The Monthly Itinerary
The ABA Foundation’s Monthly Tour Through the Economy
November 2023

NOVEMBER SUMMARY

Last month, we reported that the sky was darkening as black swans seemed to be everywhere. Probably the best thing one could say about October is that (at least it appears) as if no additional swans landed. Wars continue in both the Middle East and in Ukraine, political disfunction continues in the United States, inflation continues, debts grow, and pretty much most of the rest of the world is in a full-blown recession. If one considers volcanos popping up in Iceland as a normal occurrence, then things seem relatively stable.

I was born during the last year of the Baby Boom generation. Since then, we have seen four new generations of Americans – Generation X, the Millennial Generation, the Zoomers, and what is being dubbed as Generation Alpha. As with all generations past, I understand subsequent generations less and less as I grow older. I think it’s supposed to be that way. If you like your kids’ music, there is something wrong with you (or with music in general). I have been thinking a lot about generations lately. I plan to be at the 80th anniversary of the D-Day landings in Normandy next year. Today, there are but 119,500 living World War II veterans in the United States. I wonder how many of the members of the Greatest Generation who landed on those beaches will still be there by June.

As generations change, so does the economy. The word generate comes from the Latin generāre, meaning to beget, and there is a broad social science surrounding generational theory. Sociologist Karl Mannheim constructed a theory of generations back in the 1920’s that focused on how rapid social change in youth was crucial to the formation of distinct generations. Thus, during the Medieval period, when life was fairly stagnant for the bulk of the population, there was not much difference between generations. Huge events, such as plague, could create generational upheaval, but this happened only on occasion.

Today, one of the most talked about theories of how generations function is the Strauss-Howe generational theory developed by William Strauss and Neil Howe. Strauss-Howe generational theory suggests that there are patterns in how generations progress, and that there is a cycle lasting 4 generations (roughly a human lifespan), whereby prosperity leads to crisis. Interestingly, the world is now entering the crisis stage – what Strauss and How describe as the Fourth Turning.

Of course, crisis is not set in stone. The Strauss-Howe theory is much more anecdotal than based on rigorous analysis, but we do seem to be in a period of crisis. Of course, as someone who has now lived through 4 generations, I can see that crisis has been a pretty common part of life. Protests over the Vietnam war and racial issues in the 1960s and 1970s were like today’s demonstrations. There have been huge bouts of inflation more often in my lifetime than I care to think about. The debt crisis did not start with COVID-19, but with the ending of the gold standard 1971, and forget about fake impeachment trials, I remember a President who quit, cried, and flew away. Global warming, heck in the 1970s a new ice age was all the rage among the environmentalists.

All this is to say that as bad as the economy, and to many of us society, looks today, it is not set in stone, and the world is not destined to end. The country survived Vietnam, it survived 20 percent interest rates, and it survived protests and riots. We even got some things right. Back in 1969 the Cuyahoga River in Cleveland caught fire – yes, a river caught fire. President Nixon vetoed the Clean Water Act, which was designed to stop rivers from catching fire, and his veto was overridden by Congress in a decisively lopsided non-partisan vote.
There is no doubt going to be a debt crisis, there will be continued inflation, and productivity and wages will continue to lag; however, as Winston Churchill is (falsely) quoted, Americans Will Always Do the Right Thing — After Exhausting All the Alternatives is historically prescient, and we will come through this current bout of issues.

The Monthly Itinerary is designed to provide members of the ABA with an ongoing series of data and commentary on key economic and transportation statistics of importance to the motorcoach and motorcoach tourism industry. For more information or to comment on this report, please contact Melanie Hinton at mhinton@buses.org or 202-218-7220.

**OCTOBER STATISTICS**

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<th>National Diesel Prices</th>
<th>Domestic Enplanements</th>
<th>Dow Jones Transportation Index</th>
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<td>October-23: 4.51 Down 1.23 Percent</td>
<td>June-23: 65,949.00 Up 0.07 Percent</td>
<td>October-23: 14,515.59 Down 4.49 Percent</td>
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<th>Transportation Services Index (Psgr)</th>
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<td>July-23: 106.40 Up 0.28 Percent</td>
<td>July-23: 532,206,000 Down 7.09 Percent</td>
<td>August-23: 14,515.59 Up 0.21 Percent</td>
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<tr>
<th>Consumer Price Index</th>
<th>Employment</th>
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<td>September-23: 307.48 Up 0.4 Percent</td>
<td>October-23: 156,923.0 Up 0.1 Percent</td>
<td>October-23: 6.55 Up 12.74 Percent</td>
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**NOVEMBER ECONOMIC NEWS**

- Despite the conflict in the Middle East, crude oil prices largely fell in October. Prices spiked to just under $90 per barrel after the Oct. 7 attack but headed downward toward the end of the month, ending the month at about $83 per barrel.

- After steady increases in price over the summer, diesel prices fell just under $4.20 per gallon from mid-September, and through October, with a price of $4.45 per gallon on Oct. 30. While the retail price of diesel continues to fall, it is
still significantly higher than pre-COVID levels. According to the EIA, diesel prices should stabilize around this level and remain there for the next two years. This may be bullish since the current fall in prices reflects lower demand from the depression in the trucking industry.

- The Bureau of Economic Analysis reported that in the 3rd quarter, GDP grew at a rate of 4.9 percent in real terms. The increase in growth over the last quarter (2.1 percent) is primarily due to increases in government spending and inventory investment. This figure will likely be adjusted downward over time.

- The Consumer Price Index rose by an annualized rate of 3.7 percent in September and appears to be stabilizing at about 4 percent. While many Wall Street pundits still expect to see the Federal Reserve pause its increases in the Federal Funds Rate, there may still be an additional hike in December 2023. Inflation in Canada was at 3.8 percent in September 2023.

- A report released by the Reason Foundation found that 17 of 24 Federal agencies surveyed used 25 percent or less of the available space in their headquarters buildings. Even agencies on the higher end only averaged between 40 percent and 49 percent. The same 24 agencies surveyed spend nearly $2 billion a year on maintaining these spaces. Also in mid-October, one of the largest lessors of commercial office space in the country, WeWork, filed for bankruptcy.

**NOVEMBER COMMENTARY**

*I was born in ’63. Got a little job in the factory. I don’t know much about Kennedy. I was too busy working in the factory. We got a kid that’s two, we got another one due. We get by the best we can do. The factory’s got a good medical plan, and, cousin, I’m a union man. Saying, Yes sir, no sir, yes sir, no sir, yes sir, no sir - Work! So begins, the 1987 song the Factory, written by Warren Zevon, and released on his sixth studio album, Sentimental Hygiene.*

The opening section of this edition of *The Monthly Itinerary* discussed generational theory and ways in which different generations experience the economy. There have been some major changes to the economy since the baby boom generation was young.

For example, when I was born, 23 percent of all workers in the United States were in manufacturing – working in the factory. This had fallen to just 15.7 percent by September of 1987, when Warren Zevon released *The Factory*. Even so the actual number of people working in factories grew by nearly 2 million.

By the turn of the century, only 17.2 percent of workers were in factories, and by December 2019, just before COVID, just 8.1 percent of Americans worked in manufacturing. This is now down to 8 percent. The figure below shows industrial employment in the country since the end of the Great Depression.

This chart shows how statistics don’t always tell a great story. Yes, factory employment as a percentage of the total is down by almost two-thirds, however, overall employment in manufacturing is still well over where it was in 1939, or even higher than in 2008. Something did change in the latter part of the 1990s though. And it was not China joining the World Trade Organization (which did not occur until the end of 2001). Manufacturing employment was declining well before that.

This can be seen in the motorcoach industry. Where there were once more than 30 companies manufacturing coaches in the US, today only a few small companies make specialized coaches, mainly for private use. Other industries that have seen significant reduction in activity in the United States include metals production, apparel, and furniture manufacturing.

The decline in manufacturing is one reason why productivity growth has stalled in the US. Another reason is that fewer people are working. As the last baby boomer was being born, the labor force participation rate was 58.6 percent, and 44.4 percent of young people (under 19) worked. This was before women entered the workforce on mass. The overall labor force participation rate peaked in the year 2000 at 67.3 percent. This was about when manufacturing peaked as well.
to COVID, the overall participation rate had fallen back to 63.1 percent; however, among young people it was just 35.4 percent, about half of the 59.3 percent in the mid-1970s. Simply put, fewer people are working, particularly teenagers, and this is making it difficult to find workers, particularly for lower skilled jobs. Also, fewer people working means lower productivity.

Finally, those who are working are working less, probably much less when one considers how much time is wasted on computers doing personal activities. Again, at the end of the baby boom, the average full-time worker logged about 1,935 hours a year. By 2019, the last year for which data are available, this was down to 1,765 hours per year. That is about one month less work per year. Less work, less productivity.

All of this is to say that over the past four generations, the growth in productivity has slowed. It has basically stopped since the beginning of COVID. Without productivity growth, wages cannot increase. This paired with inflation caused by excess government spending and borrowing have put the economy into a stall. Despite the Q3 GDP number, the US economy is in a hard and extended period of stagflation. The lack of growth is now being seen in the factory sector (or the goods sectors) of the economy but will quickly spread to those areas such as travel and entertainment that are now driving growth. This suggests that things will begin slowing down again for companies reliant on conventions, charters, tours and other forms of recreational or optional travel.

Despite what generational theory may suggest, it is unlikely that the world will collapse, even with all of the black swan events overtaking the news. It is more likely that the US economy will continue to stagnate, and a long, languid recession will occur to help work out the economic excesses brought about by the baby boom generation. We get by the best we can do might be the theme of the next few years, and we all watch the factory that is the US economy slowly turn.

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The Monthly Itinerary produced by John Dunham & Associates and is provided as a service by the American Bus Association Foundation. It is not intended as investment advice. If you would like more information, or if you would like us to track additional indicators, please feel free to contact Melanie Hinton at mhinton@buses.org or 202-218-7220.