

BUSINESS



Athens State University Economic Updates



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This publication is provided as a service by the Logistics, Technical, and Program-matics Institute (LTPI) at Athens State University and concentrates on providing access to the expertise and research capabilities of the University's College of Business to government and businesses. The University publishes an annual update to provide data and information on the economy of north Alabama and to assist the professional community to quickly respond to a growing global demand from a cross-section of businesses. Our faculty are leading efforts with both government and business agencies to provide economic impact assessments, marketing analysis, employee climate surveys, training, and personnel growth, and we stand ready to assist with your requirements.

Why Is Inflation So High? by Jeff Johnson

Whether browsing the web or watching network news, it does not take long for the topic of inflation to be discussed. In overwhelming numbers, Americans are listing inflation as one of their biggest worries. To understand the reason behind the current inflation rate, all factors need to be understood and evaluated.

Inflation from February 2021 to February 2022 was at 7.9%—the highest rate of annual inflation since the early 1980s, when annual inflation peaked at 13.5%. Americans are feeling the pain of inflation as gas prices have increased by 40%, housing prices by 17%, and food prices by 9%. Most economists will agree on the same elements that cause inflation, but they cannot agree on which of the elements is the driving force leading to higher prices.

Unfortunately, inflation and its causes have become a political battle, which usually leads to incorrect conclusions. On one political side, the driving force has been government relief programs and government spending; while on the other political side, the driving force has been due to supply chain failures and world events such as the Russian invasion of Ukraine.

These elements have played a role in inflation, but so have increased money supply, a surge in demand, and an increase in production costs.

Supply chain issues have been well documented over the past couple of years, with COVID shutdowns being the major reason for the issues. The shutdowns greatly reduced production, distribution, and availability of products and goods. The effects were not felt in the short term,



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as most businesses had inventory to meet the demand. In the long term, however, the shutdown of production and distribution systems has resulted in a steep reduction in the supply of products and goods. The shutdowns have also resulted in companies having trouble gaining access to parts and resources needed to produce their final goods. For example, it has been well

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Legal Side of Sports by Dr. William Wilkes

In early 2015, newspapers and magazines were filled with comments about inequality of



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wages between professional males and females in sports. In particular, the wages of women's national soccer players were given considerable attention. In 2016, five high profile members of the Women's National Soccer Team (WNST) filed a compensation complaint with the Equal Employment Opportunity Commission (EEOC) alleging that the U.S. Soccer Federation was engaging in gender-based wage discrimination.

This group was optimistic to

seek change, since the WNST won the World Cup in 2016. Additionally, the women's national team had outperformed the men's team by winning four Olympic gold medals in the recent past. Reversing the trend, the women attracted more fans to their games and generated more revenue than the men.

There is considerable data available which compares the pay women soccer players earn to the amount earned by

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“The lawsuit, originally filed in 2019, suggested that female players were consistently paid less than their male counterparts on the U.S. Men’s Soccer Team...”

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men. This is consistent with the financial arrangements regarding other professional sports all over the world. The U.S. Women’s National Team is considered the strongest example; their pay inequity remains disproportionately high, and there are two major U.S. laws against this bias.

While national sports teams in other countries have tried to use the powers of a strike to gain advantage, the WNST’s primary focus has been based on the EEOC complaint of 2016, the Equal Pay Act of 1963, and

the Fair Labor Standards Act of 1938. The lawsuit, originally filed in 2019, suggested that female players were consistently paid less than their male counterparts on the U.S. Men’s National Soccer Team (MNST) despite their performance. Ironically, this lawsuit was filed after the MNST failed to qualify for the men’s World Cup in 2018 and the WMST won the World Cup in 2019.

Although the World Cup has been mentioned in this document as the Gold Standard for soccer championships, it

comes under the authority of FIFA, the nonprofit organization that describes itself as the highest international governing body of football (or soccer, as it is called in the United States). The World Cup championship is played on two consecutive years. The men’s World Cup will be played in 2022, followed by the women’s World Cup in 2023.

Each country’s national World Cup players are the best players that qualify based on either birth or citi-

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“During the shutdowns, people still had their normal bills—housing payments, utilities, and car payments—but they were not able to spend money on items such as travel, concerts, sporting events, and eating out.”

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documented how a computer chip shortage has led to stalled production of automobiles.

The lack of supply alone would result in higher prices, but we have also experienced a surge in demand over the past two years. Again, the COVID shutdowns have played a role. During the shutdowns, people still had their normal bills—housing payments, utilities, and car payments—but they were not able to spend money on items such as travel, concerts, sporting events, and eating out. People saved much of this disposable income that they normally would have spent. As the economy started to open up, the increased savings of disposable income contributed to additional consumer spending and a sharp increase in demand.

Government stimulus and relief programs have also contributed to the surge in demand. The relief programs in response to the 2008 recession were approx-

imately \$2 trillion. In comparison, the relief programs in response to COVID have been approximately \$5 trillion. A major influence on economic growth and inflation is consumer and business spending. With the economic recession of 2008, the relief programs assisted with helping to **maintain** consumer and business spending; the COVID relief programs have **increased** consumer and business spending, contributing to the surge in demand.

Fear of inflation can also lead to higher demand. When people and businesses think prices are going to increase in the future, they will make more purchases today. This is especially true with larger purchases, such as housing and automobiles. The increase in immediate purchases will lead to an increase in current demand and result in higher inflation rates. The fear of inflation can become a self-fulfilling prophecy.

The traditional saying is,

“Inflation is too much money chasing too few goods,” normally referring to the amount of money in the money supply. During COVID, the Federal Reserve used open market operations through the Federal Open Market Committee to keep the Federal Funds Rate low and promote economic growth. The Federal Funds Rate is the rate banks borrow money from other banks and is the interest rate upon which all other interest rates are usually based. To keep the Federal Funds rate in the 0%-0.25% range, the Federal Reserve bought government securities and interjected money into the money supply. From February 2020 to February 2022, the money supply increased from approximately \$4 trillion to about \$20.7 trillion. In their last meeting, the Federal Open Market Committee voted to increase the Federal Funds Rate to a range of 0.25% to 0.50% which will result in lowering the money supply in the

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economy. Unfortunately, raising the interest rates comes at the risk of slowing economic growth.

Increased production costs will also lead to inflation. As business costs increase, they will raise the prices to the consumer to cover the increased costs. As mentioned with the supply chain issues for consumer products, businesses are having the same issue

with supply for their resources leading to higher resource prices. Businesses have also experienced an increase in labor costs since 2020. While labor wages overall have not kept up with inflation, they have had a significant impact on production costs. These two major factors have led to higher business costs and contributed to today's high inflation rates.

While trying to determine the cause of inflation, all factors need to be evaluated. Taking a political view or focusing only on limited factors can lead to an incomplete picture of what is happening in the economy. This can lead to incorrect actions in an attempt to lower inflation and could result in hurting rather than helping the economy.

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zanship. The winnings are paid by FIFA to the individual country's Soccer Federation based on the final rankings of their national team in the tournament. The payments are then distributed to individual team members based on the federation's determination and collective bargain unit. The largest amount of World Cup money is earned through FIFA with teams and activities under its jurisdiction. In the past, there have been considerable fraudulent activities resulting in jail for FIFA members. Soccer is a popular sport worldwide and is played at all levels, both amateur and professional. FIFA is a governing body unto itself and has not always been transparent in policy making. Since female professional soccer is new, compared to male soccer, FIFA is often criticized as being male dominated. This is reflected in inequality in pay favoring males above females relative to performance in the World Cup.

Soccer is controlled by each state's Soccer Federation, including the recruiting and training that has contributed to the growth of the sport. The U.S. Soccer Federation has made attempts to develop club leagues for both males and females to encourage development of national professional players across state lines.

Club teams participate in league schedules like other sports and work to develop youth soccer, building the sport from the bottom up. There

must be considerable coordination within the club teams to encourage U.S. soccer players to become members selected to play for a national team. The national team participates in regional games which is supportive of the activities of FIFA in selecting teams to participate.

Salaries of the club players are market driven and subject to policies of a state federation, but may be offered opportunities both nationally and internationally. Sometimes, there can be conflicts between the clubs and the federation. While the club pays their players a negotiated salary, club players who are members of a national team are also paid by the federation and possibly by FIFA. It is at this level that the salary schedule between players becomes an issue and the MSNT and WSNT members start noticing the differences between male and female athletes. There is an agreement that the club players play for money, and the national team members play for the honor of representing their country. It has been suggested that national players should play for the privilege without any pay, though this seems unlikely to occur.

Professional soccer in the United States is unique, because both the men and women athletes are members of the same U.S. Soccer Federation; this organization serves as their employer, governing body, and the hand that feeds them. In other professional sports, the males and fe-

males belong to different federations. The decision of the female national team to file a lawsuit against the U.S. Soccer Federation was a brave one and represents the violation of the intent of the Equal Pay Act of 1963. Males and females play the same game with the same rules, equipment, strategy, and fields. Although there are differences in their physical capabilities, these differences do not alter the objectives of scoring. This is about as close to the intent of "equal pay for equal work" and has been the mantra of the members of the WNST starting with the claim against the EEOC in 2016 of unequal payment to women. This was followed up with the initial lawsuit filed in 2019.

There were, however, several other issues which were included in the terms of employment between the male and female members of the national team. Despite having the same employer, different bargaining agents representing the males and females resulted in different Collective Bargaining Agreements (CBA) with different terms of employment that were independently desired by males and females. The main differences between the two CBAs resulted because the negotiations were covered during different time periods. This did not allow the separate parties to have an ability to discuss areas of difference.

- The women complained that the

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men were provided better travel arrangements such as flights and hotel rooms. Also, the rate of per diem was higher for the men.

- It was argued that the men had better training facilities and more control over the playing of different soccer matches.
- The pay structure was different between the male and female athletes. The women had negotiated a structure that resulted in monthly payments, regardless of whether the individual was selected to play in a match or was ill. On the other hand, the men were paid to play. If they were not chosen to play in a match, they did not receive any pay. This resulted in a different cash flow and was based on individual choices. This suggested that the women were more interested in equitable pay rather than equal pay.
- Although it was argued that males had the ability to earn more money from sources other than the

U.S. Soccer Federation, any discussion of equal pay related to the equality of earnings between males and females would only look at the pay strictly from the U.S. Soccer Federation.

The major development in this prolonged battle occurred in April 2020, when a judge ruled against the equal pay lawsuit stating last year's decision "defies reality." There was no basis to prove the players' claim that the U.S. Soccer Federation discriminated against the women based on gender. The judge said the women played more games and made more money than their male counterparts and rejected a CBA which would have made the pay structure equal for both the men and women.

This ruling signaled a death blow to the struggle for which the women's national soccer team had battled long and hard. The women vowed to appeal the decision. Several of the players filed an appeal of the equal pay claims in July 2021. They claimed the judge had not looked into the rates of pay and that

women had to win more often than the men to receive bonuses.

CNN reported on March 24, 2022, that the women's national soccer players appealed the decision to rule against the lawsuit decision. Their claim was that if a woman had to work more than a man to be successful, this was not equal pay and violated the law.

On February 22, 2022, the U.S. Women's National Soccer Team reached a proposed settlement in its class action lawsuit against the U.S. Soccer Federation. Under the terms of the agreement, a group of 28 past and current players will share \$24 million in payments from the U.S. Soccer Federation as back pay, a tacit admission that payment for the men's and women's team had been unequal for years. Equally important was a pledge to equalize pay between men's and women's national teams in all competitions, including the World Cup in the teams' next collective bargaining agreement. This was once seen as an unbridgeable divide preventing any equal pay resolution...

NO MORE!