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## **Data driven: CU Colorado Springs professor discusses the local and larger economy**

**Tatiana Bailey, Ph.D.**

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in the College of Business, Assistant Professor

**Hosted by:**

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Ken: Today on CU on the Air, we're chatting with Tatiana Bailey, director of the UCCS Economic Forum in the College of Business. She's also an assistant professor at the University of Colorado, Colorado Springs. Professor Bailey, welcome.

Tatiana Bailey: Thank you.

Ken: Happy to have you here today. The UCCS Economic Forum is a bit of a unique entity. Can you tell us about the structure of it?

Tatiana Bailey: Sure. It actually started almost 25 years ago. Two individuals, one was a faculty member at UCCS in the College of Business, Tom Zwirlein, and the other one was Ron Chernak, who owns his own brokerage company here in town called FBB. Both of them went to the Economic Forum in Boulder through the CU system and I think had gone to it at least a couple of times, and they were

driving home together and said, you know, why doesn't Colorado Springs have something like this? So to their credit, they locked arms and decided to move forward. And at the time the leadership said, yeah, that is a good idea. So I give Tom a lot of credit because he was teaching full-time, and he's still managed on doing this. Now back then, it was a once a year event. It's still quite the feat, because he had to pull all the information together and coordinate an event and so forth, but over the years it got more and more popular I think, really for businesses and government officials alike. And lo and behold, when he'd said he was going to retire, they decided they wanted to hire someone who just dedicated his or her time to the forum. And that's what I'm doing.

Ken: And as a layman, I would liken an economic forecasting perhaps, a little bit to weather forecasting, you're taking a lot of data and putting it in a model, I would imagine, no, you are not as wildly wrong as the weathermen.

Tatiana Bailey: Depends.

Ken: Depends?

Tatiana Bailey: Depends on the metric. Yeah. The issue is, yeah, it is the joke amongst economists that were about as good as weatherman in predicting, but of course, when people say, when is the next recession coming? Or what's going to happen in 10 years? I'll give you the honest answer that I don't know. I think the greatest power of economics is to say, here's what the data is saying now, and you can even trend it back. Those are hard good numbers that you know, and then you can base some forecasting, but I always try to insert in there that there are a lot of variables. I mean, look at, for instance, nationally, right now, at least for the past year, we've been hemming and hawing, when's the next recession coming and so forth. And you take the geopolitical, you take the trade wars, you take an upcoming election, you take business sentiment, consumer sentiment. I mean, just so many different variables that I don't really trust an economist who says things with too much certainty, but that doesn't mean that it doesn't have some value.

Ken: You'd probably throw in a little drone strike and it blows up the model in addition to-

Tatiana Bailey: Absolutely, that's the geopolitical.

Ken: I'm know you're projecting out, but how often do you go back and grade yourself and think, well we got that one right, we missed on that.

Tatiana Bailey: Pretty often. At least once a year. As I mentioned to you, this community really seems to embrace its data. So I do a lot of presenting throughout the year, but for the annual event, which is typically in the fall, that's when I kind of step back and I take the summer to kind of reevaluate everything. And the other piece that I do, and I think this is really important, is I reach out to community members. So for instance, when I'm doing housing projections, I don't just look at past data or even read things in the newspaper. I literally pick up the phone and call people

I've gotten to know in the last five and a half years in the community to say, what are you seeing in construction? How much traffic are there in your models? What do you think is going to happen with this really tight housing supply? And that's been incredibly informative. It's a great process not only because it forces me to kind of reevaluate the forecasts, but it's also great because then when I do go out into the community and I'm assisting with economic development initiatives and so forth, I'm really informed above and beyond sort of just the numbers. I get some of that qualitative richness.

Ken: And who are the primary consumers of your forecast?

Tatiana Bailey: Well, the first year that I was here, I added a piece to the forum and that's my monthly economic dashboard. That's probably been my greatest marketing piece, and the reason I was able to triple sponsorships, honestly, because I like to read the 40 page economic reports, but most people don't. I took the metrics that I think are of most interest to businesses and to government, and I put it into a two page dashboard, and if you're really lucky, I'll let you even have one. I brought one with me. That dashboard is really what is used in the community. And I've been really pleased because, gosh, even the first year that I was here, Mayor Suthers, that was his first year, and he would get up and talk and pull out my dashboard. So I know government and also the county commissioners use it quite a lot. And then again, I go to economic development meetings that have some business representation and a lot of them also pull it out. So it's really a public and private usage.

Ken: And what do you see ahead in the Pikes Peak region here this year?

Tatiana Bailey: Well, I continue to be pretty bullish. Back to a lot of variables, we don't know exactly where all these pieces will land nationally, and of course if something does turn south, not only for instance let's say with the China trade talks, but a lot of people don't realize, we also have been instilling trade barriers with Europe. So where all of these things will land, we don't know, and if any of those turns south, then of course our region will not be immune. But if things continue to kind of chug along, and even if we have modest growth rates of 1.8, 1.9% this year, 2020, but no recession, I think we're going to continue to be about a percentage point higher than the U.S. in our growth rates. And that's about where the state of Colorado has been trending. The Pikes Peak region, particularly Colorado Springs, has been between 0.5 and a full percentage point higher, and I know that doesn't sound like much, but that's pretty good. That's pretty good.

Ken: That's positive.

Tatiana Bailey: That's right. It's positive and it's better than the nation.

Ken: And there are some projections that El Paso County's going to surpass Denver County.

Tatiana Bailey: It will. It will. It was projected to be 2020 that the, now remember this isn't the metropolitan statistical area. Not all the surrounding areas, just the two counties, but those are the central counties, right? Where these cities are located. That projection has now been changed by the state demographer's office, Liz Garner's work to 2021. So it's actually been moved up. El Paso County has a tremendous growth rate, and in fact the whole state of Colorado has double the population growth rate of the U.S.

Ken: So what are the implications of that?

Tatiana Bailey: I would say start with the positive, right? You can tell I have five kids. Start with the positive. So the positive is that we have a huge challenge in this country of really, it's twofold, it's all related to workforce, but why is workforce an issue? Well, number one is the skills gap. We're not really training people for the jobs of today. We've had a lot of very quick technological change. The other thing is the aging demographic. All the retirees, 10,000 retirees per day. So 10,000 people in the U.S .retiring per day, for the next 20 years. So you put those two pieces together, and we have a huge demographic and workforce challenge. So when I think about that, you say, okay, well that's going to kind of threaten the economic sustainability and growth of the US, but what does Colorado have? We have a whole lot of young people moving here.

Tatiana Bailey: So that population growth, especially because it's young people, and especially because it's educated people, that's an incredible asset. It is much of the reason that we have been outperforming the nation.

Ken: And it sounds like what that drives is a need for more highly educated, highly skilled people.

Tatiana Bailey: Yeah, and we're at an advantage in the state, and in El Paso County that we are the second most educated state in the nation, only behind Massachusetts. So when you think about what that means, well it means they can fill the high skill jobs, and we have a lot of high skill industry here, which with a high multiplier, but it also means that these individuals come here, and they buy houses, and they buy cars, and you know, so it's that positive feedback loop. So that's the positive, right? That's the good news. And like I said, there are many good spillover effects from that.

Tatiana Bailey: The bad news of course is things like infrastructure, like you all experience coming down here, I-25 is that a complete bottleneck, and I don't want to cross too much over into the political, but you look at, for instance, a neighboring state, Utah, they've made a decision a long time ago, hey we got a lot of growth. We've got a lot of young people, good things happening here. Let's invest in our infrastructure. And our highway miles have barely increased in the last 20 years. So that presents a huge challenge. So I personally tend to get very excited about, for instance, a commission now is looking at a Front Range rail, a passenger rail between Colorado Springs and Denver Boulder and maybe even down to Pueblo. I think those kinds of things are needed. Eventually people start going away if you don't solve those problems.

Tatiana Bailey: Another problem is related to education. We do not do very well as a state in terms of how much we pay per pupil. And then also the higher education, the university and community college allocations are too low. They just are, again, if you want to kind of compete globally and have an educated workforce. So for now people are moving in, and they're educated, but we have this thing in Colorado, as I'm sure you know, the Colorado paradox, just simply meaning that we're not training our own as well as we should be.

Ken: Doesn't seem sustainable for the long-term.

Tatiana Bailey: It doesn't. It doesn't. I'm hopeful. I tend to be an optimist, but I'm hopeful that we can figure these things out, and really stay at the cutting edge, because like you and I were saying, both having lived a long time in the Midwest, this place is pretty magical. It's got the natural beauty, it's got wonderful people. It's got an aura of conservation and appreciation for everything that we have, and it's got a lot of the high growth industries that are really position us well for the future. So why not invest in ourselves?

Ken: Absolutely. So you hear a lot about low unemployment, about housing starts. How does, particularly the Pikes Peak region in Colorado compare nationally?

Tatiana Bailey: Yeah. So it's interesting because having lived here five and a half years, when I moved here, the average price of a home, or the median price of a home, in Colorado Springs was below the U.S., and now we are higher than the US. So we're at this sort of pivot point right now, and if we look at the most recent data, one thing that I'm happy about is that the Colorado Springs price appreciation has started to slow. Now that's true nationwide, but a little more so true in Colorado Springs, and why is that good? Well because all of a sudden we were going into the double digits, we were increasing 10, 11, 12% per year. And then, I'm sorry to say this, but we really don't want to be Boulder or Denver in terms of prices, because that's been one area of comparative advantage, and part of the reason that we've continued to grow and attract young people.

Tatiana Bailey: So as an example of the latest Q3 data, we are now 16.5% higher in the median price than the U.S. here in Colorado Springs. So that may seem like bad news, and for a lot of people it is bad news, but it's all relative, right? Because the median price for us it's about \$328,000 for a home. Denver's medium prices are \$466,000, and Boulder's is \$611,000. Boulder's, in fact, the seventh most expensive city in the United States right now, according to the latest data. So we're kind of at this critical point, and this is what I tell our city leaders, that if we can kind of step in and figure out how to not become too expensive and keep that advantage, that would be a really good thing.

Tatiana Bailey: Now the other side of it is this thing called the Housing Opportunity Index, and that tells you basically what percentage of the population that earns the median wage can afford the median priced home. So sort of that middle, middle of the road wage and home price, and Colorado Springs is still doing pretty well there. Is 71% of people who earn the median wage can afford the median priced home. So that's really good, and it's actually a little bit higher than the U.S.,

meaning that probably our affordability index is still relatively good, but I watch this carefully. One of the things that is a little worrisome is that our supply of homes is still really, really low, and if we continue to have the in migration, which everyone says we will, at some point those prices are going to start ticking up at a good clip again. It's okay right now, but we need to watch it moving forward.

Ken: So you present to hundreds of diverse groups annually, is there any one strategy that you feel like works across all the very kind of groups when you're presenting sometimes complex economic data?

Tatiana Bailey: Keep it simple.

Ken: That works for me.

Tatiana Bailey: Yeah. It works for most people, and this is where I do think that not just having kids but having taught really is a good thing, because most people are a little intimidated by statistics and economics. And so I try to make it simple enough, but I don't really like over-simplifying either. So I do present a lot of information. I have typically about a hundred slides in an hour long presentation, and that might make you think, gosh don't ever invite me, but I get good feedback. People say you tell the story, we understand what is happening, particularly locally, because I tie everything back to the local, and I think that also people are excited in this region that things are going so well for us. I got here at a really fortuitous time, because things were really starting to turn around at that point. And I always joke that I'm going to go on sabbatical when we have a recession, but the truth is that that really works. Keep it simple, make it applicable to your audience, the other thing is always have a sense of humor. I always have really bad corny economic jokes, but people laugh at them, maybe they're just being polite.

Ken: All right. What's your best corny economic joke?

Tatiana Bailey: Oh no, don't ask me that now. No you know what, probably a lot of them are visual. So there's this great picture of the past four Federal Reserve chairs, and they literally get a little shorter as you keep going. And then you get to Janet Yellen, and she's really short, and that's exactly how interest rates have gone. And then all of a sudden you had Jay Powell, and he increased the interest rates, and then I say, well if you want them to come back down and stay low, then you should nominate me to be the next Federal Reserve chair, because I'm only five feet tall. So on a good day.

Ken: So height is a leading economic indicator, right? Who'd of thunk it.

Tatiana Bailey: There you go. That's right. That's right.

Ken: Is there any one economic indicator that you look to particularly?

Tatiana Bailey: Not really. It's interesting because I'm the geek that gets excited it's Friday and Bureau of Labor Statistics is releasing unemployment rates or whatever. But

really, I look at several of them together. That's where you really start to get a good picture. Even when I'm doing forecasts, not for the local stuff, as I mentioned, I talk to local people, but when I look at national forecasts, I look at a lot of different ones. One of my favorite ones is Guggenheim Institute, which isn't a mainstream one, but I just think they've done a really good job of looking at what's moved in the past before, something like retail sales, typically about six months before a recession, retail sales start to go down. Most people don't realize that. I look a lot at my University of Michigan alma mater survey of consumers. So consumer sentiment, GDP, unemployment rates. I look a lot at job openings. That's a leading indicator, right? That tells you what your unemployment rates going to look like moving forward, maybe in about six months. And interestingly, those job openings started to level off a few months ago. So, you know, that doesn't mean that we're necessarily hitting a recession or high unemployment rate, but it probably means that we've kind of leveled off in terms of new jobs.

Ken: I know at the outset you said that nobody can really predict a recession, but I'll put you on the spot. What's your best guess for a recession?

Tatiana Bailey: I always go back to the honest, I don't know, because I would say that right now, at least for the time that I've been looking at economics, which is since I was in sixth grade, this is really embarrassing. I would say that this is probably much higher than average in terms of the possible triggers. As I mentioned between the trade disputes with different countries, and the geopolitical, and we're extremely partisan right now in our politics, and so forth. There are just so many things, and of course the military interventions that are occurring right now as well.

Tatiana Bailey: So you put all those things together and then even some of the domestic things, like business sentiment has kind of been teetering, like it went down and went back up. So businesses aren't feeling quite as confident. And then I, as an economist, look at a lot of the longer term things like the debt, like the skills gap, like the aging population, like health care expenditures, and I say, "Okay well we've got a lot of risks right now", and I don't think I'm just being a Debbie Downer.

Tatiana Bailey: So the chances of something hitting I think are a little higher than usual. If we can manage on keeping at a very modest, but low growth rate, I'd be happy with that, better than a recession. What I would rather see though is that we address some of those longer term issues in the interim, because the unfortunate thing with the recession, besides the obvious short term, is that even more attention goes away from some of those longer term issues.

Ken: Always good advice, make investments. How does a sixth grader get interested in economics?

Tatiana Bailey: Well, my parents are from Bolivia. My dad actually had American citizenship, but was born and raised in South America and I traveled there a lot when I was younger and I have family there. In fact, was just there last spring and Olivia and

Haiti are the two poorest countries in the Latin American region. So it was very striking to me every time I went down there, what a different world it was. And thankfully I had particularly my mom who said, "Take a look at this. This is how the rest of the world lives, most of the rest of the world." And it always kind of stuck with me. And luckily, also my parents talk to their kids about social issues. Neither of my parents went to college, first generation, I was first generation, and I always felt like, wow, there's so much out there to learn and to understand better, and so when I was in sixth grade, I asked for a Time magazine as a subscription, and I got it. My parents got it for me. And even then, it's so bizarre when I think back to it, I really liked data. I really liked information.

Tatiana Bailey: So then when I was in high school and I could take an economics class, I tell my poor husband that was my first love. And I know that sounds really nerdy, and yes it is nerdy, but what I really like is using data, using information to help inform, and especially right now, in fact, I'm writing an article right now about 2020 in an election year, and how data is manipulated in the media, and how that just sort of further fuels the partisanship that we've seen and how unfortunate that is. So without sounding patronizing, to try to convey in an article how important it is to ask the right questions, and to really seek out the truth, and also not just get snippets on your phone all the time. A lot of issues that are a lot more complex than that.

Ken: Well, I know people here in the Pikes peak Region and at the University of Colorado, we're glad for your inclination as a young girl and glad you're seeing that through with the UCCS Economic Forum. So Tatiana Bailey, thank you so much for being with us.

Tatiana Bailey: Oh, thank you. I really appreciate it.