomes, as well as research that suggests these demographic groups may respond differently to the interaction between different variables. More research might investigate why different groups experience worse economic outcomes than others, which could inform future policy decisions.

Read the entire article here!

A Two-Headed Dragon: China's Shipbuilding Industry and Military Procurement

Alexandre Paris

Abstract

In the decades since World War II, East Asia has emerged as a dominant force in global shipbuilding, with Japan, South Korea, and China now leading the industry. China also now possesses the world's largest surface fleet by vessel count, surpassing the United States Navy in 2023 (CSIS 2024). This paper analyses the historical and policy-driven factors that shaped the development of the South Korean and Chinese steel and shipbuilding industries. It begins with a review of the post-war industrial strategies implemented by both countries, highlighting how government policy played a central role in directing resources and shaping market dynamics. The second section explores the nature of state-business relations, focusing on the strategic alignment between each government and its leading industrial conglomerates. The paper then turns to the intersection of industrial policy and national defense, analyzing how these firms contribute to military procurement and the broader national security apparatus. This research determined that the governments of both China and South Korea were instrumental in developing their industries. Through a comparative analysis of existing literature, the study finds that in both countries, shipbuilding conglomerates are tightly interwoven with state objectives, with reciprocal dependencies emerging between the state and industry. Ultimately, this paper underscores the critical role of the state in fostering industrial capacity and leveraging it for strategic advantage in global markets and defense readiness.

Read the entire article here!

References

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