

The 'Vibecession': a Disconnect Between Data and Perceptions

Christopher Clarke, PhD
Washington State University

EconEd, Fall 2024

Index of consumer sentiment, United States



*Excluding current aggregate consumer spending

The Economist



kylascan
Kyla Scanlon

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in this economy?

beware the spam bots

almost daily econ videos

Book

kylascanlon.com

The New York Times

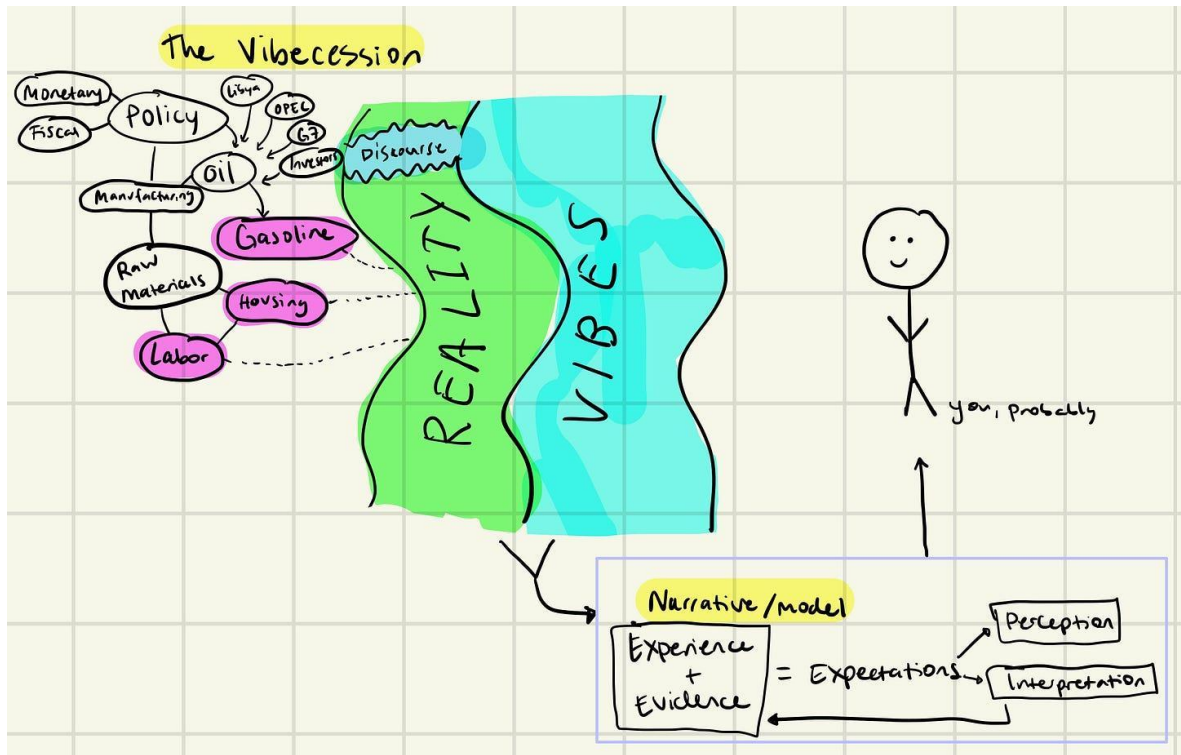
OPINION
GUEST ESSAY

The Vibes in the Economy Are ... Weird. Really Weird.

Aug. 4, 2022

By Kyla Scanlon

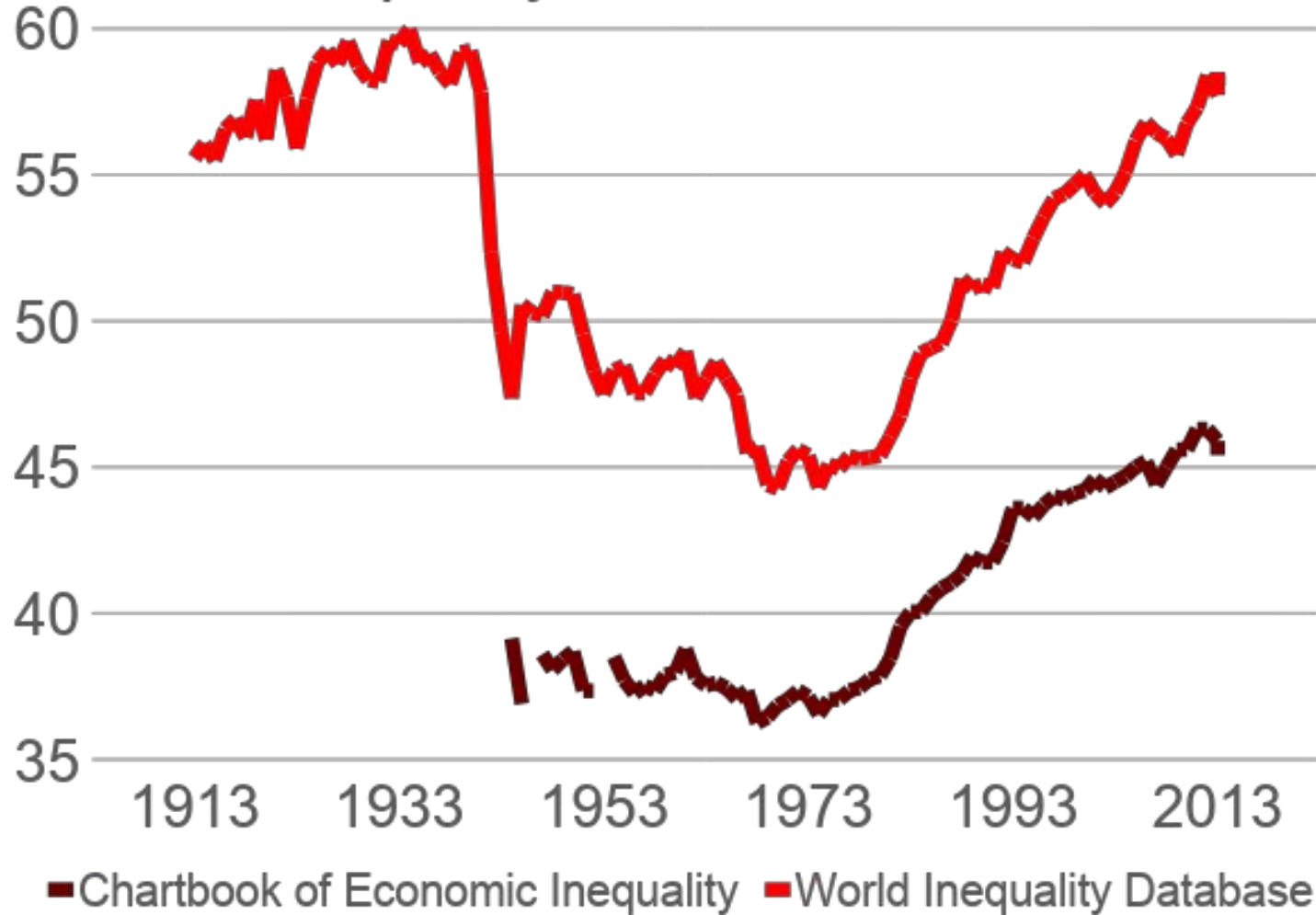
Ms. Scanlon is a researcher and educator who writes a newsletter about the economy and markets.



“Vibececession”

June 13, 2023

Inequality: Gini Coefficient



Causes. 1: Inequality

It's the only "hard" measure of the economy similar to the 1930s.

<https://www.chartbookofeconomicinequality.com/inequality-by-country/usa/>

https://wid.world/data/#countrytimeseries/gptinc_p0p100_z/US/1913/2022/eu/k/p/yearly/g

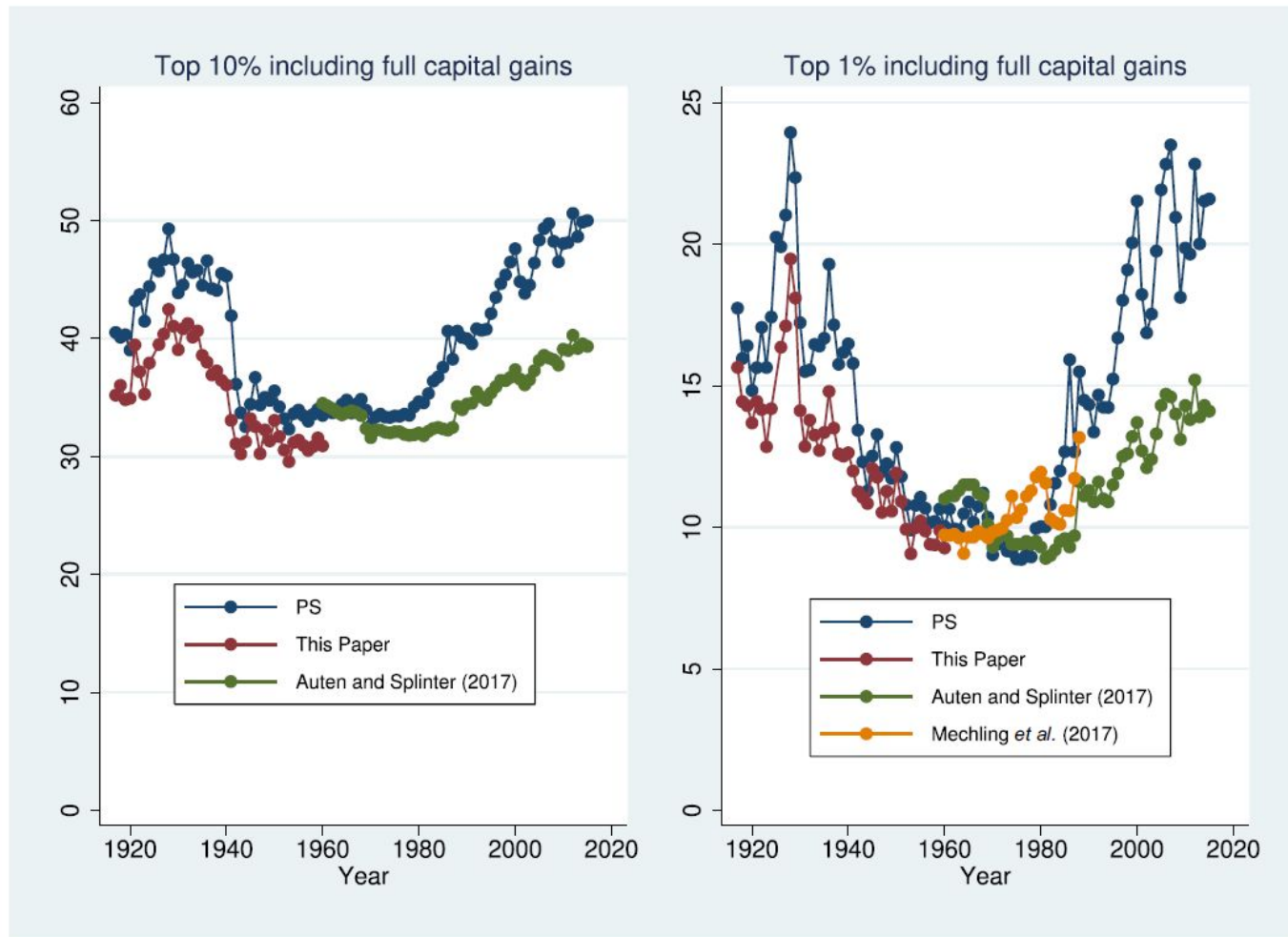
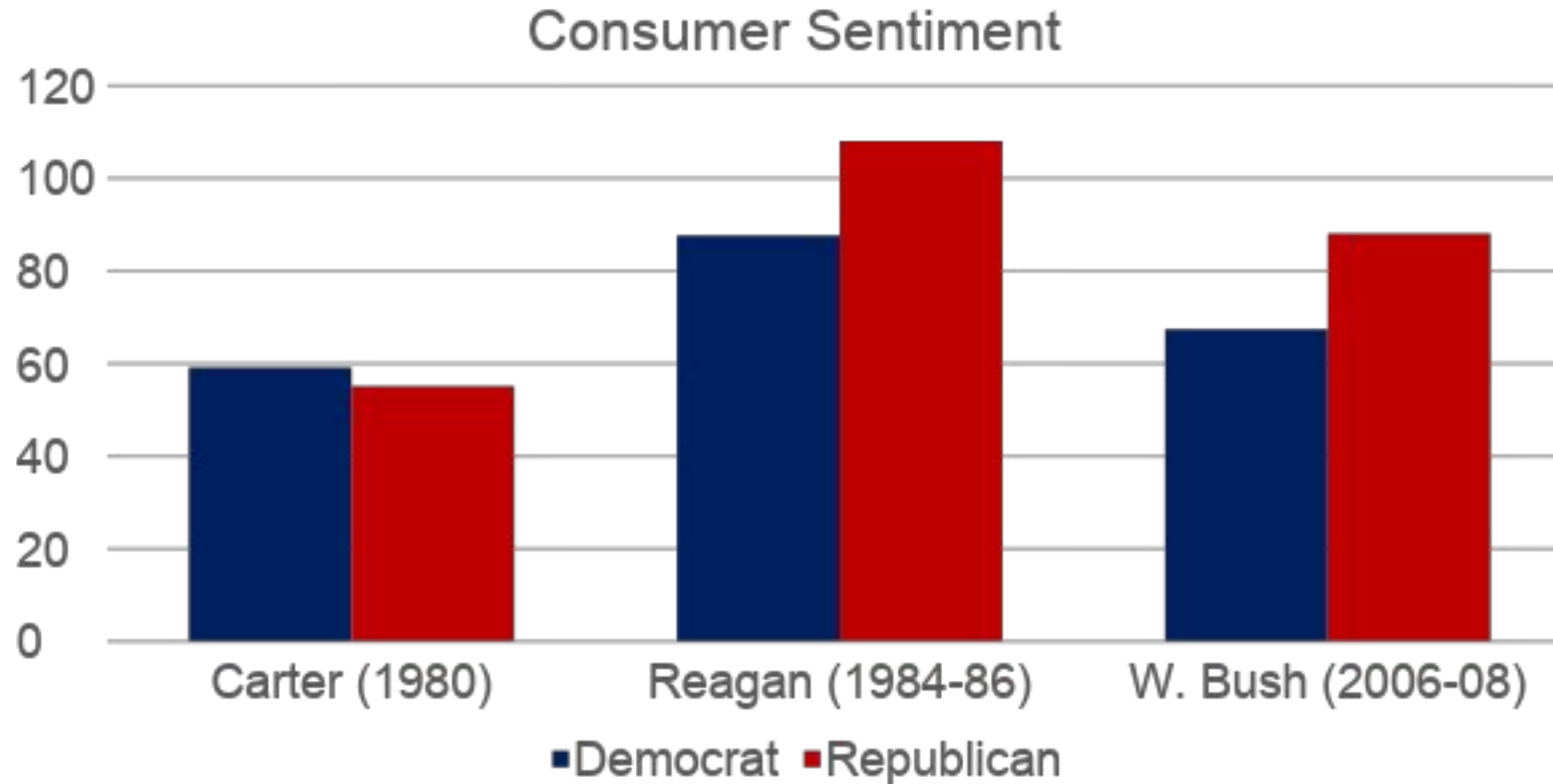


Fig. 12. *Different Inequality Series, 1917–Today.*

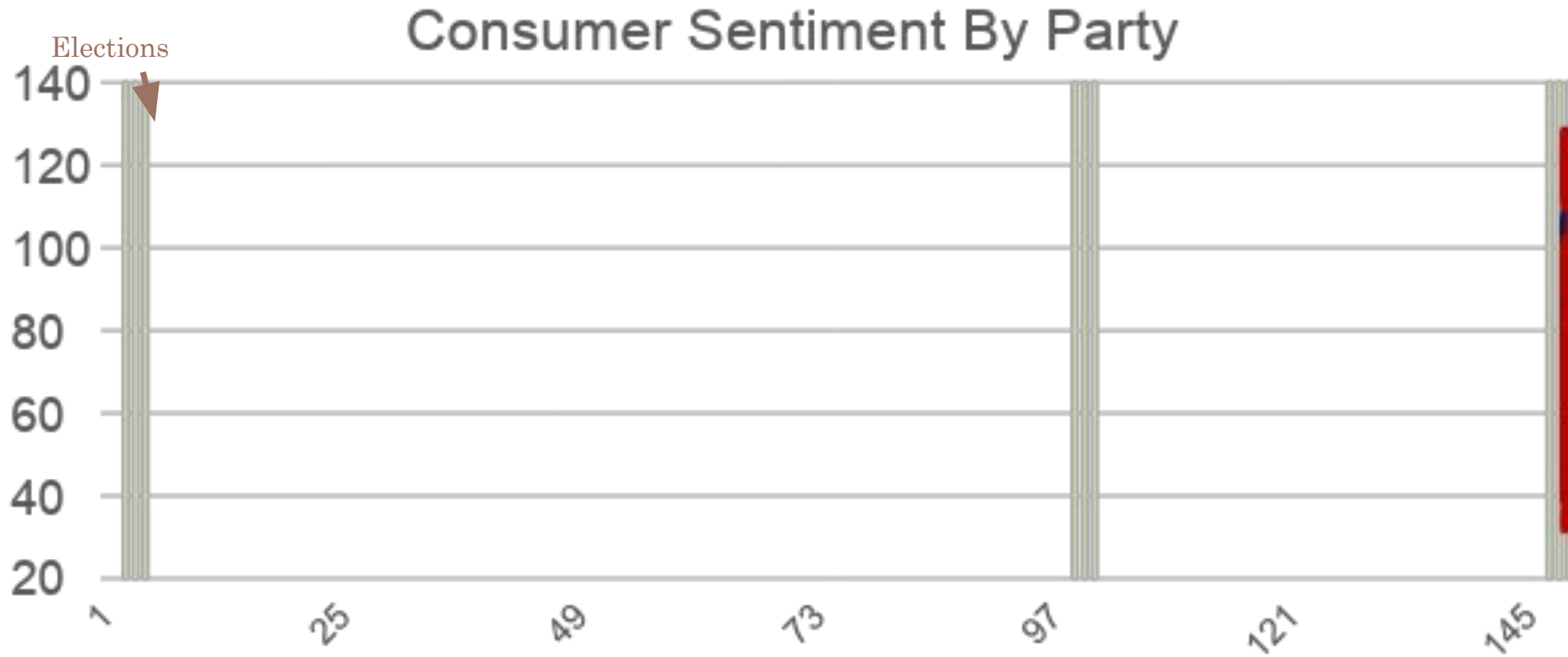
- There are controversies around the Piketty et al data.
- But more recent estimates still find similar levels of inequality today as the 1930's.

Geloso, Magness, Moore, Schlosser. [“How Pronounced is the U-Curve? Revisiting Income Inequality in the United States, 1917-60.”](#) *The Economic Journal*.

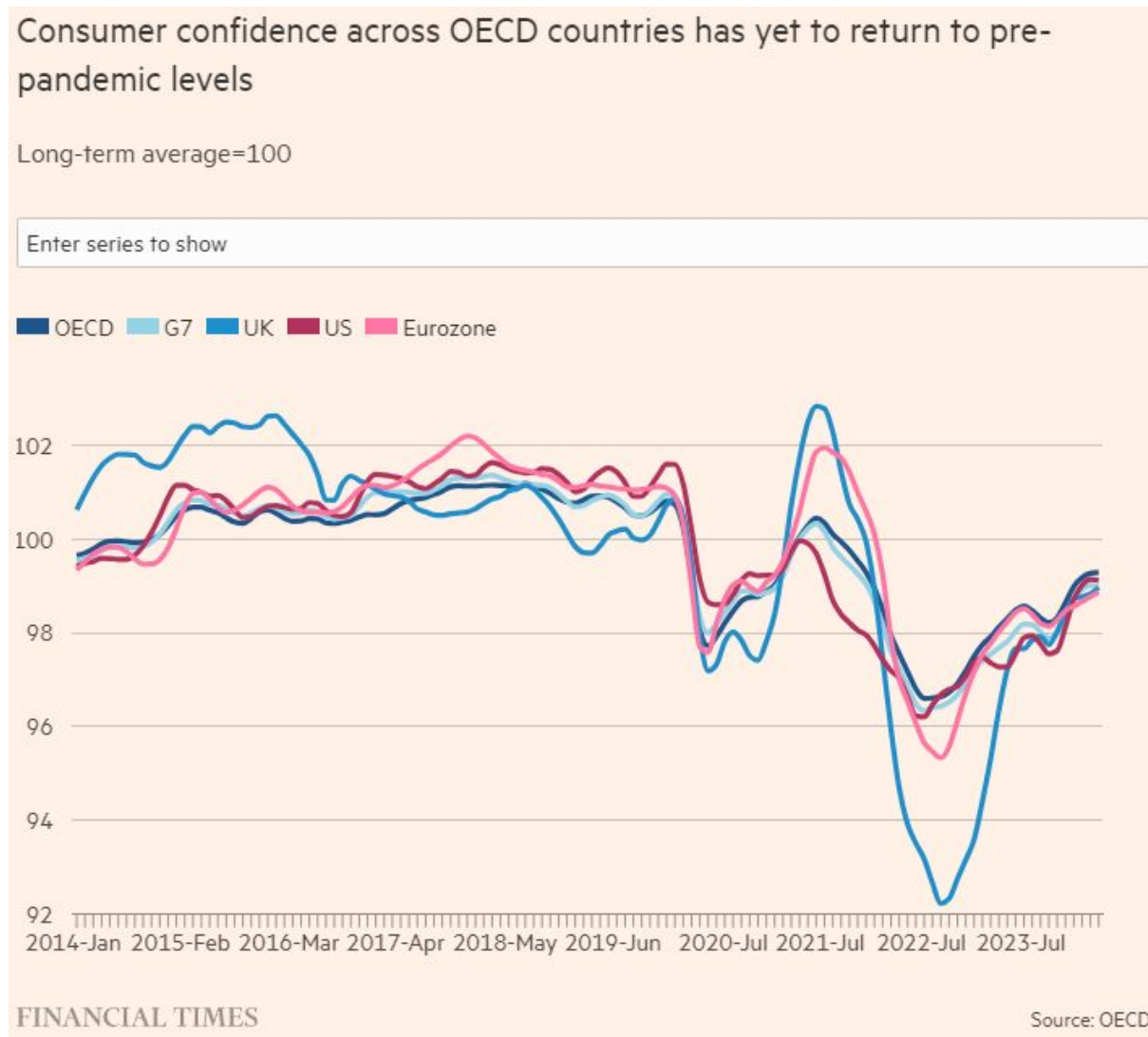
Causes. 2: Partisanship



Causes. 2: Partisanship



But The Prolonged Drop In Consumer Confidence Is International. Must Be More Than Partisanship



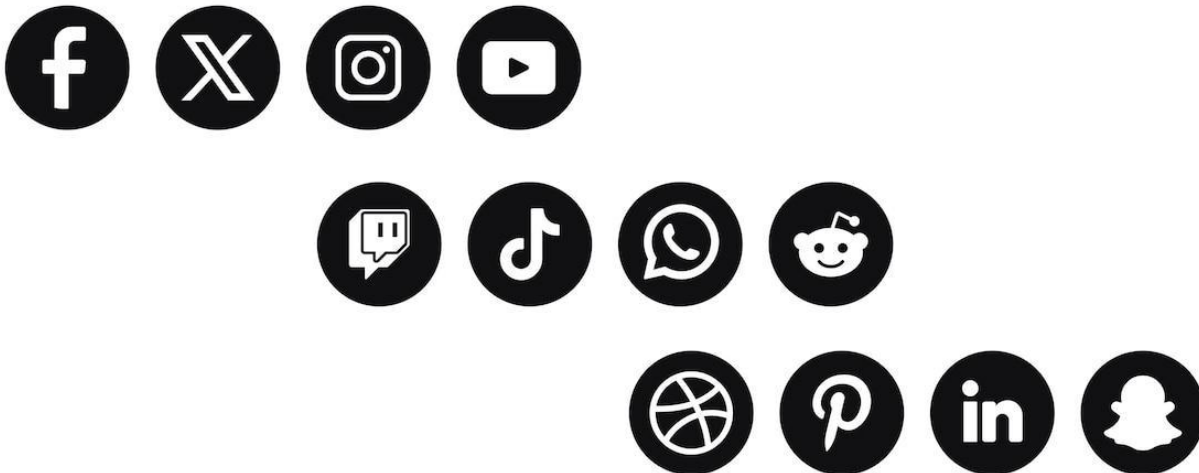
Causes. 3: Social Media

Negativity Bias

Sensationalist Bias

Algorithmic manipulation from foreign countries

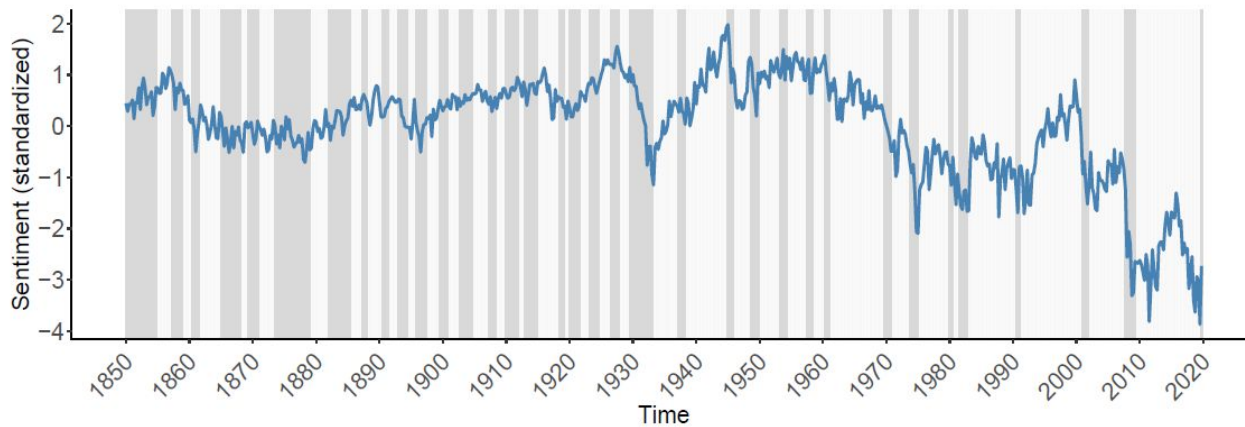
“Silent Depression” started on TikTok.



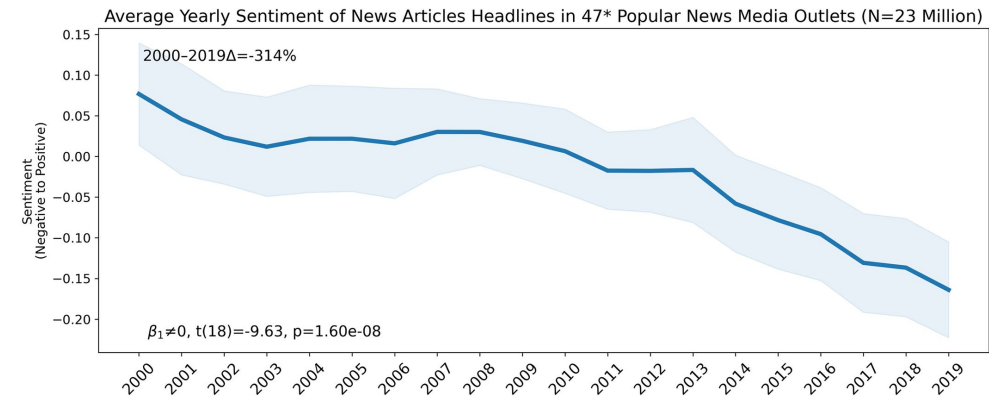
Causes.

4: Traditional Media

Figure 4: National Economic and Non-economic Sentiment



Negativity/Sensationalist Biases



* Alternet, Democracy Now, Daily Beast, Huffington Post, The Intercept, Jacobin, Mother Jones, The New Yorker, The Nation, Slate, Vox, CNN, New York Times, ABC News, The Atlantic, BuzzFeed, CBS News, The Economist, The Guardian, NBC News, POLITICO, TIME, Washington Post, NPR, Associated Press, BBC, Bloomberg, Christian Science Monitor, REUTERS, The Hill, USA Today, Wall Street Journal, Reason, Washington Examiner, Washington Times, Fox News, American Spectator, Breitbart, The Blaze, Christian Broadcasting Network, The Daily Caller, The Daily Mail, The Daily Wire, The Federalist, National Review, New York Post, Newsmax

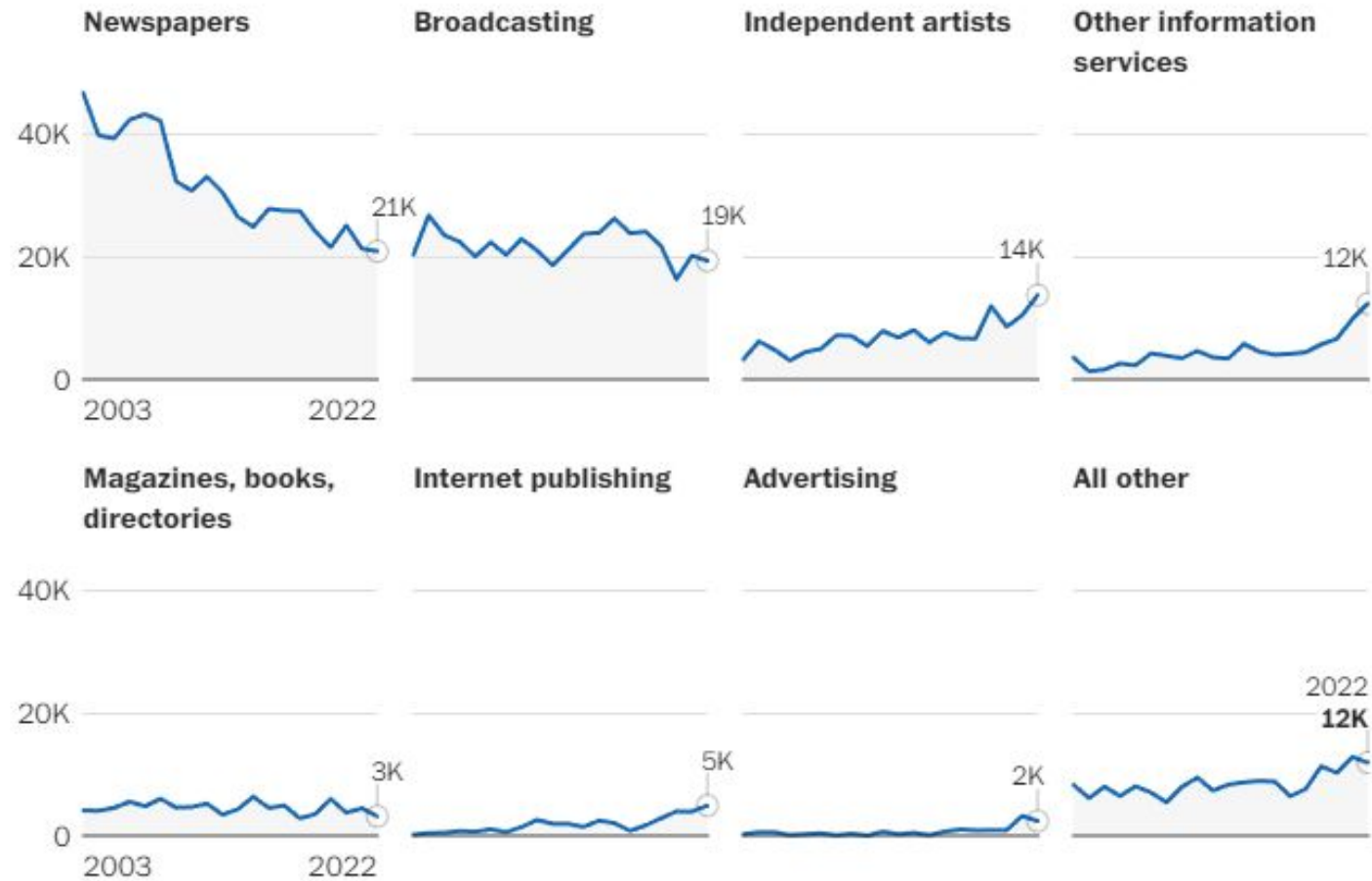
Binsbergen, Bryzgalova, Mukhopadhyay, & Sharma (2024) “(Almost) 200 Years of News-Based Economic Sentiment” NBER Working Paper

Rozado, Hughes, Halberstadt (2022) “Sentiment and Emotion in News Media Headlines.” PLoS ONE.

Causes. 4: Traditional Media

Traditional outlet reporters are experiencing a dramatic negative industry shock. Mass Layoffs for over a decade

Where reporters are working, if not newspapers



Source: Census Bureau's American Community Survey via IPUMS

DEPARTMENT OF DATA / THE WASHINGTON POST

Causes.

4: Traditional Media

Emphasis on Tech industry over and above their economic representation.

NPR

Nearly 25,000 tech workers were laid off in the first weeks of 2024. Why is that?



Silicon Valley
still-historical
Jan 28, 2024

CNBC

Google lays off hundreds of 'Core' employees, moves some positions to India and Mexico



Google is laying
key teams and
May 1, 2024

TechCrunch

A comprehensive list of 2024 tech layoffs



From major layoffs at Tesla, Amazon and Microsoft to small fintech startups and apps
... The tech layoffs

Reuters

Apr 5, 2024

Tech layoffs continue after 'Year of Efficiency'

Big Tech's "Year of Efficiency" may be over but recent layoffs at Google and Amazon have signaled the firm's return to growth



Jan 16, 2024

Spotify to cut 17% of staff in the latest round of tech layoffs

In a memo addressed to staff, CEO Daniel Ek said it was necessary for the company to "rightsize" after hiring too many people during 2020 and 2021.

Dec 4, 2023



Causes.

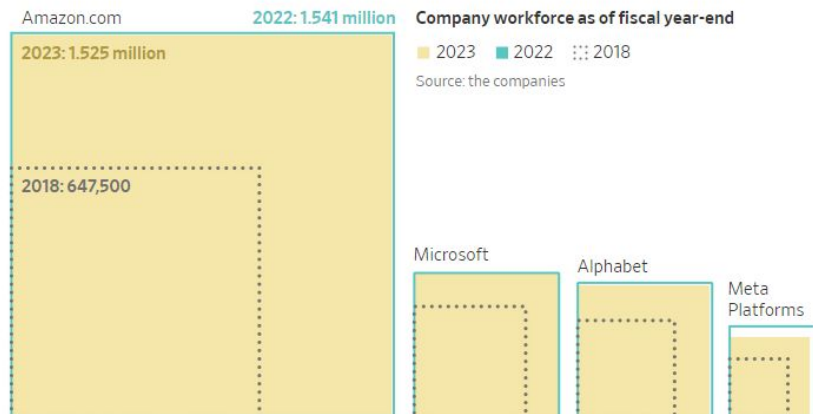
4: Traditional Media

THE WALL STREET JOURNAL

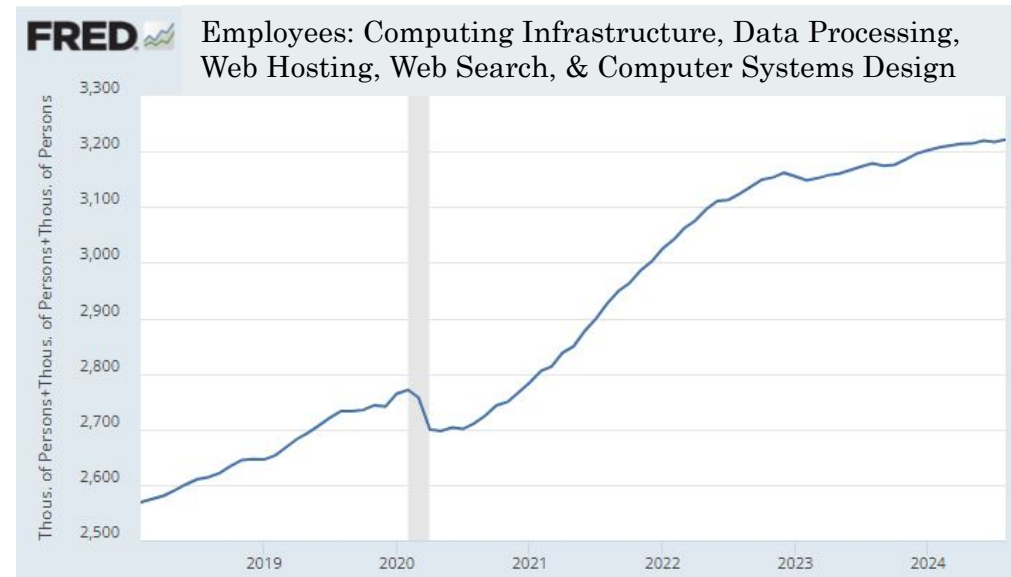
ECONOMY | JOBS

Tech Layoffs Keep Coming. Why Is Head Count Barely Budging?

Microsoft, Meta and Amazon are among the companies dwarfing their old selves, despite announcing hefty job cuts

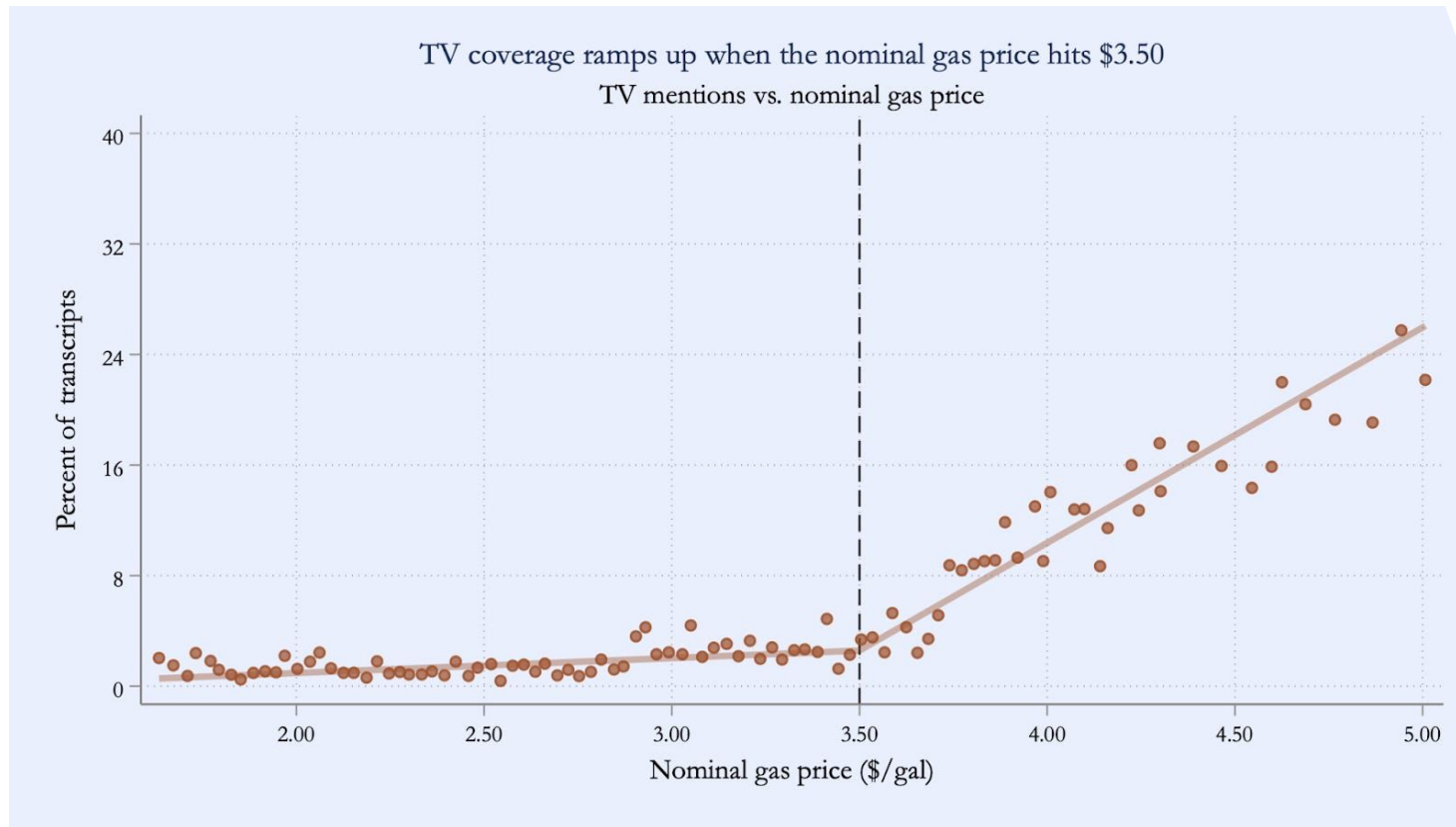


By [Theo Francis](#) [Follow](#) and [Alana Pipe](#) [Follow](#)
Feb. 29, 2024 5:30 am ET



Causes.

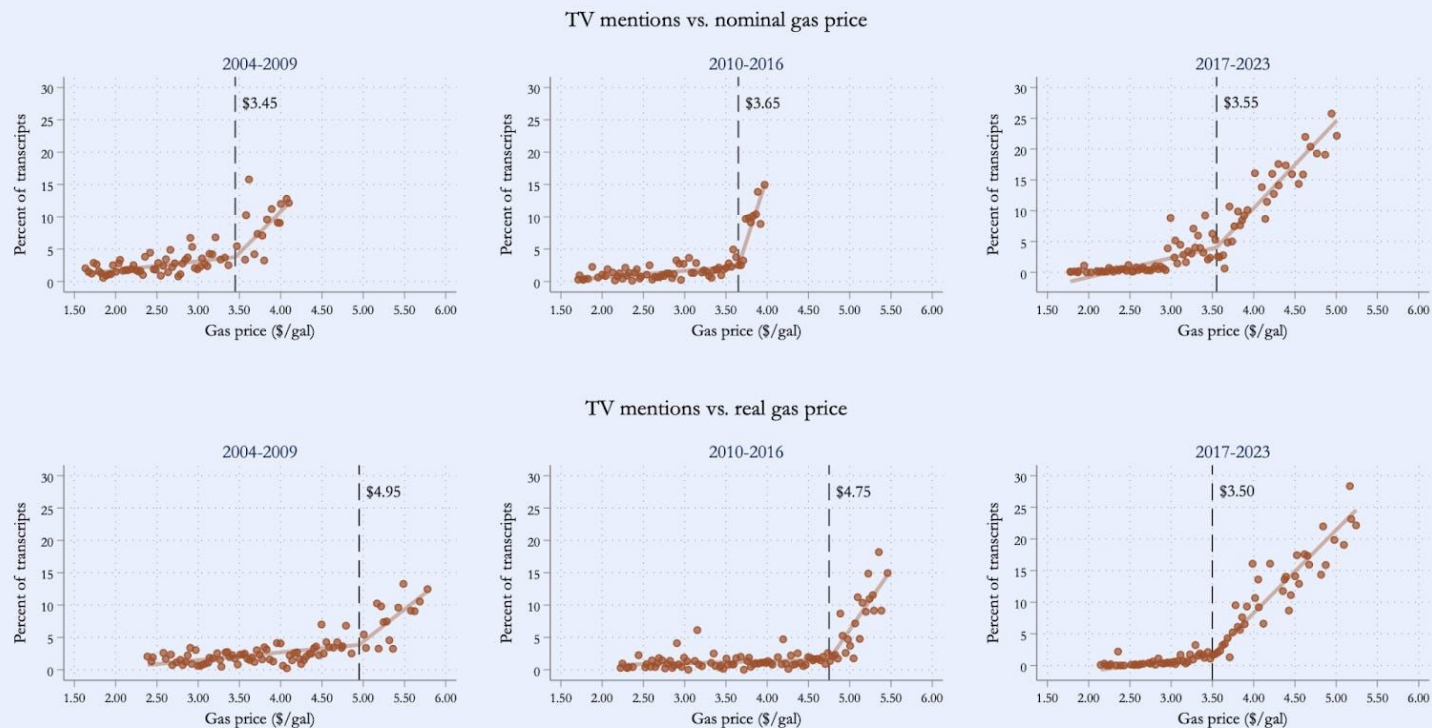
4: Traditional Media - Gasoline



Cummings, Fraccaroli, Mahoney (May 6, 2024)

<https://www.briefingbook.info/p/bad-news-bias-in-gasoline-price-coverage>

The inflection point has decreased by one-third in real terms

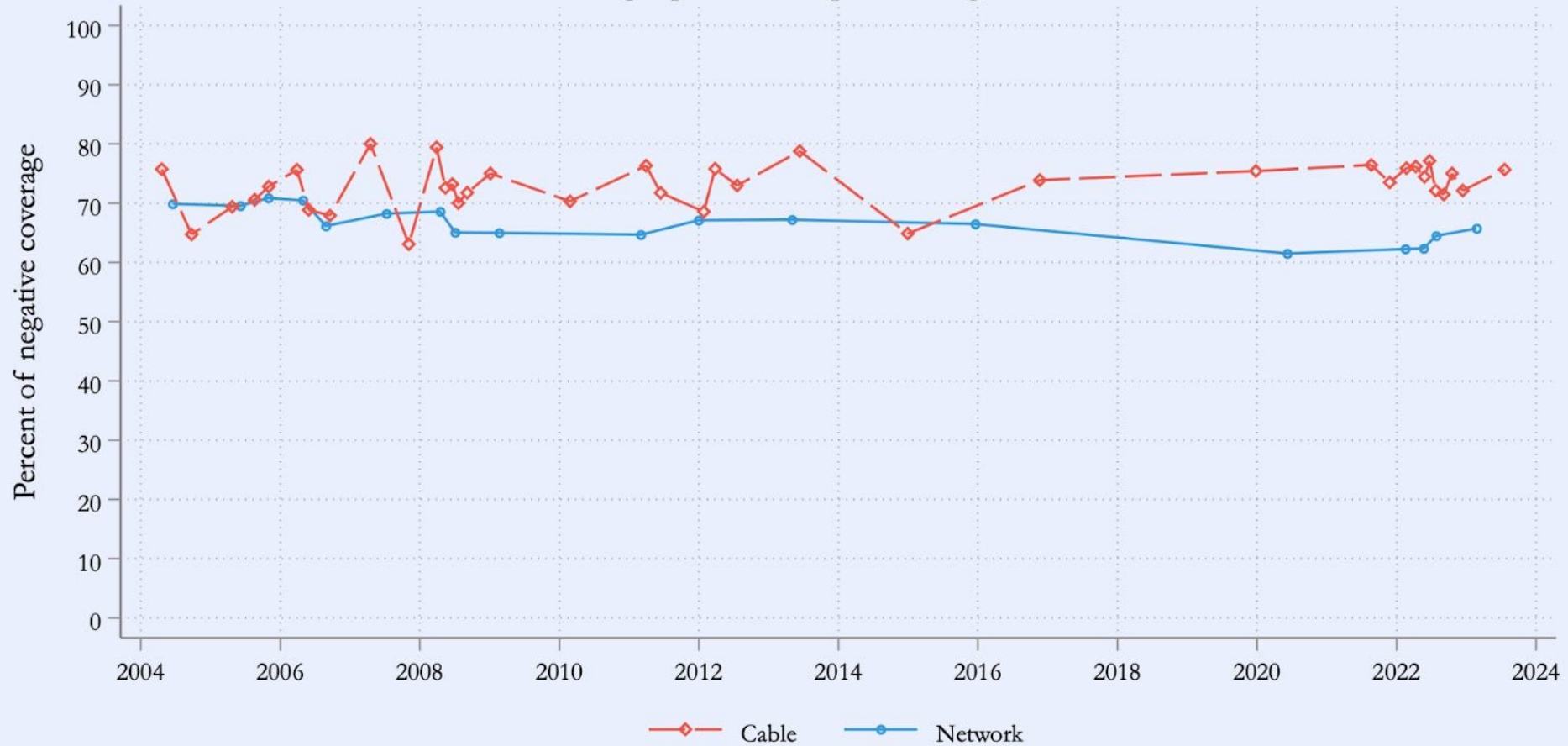


The Nominal Threshold Remained Constant.

While The “Real” Threshold Declined.

Had the same media environment from 2007 existed today, the media would only have run gas price stories for two months.

Gas price coverage is consistently negative Share of gas price transcripts with negative sentiment



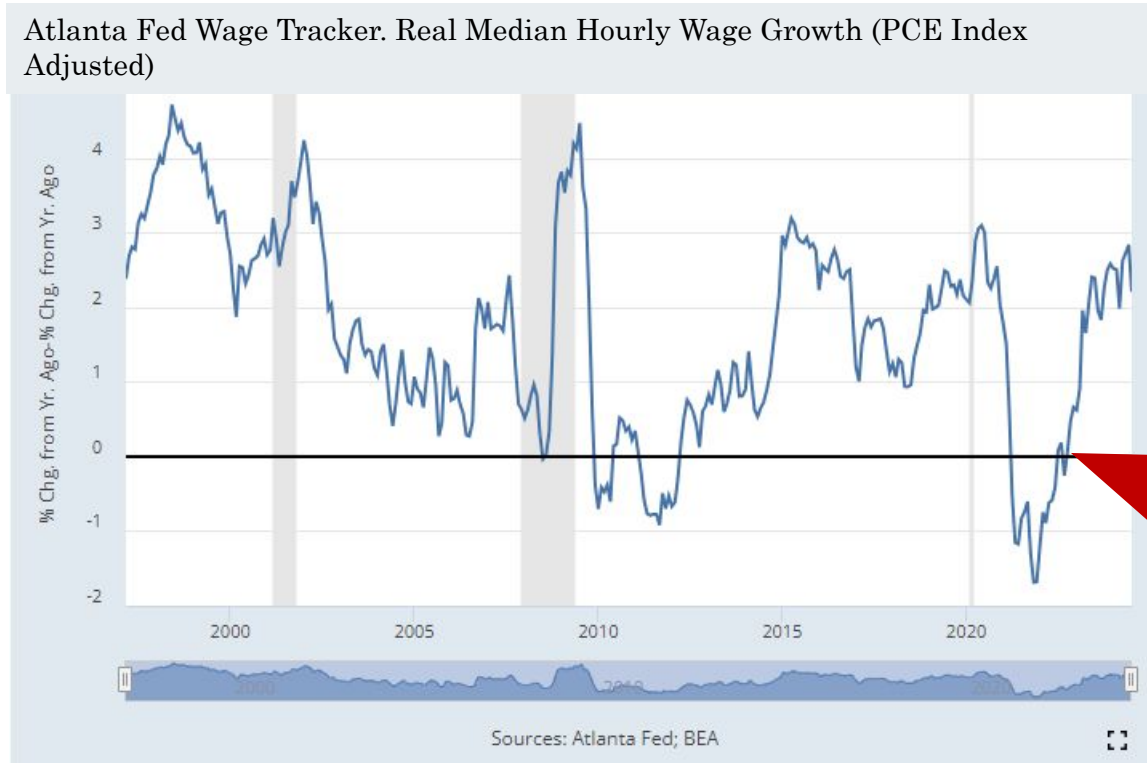
Maybe, they write stories when gas prices decline? – It appears not.

Causes. 5: Inflation



<https://fred.stlouisfed.org/graph/?g=1u8i8>

Real Wages Declined '21-'22



<https://fred.stlouisfed.org/graph/?g=1u8ht>

Money Illusion



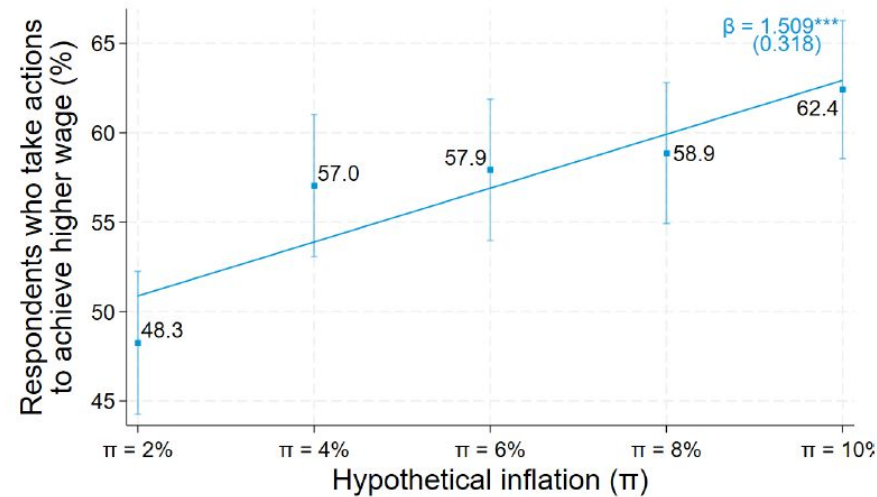
- Term goes back to David Hume:
 - “The Illusion” of changing nominal prices vs changing real prices.
 - Political Discourses (1752)
- Today, we mean that people pay attention to prices going up but ignore wage increases.

$$\text{Real Wages} = \frac{W}{P}$$

But Maybe It Isn't All "Illusion"

- Guerreiro, Hazell, Lian, & Patterson (Sept 2024) "Why Do Workers Dislike Inflation? Wage Erosion and Conflict Costs." NBER
- Prices happen to consumers.
- Wage increases require costs. New jobs, negotiating with new/old bosses.
- Workers are willing to sacrifice 1.75% of their wages to avoid conflict.

Figure 4: Inflation and the Probability of Conflict



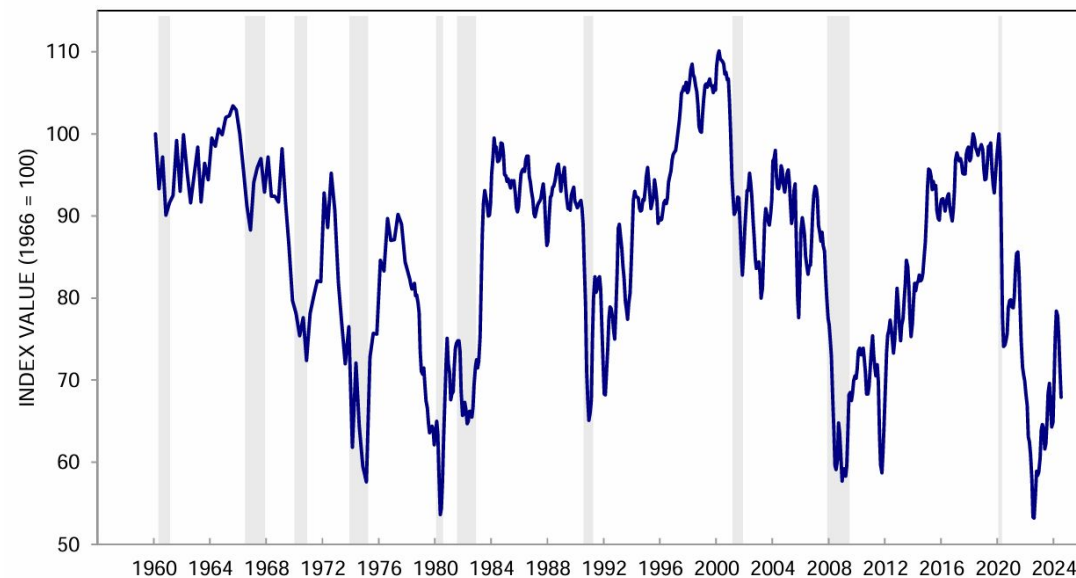
Note: This scatterplot displays the relationship between the indicator of whether respondents would take costly actions to secure a higher wages than the default wage growth, offered by their employers under a hypothetical inflation scenario, and the hypothetical inflation rate. The indicator is equal to one if respondents would take actions to secure a higher wage; otherwise zero. Standard errors are in brackets. The stars indicate levels of statistical significance: 1% (***), 5% (**), and 10% (*). The sample is all respondents. Respondents answered the following question. "Consider a hypothetical situation in which inflation is expected to be 2% in the next 12 months. Suppose that you are working at the same job at the same place you currently work, and working the same number of hours. Would you accept your employer's offer without taking any actions to increase your pay or would you do your best to increase your pay using any strategies at your disposal?"

Causes.

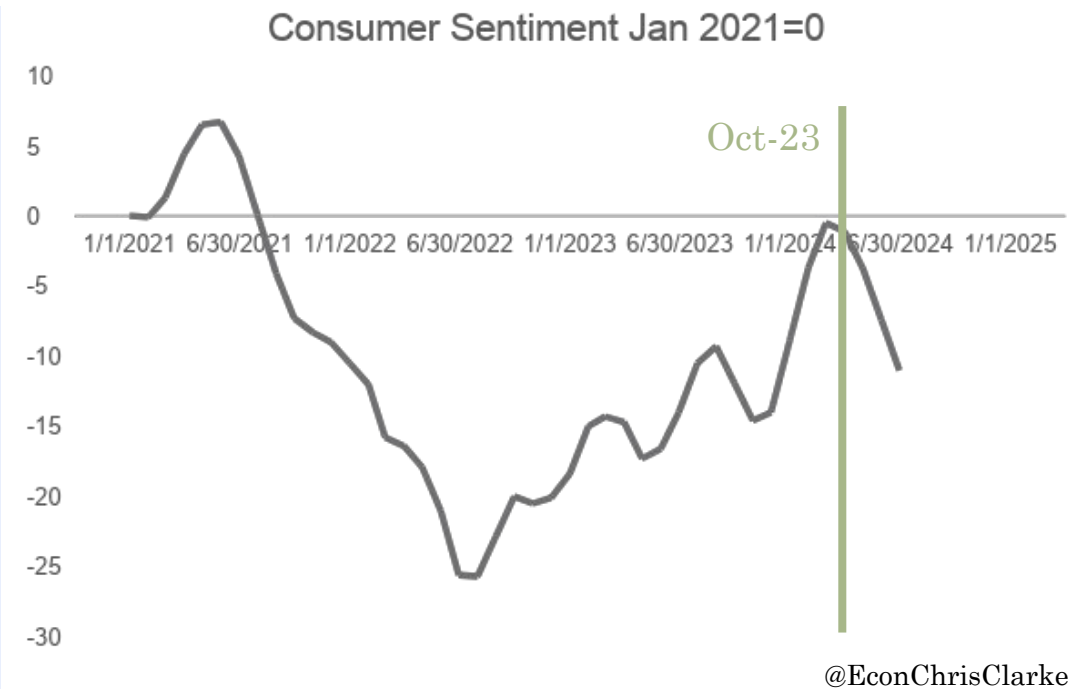
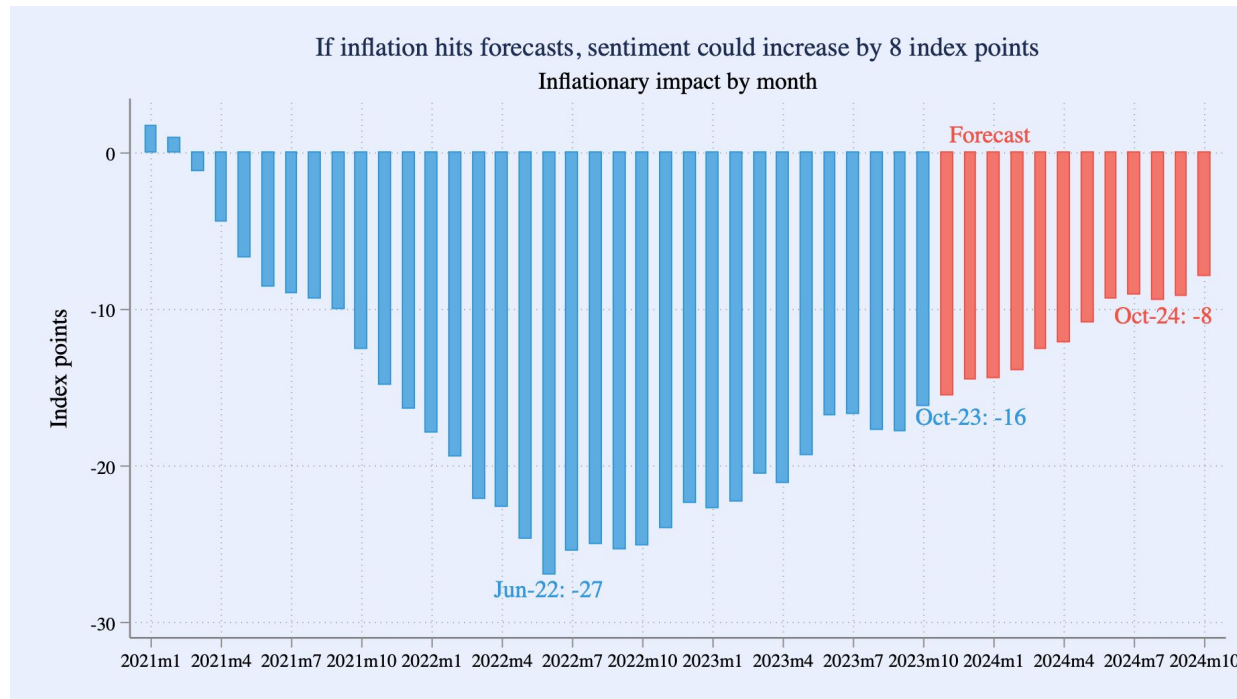
5. Inflation

- First, inflationary period in 40 years.
- Inflationary shock was sudden, unexpected. We didn't get “used to it” as we would have in the 70's.
- Folks are looking for a novel narrative: “Silent Depression”

CHART 1A: THE INDEX OF CONSUMER SENTIMENT



Inflation: Time to Digest the Shock



Cummings & Mahoney (Dec 4, 2023). Briefing Book
<https://www.briefingbook.info/p/digesting-inflation>

It explains some of the improvement, but sentiment still hasn't returned.

Reality vs (Mistaken?) Perceptions

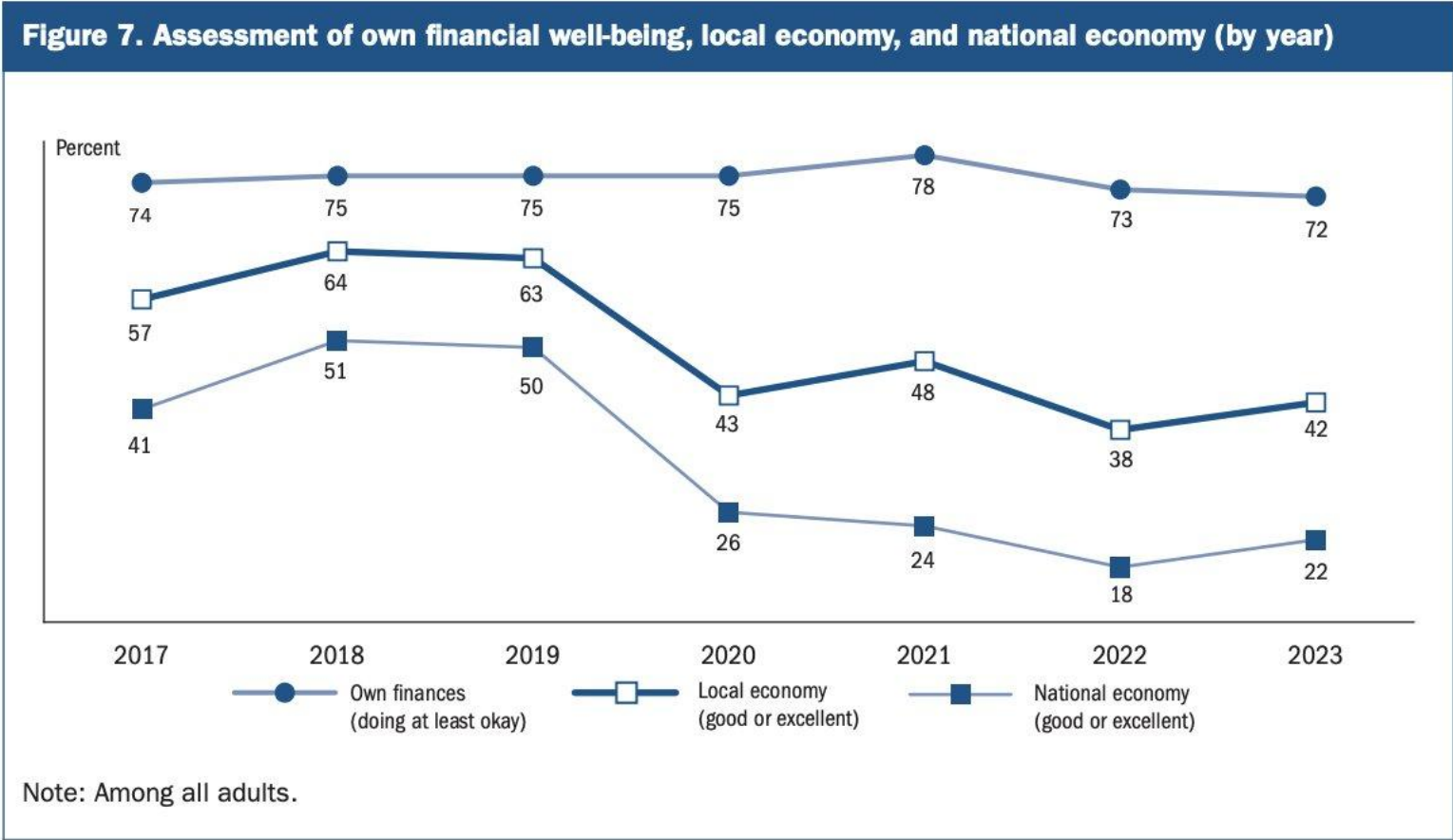
Real

- Real Wages Declined '21-'22
- Inequality
- Housing is Less Affordable
- Negotiating Wage Raises is Costly

Perceptions

- Partisanship
- Traditional/Social Media Negativity Bias
- Macroeconomic Data Illiteracy

Reality vs Perception



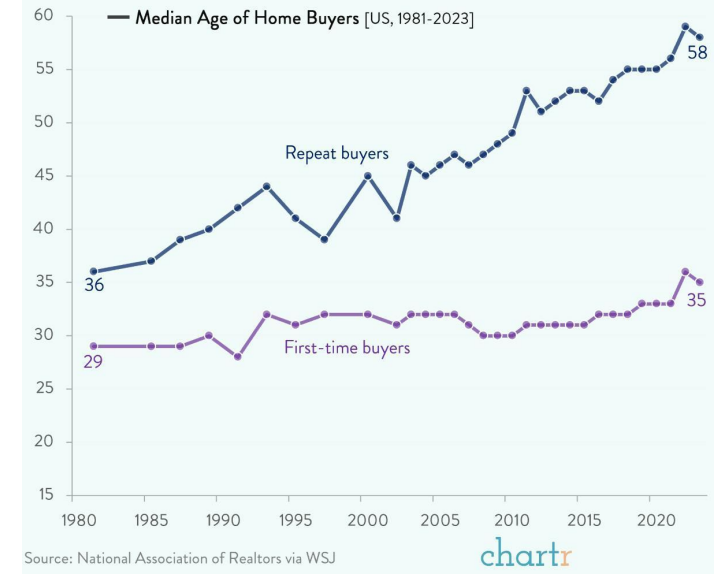
Reality: Around 30% of Americans are really struggling.

Perception: The more distant the entity, the less accurate it is perceived.

The Economic Educator

- Express Sympathy
 - Validate emotional truth.
 - Acknowledge where the economy is performing poorly. (Housing)
- Treat folks making claims with dignity.
 - Some creators are grifters.
 - The audience is genuine.
- Teach Data/Definitions/Sources
 - We need more information and data literacy.
 - Formal FRED, Our World in Data homework exercises.
 - Importance of verifying claims with a variety of sources.
 - (Helps prevent wild claims from going feral)
 - Teach critical questions of viral claims.

Maturing Market: Home Buyers In The US Have Been Getting Older



Our World
in Data

Interest over time ?

● "silent depression"
Search term

