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RESEARCH REPORTS

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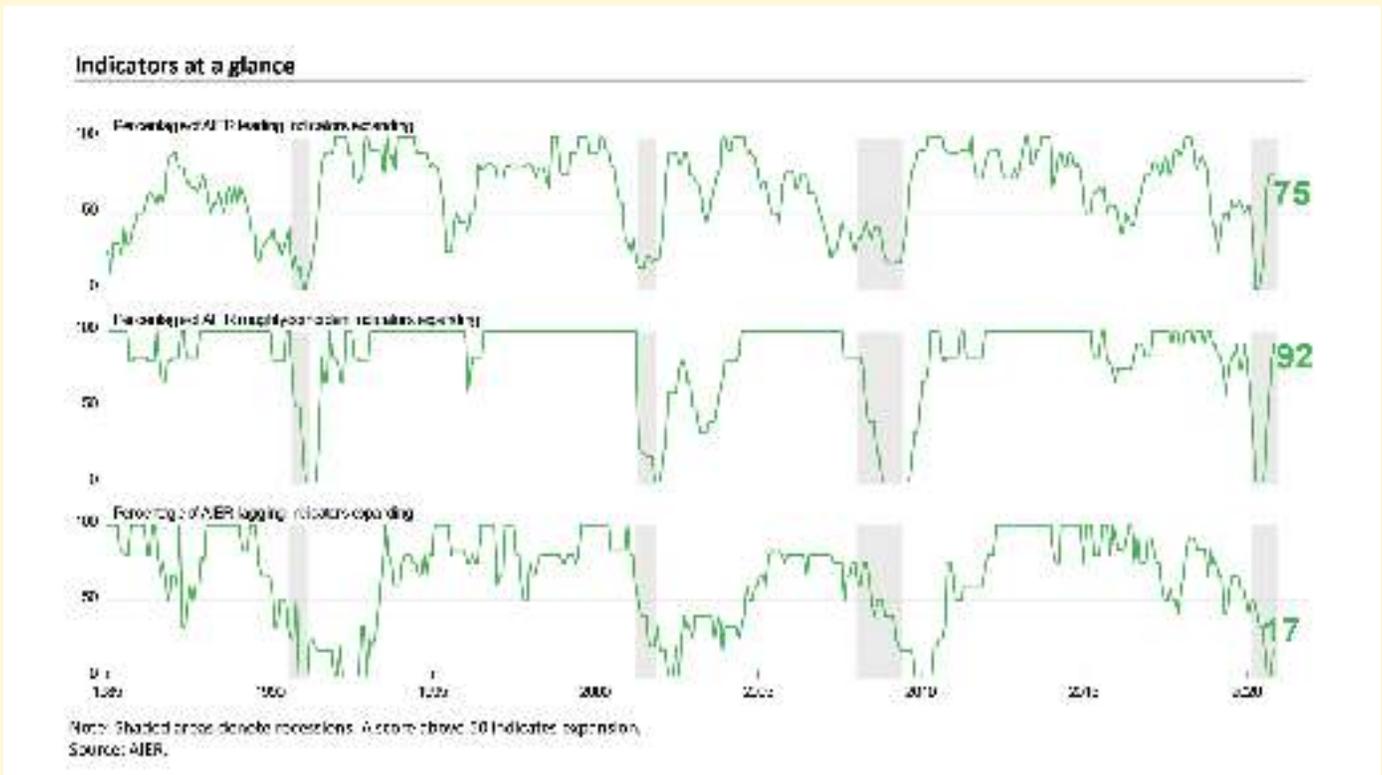
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BUSINESS
CONDITIONS
MONTHLY

Robert Hughes

SENIOR RESEARCH FELLOW

Favorable readings continue for the AIER Leading Indicators Index but Policy Threats Remain High



AIER’s Business Cycle Conditions Leading Indicators index held steady at 75 in December. The latest result was the fourth month in a row with the index coming in above the neutral 50 threshold. The Roughly Coincident Indicators index rose to 92 while the Lagging Indicators index was unchanged at 17 (see chart).

The recent run of favorable results for the Leading Indicators Index reflects the ongoing recovery from the dramatic declines in economic activity due to government shutdowns. However, economic data continue to show varied strength among the major sectors of the economy. Furthermore, policies that distort activity are also impacting consumer and business finances. These impacts have the potential to influence economic activity beyond the short-term distortions.

Politics, current policies, and uncertainty over future policy continue to threaten the already-uneven recovery. Overall, the economy continues to expand but remains vulnerable to erratic government policies and political partisanship.

Leading Indicators index remains solidly above neutral

The AIER Leading Indicators index remained unchanged at 75 in December. The December result is the fourth month in a row above the neutral 50 threshold. The index is constructed as a measure of breadth among the individual indicators and does not directly relate to levels of activity or growth rates of activity. However, the results do suggest continued overall economic expansion as three-quarters of the individual indicators are trending higher. In total, 9 of the 12 leading indicators maintained a positive trend in December, with 3 trending lower and none were neutral.

Positive trends occurred for the average workweek in manufacturing, real retail sales and food services, real new orders for core capital goods, real new orders for consumer goods, total heavy-truck unit sales, the ratio of manufacturing and trade sales to inventory, housing permits, debit balances in customers' margin accounts, and real stock prices. Downward trends came from the University of Michigan index of consumer expectations, initial claims for unemployment insurance, and the 10-year–1-year Treasury yield spread. All 12 indicators were the same in November.

Overall, the Leading Indicators index remains above 50, indicating continued expansion is likely. However, continued policy uncertainty suggests a high degree of caution is warranted.

The Roughly Coincident Indicators index rose to 92 in December, following a 75 result in November. This index has risen rapidly from a zero reading as recently as August, with the three most recent months coming in above the neutral 50 threshold. One indicator changed trend in December as the employment-to-population ratio improved from an unfavorable trend to a neutral trend. Overall, five indicators were trending favorably while one was in a neutral trend and none were in an unfavorable trend.

AIER's Lagging Indicators index held at 17 in December. The back-to-back 17s follow back-to-back zeros in September and October. Three indicators changed trend in the latest month: real manufacturing and trade inventories improved from an unfavorable trend to a neutral trend as did the 12-month percent change in the core Consumer Price Index indicator. Those were offset by a change from a favorable trend to an unfavorable trend for the composite short-term interest rate indicator. The net of the changes among the six indicators left the overall index unchanged, with no indicators trending higher, four trending lower, and two holding in a neutral trend.

Overall, the AIER business cycle–indicator indexes suggest continued economic expansion. However, government policies restricting consumers and businesses remain a threat to future economic growth. Caution is warranted.

Household net worth hits \$123.5 trillion in the third quarter

Household net worth reached \$123.5 trillion at the end of the third quarter. Total assets were \$140.3 trillion, with financial assets at \$98.7 trillion, or 70.4 percent of the total, while nonfinancial assets were \$41.6 trillion, or 29.6 percent. Total assets increased 3.0 percent for the quarter and were up 7.1 percent from a year ago.

Household liabilities were \$16.8 trillion at the end of the third quarter. Mortgage debt was \$10.8 trillion, or about 64.2 percent of the total. Total household liabilities increased 1.6 percent for the quarter and were up 3.3 percent from a year ago.

Mortgage debt rose 1.5 percent for the quarter while the value of household real estate rose 1.4 percent. Total owners' equity in real estate was 65.5 percent of the value of the real estate.

Consumer credit totaled \$4.1 trillion, or about 24.6 percent of total household liabilities after a 1.1 percent increase for the quarter. From a year ago, consumer credit is up just 0.5 percent. Total household liabilities were 12.0 percent of total household assets, the lowest ratio since 1983.

Debt service remains low for households

Debt service for households was 9.1 percent of disposable personal income in the third quarter, just slightly above the record-low 8.8 percent in the previous quarter. Debt service peaked at 13.2 percent of disposable income in the fourth quarter of 2007 but fell sharply over the 2008 through 2012 period. The average over the past 40 years is 11.2 percent.

Servicing total recurring financial obligations,

a broader measure than debt service that includes rent, auto leases, homeowners' insurance, and property taxes, totaled 14.3 percent of disposable personal income in the third quarter. That is just slightly above the record low of 13.7 percent in the previous quarter. The average over the last 40 years is 16.3 percent.

Overall, while debt levels are rising modestly, increases in assets are keeping balance sheets strong while the low level of interest rates and rising incomes are keeping debt service low.

Personal savings rate trending higher

The personal savings rate, savings as a percentage of disposable personal income, came in at 12.6 percent in the third quarter as measured by the flow-of-funds report. In the second quarter, the savings rate was 10.0 percent. This measure is broader than the monthly measure from the Bureau of Economic Analysis that is often quoted.

For the third quarter, the personal savings rate was 10.2 percent, down from a government-distorted 32.1 percent in the second quarter. The rate had been trending moderately higher since averaging 8 to 9 percent in 2018. In a longer-term perspective, the three-year average has been bouncing around in the 9 to 12 percent range since the end of the last recession. That is a solid improvement over the 6 to 9 percent range for the 1999 to 2008 period but well below the 15 to 18 percent range that prevailed for most of the period from 1965 through 1990. Once government transfer payments fade, the personal savings rate is likely to drift back closer to the 10 percent area.

Labor Outlook Uncertain

Initial claims for regular state unemployment insurance totaled 787,000 for the week ending December 26, down 3,000 from the previous week's upwardly revised tally of 790,000. Claims have

been in the 700,000 to 1 million range for 19 consecutive weeks after hitting a peak of 6.9 million in March. The four-week average was 818,750, down 18,750 from the prior average. The four-week average has been between 740,000 and 840,000 for 14 consecutive weeks. Prior to the lockdowns, initial claims averaged 212,000 over the first 10 weeks of 2020. Persistent initial claims at such a historically high level remain a threat for the labor market recovery and the economy.

The total number of people claiming benefits in all unemployment programs including all emergency programs was 19.177 million for the week ended December 19, down 419,228 from the prior week. Continuing claims in Federal and state programs are about the same level as in mid-November.

Nonfinancial corporate liabilities-to-assets ratio hits an all-time high

Total liabilities for the nonfinancial corporate sector rose 2.9 percent in the third quarter, less than the 0.9 percent gain in total assets. That result pushed the ratio of liabilities to assets up to 66.2 percent from 64.9 percent at the end of the second quarter.

The new ratio is an all-time high and well above the 25 to 28 percent range during the late 1950s. The liabilities-to-assets ratio rose sharply from the upper 20s in 1960 to just over 60 percent in 2000. The ratio fell sharply in the early 2000s, hitting 49.5 percent in 2006. The ratio has moved sharply higher since 2006 to its current record level.

Some of the increase is likely a reaction to the very low interest rates on newly issued corporate debt as some companies use cheap debt to buy back equity shares. However, even low-rate debt may be a financial risk in times of economic and policy uncertainty. Furthermore, if rates begin to rise, then maturing debt may need to be refinanced at higher rates, hurting profits.

Manufacturing

The Institute for Supply Management's Manufacturing Purchasing Managers' Index posted a gain in December, registering a 60.7 percent reading for the month, up from 57.5 percent in November. The latest result is the seventh consecutive reading above the neutral 50 threshold. Over the past seven months, the Purchasing Managers' index has averaged 56.5, the highest since March 2019. Overall, the report notes, "The manufacturing economy continued its recovery in December. Survey Committee members reported that their companies and suppliers continue to operate in reconfigured factories, but absenteeism, short-term shutdowns to sanitize facilities and difficulties in returning and hiring workers are causing strains that are limiting manufacturing growth potential. However, panel sentiment remains optimistic (three positive comments for every cautious comment), an improvement compared to November."

Among the key components, the New Orders Index came in at 67.9 percent, up 2.8 percentage points from 65.1 percent in November. The New Orders Index has been above 50 for seven consecutive months and above 60 for six consecutive months. The seven-month average is 63.8, the highest since May 2018. Thirteen of eighteen industries in the survey reported growth in new orders in December.

The New Export Orders Index came in at 57.5 percent in December, down 0.3 percentage points from a 57.8 percent result in November. The Backlog-of-Orders Index came in at 59.1 percent in December, up from 56.9 percent in the prior month and the highest level since June 2018.

The Production Index registered a 64.8 percent result in December, up from 60.8 percent in November. The index has been above 50 for seven consecutive months and above 60 for the last six months. The seven-month average is 61.8,

the highest since June 2018. Thirteen industries reported growth in the latest month.

The Employment Index rose in December, adding 3.1 percentage points to 51.5 percent in December, versus 48.4 percent in November. The employment index remains one of the weaker components, posting just two months above the neutral 50 mark over the past 18 months.

The Supplier Deliveries Index, a measure of delivery times from suppliers to manufacturers, jumped to 67.6 percent from 61.7 percent in November. Slower supplier deliveries are usually consistent with stronger manufacturing activity. According to the report, "Suppliers continue to struggle to deliver, with deliveries slowing at a faster rate compared to November. Transportation challenges and challenges in supplier-labor markets are still constraining production growth — and to a greater extent compared to the previous month. The Supplier Deliveries Index reflects the difficulties suppliers continue to experience due to Covid-19 impacts. Supplier labor and transportation constraints are not expected to diminish in the near-to-moderate term due to Covid-19."

The Prices Index rose to 77.6 percent in December from 65.4 percent in November and the highest reading since May 2018. All 18 industries paid higher prices for raw materials in December.

Customer inventories in December are still considered too low, with the index remaining below 50 at 37.9 percent versus 36.3 percent in the prior month (index results below 50 indicate customers' inventories are too low). The index has been below 50 for 51 consecutive months. Insufficient inventory may be a positive sign for future production.

Housing Remains A Bright Spot

Homebuilding remains a bright spot for the economy as housing starts and permits posted

gains in November while homebuilder sentiment remained strong across the country in December. Total housing starts rose to a 1.547 million annual rate from a 1.528 million pace in October, a 1.2 percent increase. The November gain is the sixth rise in the last seven months since hitting an April low.

The dominant single-family segment, which accounts for more than three-fourths of new home construction, rose 0.4 percent for the month to a rate of 1.186 million. Starts of multifamily structures with five or more units rose 8.0 percent to 352,000. From a year ago, total starts are up 12.8 percent with single-family starts up 27.1 percent and multifamily starts down 16.0 percent.

For housing permits, total permits rose 6.2 percent to 1.639 million in November. Total permits are 8.5 percent above the November 2019 level. Single-family permits were up 1.3 percent at 1.143 million, the highest rate since March 2007. While permits for two- to four-family units fell 3.5 percent to 55,000 and permits for five or more units jumped 22.8 percent to 441,000. Overall, single-family starts and permits are showing persistent strength since the April low while multifamily starts and permits are essentially trending sideways or slightly lower but at a level well above the lows following the 2008-09 recession.

Among the regions in the report, total starts rose in two of the four regions. The South, the largest region by volume, fell 6.0 percent while the Midwest declined by 4.9 percent. However, the Northeast gained 58.8 percent and the West rose 8.2 percent. For the single-family segment, the pattern was similar with the South down 3.1 percent and the Midwest off 9.3 percent while the Northeast gained 5.4 percent and the West rose 12.7 percent.

For housing permits among the regions, total permits rose in all four regions. The Northeast gained 12.9 percent, the South increased 4.7 percent, the West rose 8.3 percent and the Midwest added

3.8 percent. Total housing permits for the South and the West are at the highest levels since the late 2000s. Permits for the Northeast and the Midwest are well above the lows following the 2008-09 recession. For the single-family segment, permits for the Northeast increased 11.7 percent, the South gained 0.8 percent and the West rose 1.1 percent, while the Midwest was unchanged for the month.

The National Association of Home Builders' Housing Market Index, a measure of homebuilder sentiment, fell to 86 in December, down from 90 in November but still a very strong result. The three-month average, to smooth out monthly volatility, was 87 in December versus 86 in November, a record high. All three components of the index had declines in the latest month but also remained at very high levels. On a regional basis, all four regions had declines in December but on a three-month average basis, three of the four regions have gains; all four regions were at historically high levels.

Single-family home construction activity has recovered sharply since the April low as lockdown restrictions that impacted both construction workers and potential customers were eased. Furthermore, mortgage rates remain near all-time lows, providing support for the recovery though lending standards have tightened amid the policy-induced economic malaise.

Housing is one of the areas that may be experiencing structural change. There appears to be sustained marginal demand for less dense suburban and rural housing as urban dwellers, primarily renters, seek alternative housing. This trend could be boosted if businesses implement permanent work from home policies, to make employees happy but also to cut down on high-cost commercial real estate, especially in high-density, high-cost cities.

CAPITAL MARKET PERFORMANCE

(Percent change)

	December	Latest 3M	Latest 12M	Calendar Year			Annualized		
				2019	2018	2017	3-year	5-year	10-year
Equity Markets									
S&P 1500	4.0	12.6	15.8	28.3	-6.8	18.3	11.5	12.7	11.4
S&P 500 - total return	3.8	12.2	16.4	21.5	-4.4	21.8	14.2	10.2	12.9
S&P 500 - price only	3.7	11.7	16.3	22.9	-6.2	19.4	12.0	12.9	11.6
S&P 400	5.4	23.0	11.8	24.1	-12.5	14.5	6.7	10.9	0.8
Russell 2000	8.3	31.0	18.4	23.7	-12.2	13.1	9.8	11.7	9.7
Dow Jones Global Large-Cap Index	4.3	13.6	14.7	23.8	-10.4	42.0	8.4	10.2	6.6
Dow Jones Global Large-Cap ex-U.S. Index	5.3	16.0	8.8	18.2	-15.7	41.0	2.8	6.4	2.3
STOXX Europe 600 Index	2.3	10.3	-4.0	23.2	-13.2	7.7	0.8	1.8	2.8
Bond Markets									
iShares 20-plus Year Treasury Bond ETF	-1.4	-3.4	16.4	11.5	-4.2	6.5	7.5	5.8	5.2
iShares AAA - A Corporate Bond Fund	-0.4	1.2	7.1	9.1	-5.2	2.9	3.0	3.0	N/A
Commodity Markets									
Gold	7.0	-0.1	24.2	12.7	-1.7	12.5	18.3	12.2	2.0
Silver	19.6	11.6	46.8	16.7	-8.3	3.8	16.2	13.0	-1.4
Refinitiv equal weight commodities Index	5.3	11.7	9.4	7.6	-7.1	0.0	3.0	3.6	2.1

Sources: Barris, Dow Jones, Frank Russell, iShares, Standard & Poor's, STOXX Europe 600, Refinitiv

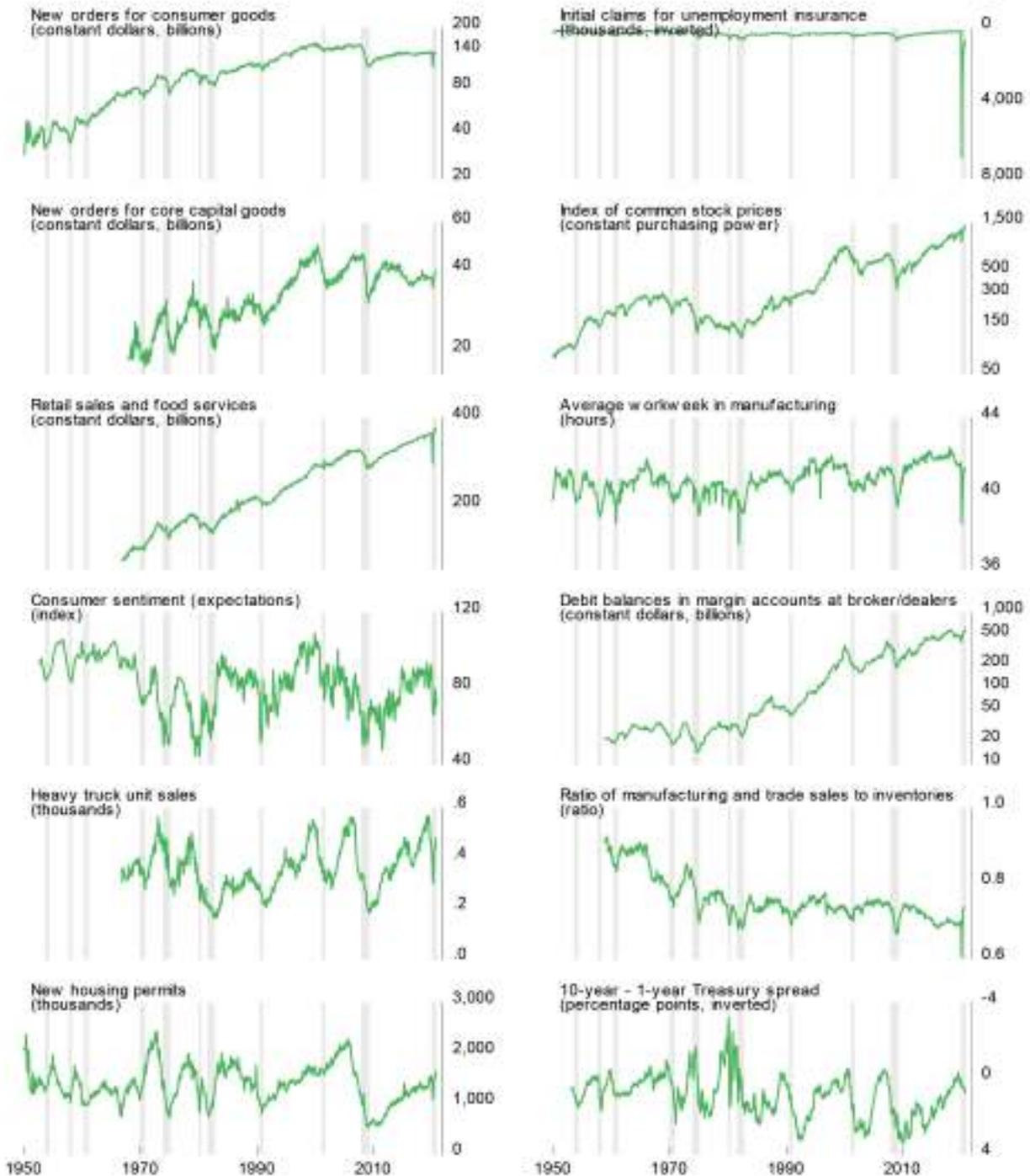
CONSUMER FINANCE RATES

(Percent)

	December	Latest 3M	Latest 12M	Average for Year			Average over Period		
				2019	2018	2017	3-year	5-year	10-year
30-yr. fixed mortgage	2.8	2.8	3.2	3.9	4.5	6.0	3.9	3.9	4.0
15-yr. fixed mortgage	2.3	2.4	2.7	3.4	4.0	5.3	3.4	3.2	3.2
5-yr. adjustable mortgage	3.0	3.0	3.1	3.6	3.8	3.2	3.5	3.3	3.2
48-month new car loan	5.0	5.0	5.2	5.4	5.3	4.5	5.2	4.8	4.8

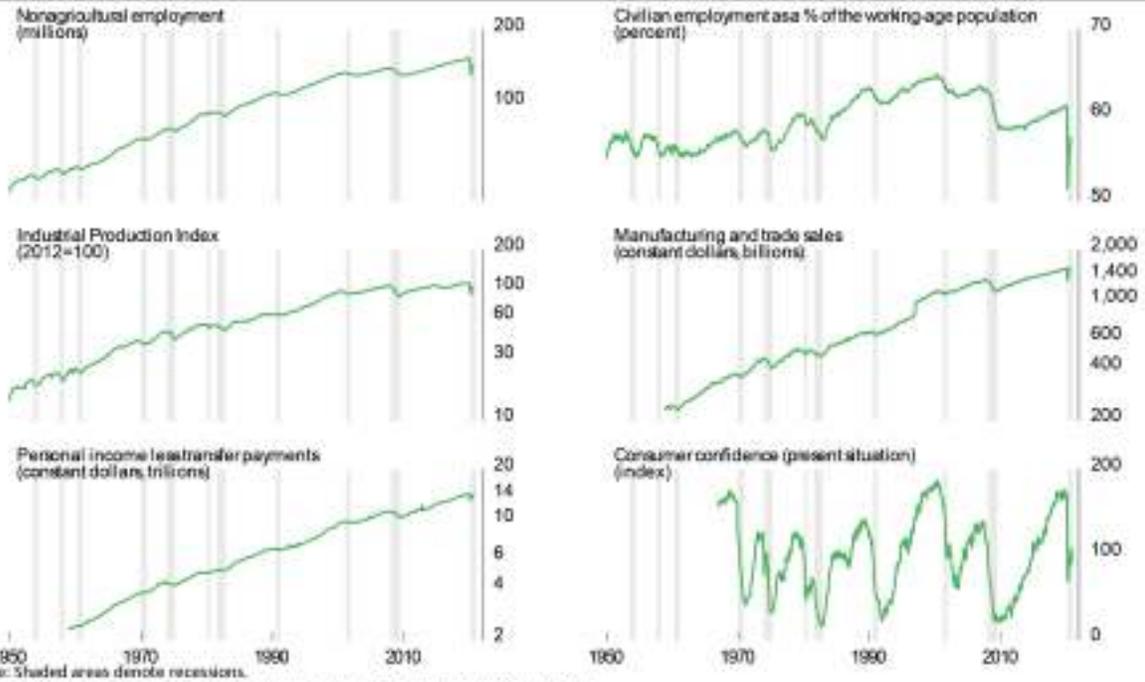
Sources: Bankrate, Federal Reserve.

LEADING INDICATORS (1950-2020)



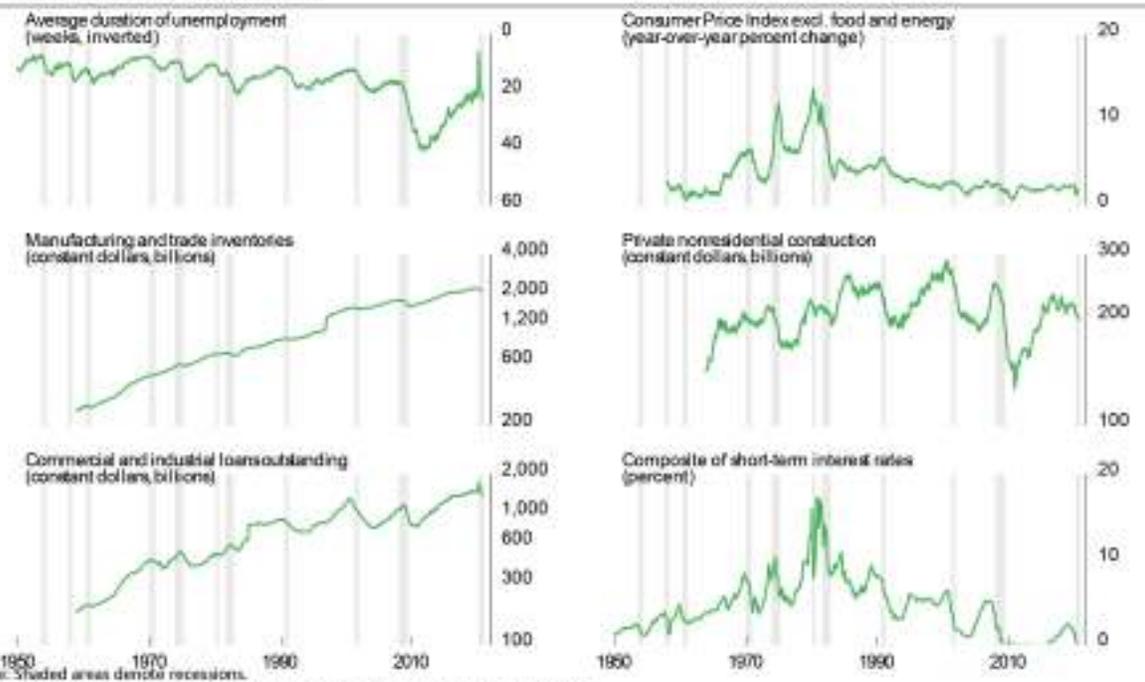
Note: Shaded areas denote recessions.
 Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The conference Board, Census Bureau, Department of Labor, Federal Reserve, Institute for Supply Management, Standard & Poor's, AER (Refinitiv).

ROUGHLY COINCIDENT INDICATORS (1950-2020)



Note: Shaded areas denote recessions.
 Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The conference Board, Census Bureau, Department of Labor, Federal Reserve, Institute for Supply Management, Standard & Poor's, AER (Refinitiv).

LAGGING INDICATORS (1950-2020)



Note: Shaded areas denote recessions.
 Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The conference Board, Census Bureau, Department of Labor, Federal Reserve, Institute for Supply Management, Standard & Poor's, AER (Refinitiv).

Lockdowns Do Not Control the Coronavirus: The Evidence

AIER STAFF

The use of universal lockdowns in the event of the appearance of a new pathogen has no precedent. It has been a science experiment in real time, with most of the human population used as lab rats. The costs are legion.

The question is whether lockdowns worked to control the virus in a way that is scientifically verifiable. Based on the following studies, the answer is no and for a variety of reasons: bad data, no correlations, no causal demonstration, anomalous exceptions, and so on. There is no relationship between lockdowns (or whatever else people want to call them to mask their true nature) and virus control.

Perhaps this is a shocking revelation, given that universal social and economic controls are becoming the new orthodoxy. In a saner world, the burden of proof really should belong to the lockdowners, since it is they who overthrew 100 years of public-health wisdom and replaced it with an untested, top-down imposition on freedom and human rights. They never accepted that burden. They took it as axiomatic that a virus could be intimidated and frightened by credentials, edicts, speeches, and masked gendarmes.

The pro-lockdown evidence is shockingly thin, and based largely on comparing real-world outcomes against dire computer-generated forecasts derived from empirically untested models, and then merely positing that stringencies and “non-pharmaceutical interventions” account for the difference between the fictionalized vs. the real outcome. The anti-lockdown studies, on the other hand, are evidence-based, robust, and thorough, grappling with the data we have (with all its flaws)

and looking at the results in light of controls on the population.

Much of the following list has been put together by data engineer Ivor Cummins, who has waged a year-long educational effort to upend intellectual support for lockdowns. AIER has added its own and the summaries. The upshot is that the virus is going to do as viruses do, same as always in the history of infectious disease. We have extremely limited control over them, and that which we do have is bound up with time and place. Fear, panic, and coercion are not ideal strategies for managing viruses. Intelligence and medical therapeutics fare much better.

(These studies are focused only on lockdown and their relationship to virus control. They do not get into the myriad associated issues that have vexed the world such as mask mandates, PCR-testing issues, death misclassification problem, or any particular issues associated with travel restrictions, restaurant closures, and hundreds of other particulars about which whole libraries will be written in the future.)

1. “A country level analysis measuring the impact of government actions, country preparedness and socioeconomic factors on COVID-19 mortality and related health outcomes” by Rabail Chaudhry, George Dranitsaris, Talha Mubashir, Justyna Bartoszko, Sheila Riaz. *EClinicalMedicine* 25 (2020) 100464. “[F]ull lockdowns and wide-spread COVID-19 testing were not associated with reductions in the number of critical cases or overall mortality.”

2. “Was Germany’s Corona Lockdown Necessary?” by Christof Kuhbandner, Stefan Homburg, Harald Walach, Stefan Hockertz. Advance: Sage Preprint, June 23, 2020. “Official data from Germany’s RKI agency suggest strongly that the spread of the coronavirus in Germany receded autonomously, before any interventions became effective. Several reasons for such an autonomous decline have been suggested. One is that differences in host susceptibility and behavior can result in herd immunity at a relatively low prevalence level. Accounting for individual variation in susceptibility or exposure to the coronavirus yields a maximum of 17% to 20% of the population that needs to be infected to reach herd immunity, an estimate that is empirically supported by the cohort of the Diamond Princess cruise ship. Another reason is that seasonality may also play an important role in dissipation.”

3. “Estimation of the current development of the SARS-CoV-2 epidemic in Germany” by Matthias an der Heiden, Osamah Hamouda. Robert Koch-Institut, April 22, 2020. “In general, however, not all infected people develop symptoms, not all those who develop symptoms go to a doctor’s office, not all who go to the doctor are tested and not all who test positive are also recorded in a data collection system. In addition, there is a certain amount of time between all these individual steps, so that no survey system, no matter how good, can make a statement about the current infection process without additional assumptions and calculations.”

4. Did COVID-19 infections decline before UK lockdown? by Simon N. Wood. Cornell University pre-print, August 8, 2020. “A Bayesian

inverse problem approach applied to UK data on COVID-19 deaths and the disease duration distribution suggests that infections were in decline before full UK lockdown (24 March 2020), and that infections in Sweden started to decline only a day or two later. An analysis of UK data using the model of Flaxman et al. (2020, Nature 584) gives the same result under relaxation of its prior assumptions on R.”

5. “Comment on Flaxman et al. (2020): The illusory effects of non-pharmaceutical interventions on COVID-19 in Europe” by Stefan Homburg and Christof Kuhbandner. June 17, 2020. Advance, Sage Pre-Print. “In a recent article, Flaxman et al. allege that non-pharmaceutical interventions imposed by 11 European countries saved millions of lives. We show that their methods involve circular reasoning. The purported effects are pure artefacts, which contradict the data. Moreover, we demonstrate that the United Kingdom’s lockdown was both superfluous and ineffective.”

6. Professor Ben Israel’s Analysis of virus transmission. April 16, 2020. “Some may claim that the decline in the number of additional patients every day is a result of the tight lockdown imposed by the government and health authorities. Examining the data of different countries around the world casts a heavy question mark on the above statement. It turns out that a similar pattern – rapid increase in infections that reaches a peak in the sixth week and declines from the eighth week – is common to all countries in which the disease was discovered, regardless of their response policies: some imposed a severe and immediate lockdown that included not only ‘social distancing’ and banning crowding, but also shutout of economy (like Israel); some

‘ignored’ the infection and continued almost a normal life (such as Taiwan, Korea or Sweden), and some initially adopted a lenient policy but soon reversed to a complete lockdown (such as Italy or the State of New York). Nonetheless, the data shows similar time constants amongst all these countries in regard to the initial rapid growth and the decline of the disease.”

7. “Impact of non-pharmaceutical interventions against COVID-19 in Europe: a quasi-experimental study” by Paul Raymond Hunter, Felipe Colon-Gonzalez, Julii Suzanne Brainard, Steve Rushton. MedRxiv Pre-print May 1, 2020. “The current epidemic of COVID-19 is unparalleled in recent history as are the social distancing interventions that have led to a significant halt on the economic and social life of so many countries. However, there is very little empirical evidence about which social distancing measures have the most impact... From both sets of modelling, we found that closure of education facilities, prohibiting mass gatherings and closure of some non-essential businesses were associated with reduced incidence whereas stay at home orders and closure of all non-businesses was not associated with any independent additional impact.”

8. “Full lockdown policies in Western Europe countries have no evident impacts on the COVID-19 epidemic” by Thomas Meunier. MedRxiv Pre-print May 1, 2020. “This phenomenological study assesses the impacts of full lockdown strategies applied in Italy, France, Spain and United Kingdom, on the slowdown of the 2020 COVID-19 outbreak. Comparing the trajectory of the epidemic before and after the lockdown, we find no evidence of any discontinuity in the growth rate, doubling

time, and reproduction number trends. Extrapolating pre-lockdown growth rate trends, we provide estimates of the death toll in the absence of any lockdown policies, and show that these strategies might not have saved any life in western Europe. We also show that neighboring countries applying less restrictive social distancing measures (as opposed to police-enforced home containment) experience a very similar time evolution of the epidemic.”

9. “Trajectory of COVID-19 epidemic in Europe” by Marco Colombo, Joseph Mellor, Helen M Colhoun, M. Gabriela M. Gomes, Paul M McKeigue. MedRxiv Pre-print. Posted September 28, 2020. “The classic Susceptible-Infected-Recovered model formulated by Kermack and McKendrick assumes that all individuals in the population are equally susceptible to infection. From fitting such a model to the trajectory of mortality from COVID-19 in 11 European countries up to 4 May 2020 Flaxman et al. concluded that ‘major non-pharmaceutical interventions — and lockdowns in particular — have had a large effect on reducing transmission’. We show that relaxing the assumption of homogeneity to allow for individual variation in susceptibility or connectivity gives a model that has better fit to the data and more accurate 14-day forward prediction of mortality. Allowing for heterogeneity reduces the estimate of ‘counterfactual’ deaths that would have occurred if there had been no interventions from 3.2 million to 262,000, implying that most of the slowing and reversal of COVID-19 mortality is explained by the build-up of herd immunity. The estimate of the herd immunity threshold depends on the value specified for the infection fatality ratio (IFR): a value of 0.3% for the IFR gives 15% for the average herd immunity threshold.”

10. “Effect of school closures on mortality from coronavirus disease 2019: old and new predictions” by Ken Rice, Ben Wynne, Victoria Martin, Graeme J Ackland. *British Medical Journal*, September 15, 2020. “The findings of this study suggest that prompt interventions were shown to be highly effective at reducing peak demand for intensive care unit (ICU) beds but also prolong the epidemic, in some cases resulting in more deaths long term. This happens because covid-19 related mortality is highly skewed towards older age groups. In the absence of an effective vaccination programme, none of the proposed mitigation strategies in the UK would reduce the predicted total number of deaths below 200 000.”

11. “Modeling social distancing strategies to prevent SARS-CoV2 spread in Israel- A Cost-effectiveness analysis” by Amir Shlomai, Ari Leshno, Ella H Sklan, Moshe Leshno. *MedRxiv Pre-Print*. September 20, 2020. “A nationwide lockdown is expected to save on average 274 (median 124, interquartile range (IQR): 71-221) lives compared to the ‘testing, tracing, and isolation’ approach. However, the ICER will be on average \$45,104,156 (median \$ 49.6 million, IQR: 22.7-220.1) to prevent one case of death. Conclusions: A national lockdown has a moderate advantage in saving lives with tremendous costs and possible overwhelming economic effects. These findings should assist decision-makers in dealing with additional waves of this pandemic.”

12. Too Little of a Good Thing A Paradox of Moderate Infection Control, by Ted Cohen and Marc Lipsitch. *Epidemiology*. 2008 Jul; 19(4): 588–589. “The link between limiting pathogen exposure and

improving public health is not always so straightforward. Reducing the risk that each member of a community will be exposed to a pathogen has the attendant effect of increasing the average age at which infections occur. For pathogens that inflict greater morbidity at older ages, interventions that reduce but do not eliminate exposure can paradoxically increase the number of cases of severe disease by shifting the burden of infection toward older individuals.”

13. “Smart Thinking, Lockdown and COVID-19: Implications for Public Policy” by Morris Altman. *Journal of Behavioral Economics for Policy*, 2020. “The response to COVID-19 has been overwhelmingly to lockdown much of the world’s economies in order to minimize death rates as well as the immediate negative effects of COVID-19. I argue that such policy is too often de-contextualized as it ignores policy externalities, assumes death rate calculations are appropriately accurate and, and as well, assumes focusing on direct Covid-19 effects to maximize human welfare is appropriate. As a result of this approach current policy can be misdirected and with highly negative effects on human welfare. Moreover, such policies can inadvertently result in not minimizing death rates (incorporating externalities) at all, especially in the long run. Such misdirected and sub-optimal policy is a product of policy makers using inappropriate mental models which are lacking in a number of key areas; the failure to take a more comprehensive macro perspective to address the virus, using bad heuristics or decision-making tools, relatedly not recognizing the differential effects of the virus, and adopting herding strategy (follow-the-leader) when developing policy. Improving the decision-making environment, inclusive of providing more comprehensive governance and improving mental models could have lockdowns throughout the world thus yielding much higher levels of human welfare.”

14. “SARS-CoV-2 waves in Europe: A 2-stratum SEIRS model solution” by Levan Djaparidze and Federico Lois. MedRxiv pre-print, October 23, 2020. “We found that 180-day of mandatory isolations to healthy <60 (i.e. schools and workplaces closed) produces more final deaths if the vaccination date is later than (Madrid: Feb 23 2021; Catalonia: Dec 28 2020; Paris: Jan 14 2021; London: Jan 22 2021). We also modeled how average isolation levels change the probability of getting infected for a single individual that isolates differently than average. That led us to realize disease damages to third parties due to virus spreading can be calculated and to postulate that an individual has the right to avoid isolation during epidemics (SARS-CoV-2 or any other).”

15. “Did Lockdown Work? An Economist’s Cross-Country Comparison” by Christian Bjørnskov. SSRN working paper, August 2, 2020. “The lockdowns in most Western countries have thrown the world into the most severe recession since World War II and the most rapidly developing recession ever seen in mature market economies. They have also caused an erosion of fundamental rights and the separation of powers in a large part of the world as both democratic and autocratic regimes have misused their emergency powers and ignored constitutional limits to policy-making (Bjørnskov and Voigt, 2020). It is therefore important to evaluate whether and to which extent the lockdowns have worked as officially intended: to suppress the spread of the SARS-CoV-2 virus and prevent deaths associated with it. Comparing weekly mortality in 24 European countries, the findings in this paper suggest that more severe lockdown policies have not been associated with lower mortality. In other words, the lockdowns have not worked as intended.”

16. “Four Stylized Facts about COVID-19” (alt-link) by Andrew Atkeson, Karen Kopecky, and Tao Zha. NBER working paper 27719, August 2020. “One of the central policy questions regarding the COVID-19 pandemic is the question of which non-pharmaceutical interventions governments might use to influence the transmission of the disease. Our ability to identify empirically which NPI’s have what impact on disease transmission depends on there being enough independent variation in both NPI’s and disease transmission across locations as well as our having robust procedures for controlling for other observed and unobserved factors that might be influencing disease transmission. The facts that we document in this paper cast doubt on this premise.... The existing literature has concluded that NPI policy and social distancing have been essential to reducing the spread of COVID-19 and the number of deaths due to this deadly pandemic. The stylized facts established in this paper challenge this conclusion.”

17. “How does Belarus have one of the lowest death rates in Europe?” by Kata Karáth. British Medical Journal, September 15, 2020. “Belarus’s beleaguered government remains unfazed by covid-19. President Aleksander Lukashenko, who has been in power since 1994, has flatly denied the seriousness of the pandemic, refusing to impose a lockdown, close schools, or cancel mass events like the Belarusian football league or the Victory Day parade. Yet the country’s death rate is among the lowest in Europe—just over 700 in a population of 9.5 million with over 73 000 confirmed cases.”

18. “Association between living with children and outcomes from COVID-19: an OpenSAFELY

cohort study of 12 million adults in England” by Harriet Forbes, Caroline E Morton, Seb Bacon et al., by MedRxiv, November 2, 2020. “Among 9,157,814 adults ≤ 65 years, living with children 0-11 years was not associated with increased risks of recorded SARS-CoV-2 infection, COVID-19 related hospital or ICU admission but was associated with reduced risk of COVID-19 death (HR 0.75, 95%CI 0.62-0.92). Living with children aged 12-18 years was associated with a small increased risk of recorded SARS-CoV-2 infection (HR 1.08, 95%CI 1.03-1.13), but not associated with other COVID-19 outcomes. Living with children of any age was also associated with lower risk of dying from non-COVID-19 causes. Among 2,567,671 adults >65 years there was no association between living with children and outcomes related to SARS-CoV-2. We observed no consistent changes in risk following school closure.”

19. “Exploring inter-country coronavirus mortality“ By Trevor Nell, Ian McGorian, Nick Hudson. Pandata, July 7, 2020. “For each country put forward as an example, usually in some pairwise comparison and with an attendant single cause explanation, there are a host of countries that fail the expectation. We set out to model the disease with every expectation of failure. In choosing variables it was obvious from the outset that there would be contradictory outcomes in the real world. But there were certain variables that appeared to be reliable markers as they had surfaced in much of the media and pre-print papers. These included age, co-morbidity prevalence and the seemingly light population mortality rates in poorer countries than that in richer countries. Even the worst among developing nations—a clutch of countries in equatorial Latin America—have seen lighter overall population mortality than the developed

world. Our aim therefore was not to develop the final answer, rather to seek common cause variables that would go some way to providing an explanation and stimulating discussion. There are some very obvious outliers in this theory, not the least of these being Japan. We test and find wanting the popular notions that lockdowns with their attendant social distancing and various other NPIs confer protection.”

20. “Covid-19 Mortality: A Matter of Vulnerability Among Nations Facing Limited Margins of Adaptation” by Quentin De Laroche Lambert, Andy Marc, Juliana Antero, Eric Le Bourg, and Jean-François Toussaint. *Frontiers in Public Health*, 19 November 2020. “Higher Covid death rates are observed in the $[25/65^\circ]$ latitude and in the $[-35/-125^\circ]$ longitude ranges. The national criteria most associated with death rate are life expectancy and its slowdown, public health context (metabolic and non-communicable diseases (NCD) burden vs. infectious diseases prevalence), economy (growth national product, financial support), and environment (temperature, ultra-violet index). Stringency of the measures settled to fight pandemic, including lockdown, did not appear to be linked with death rate. Countries that already experienced a stagnation or regression of life expectancy, with high income and NCD rates, had the highest price to pay. This burden was not alleviated by more stringent public decisions. Inherent factors have predetermined the Covid-19 mortality: understanding them may improve prevention strategies by increasing population resilience through better physical fitness and immunity.”

21. “States with the Fewest Coronavirus Restrictions” by Adam McCann. *WalletHub*, Oct

6, 2020. This study assesses and ranks stringencies in the United States by states. The results are plotted against deaths per capita and unemployment. The graphics reveal no relationship in stringency level as it relates to the death rates, but finds a clear relationship between stringency and unemployment.

22. The Mystery of Taiwan: Commentary on the Lancet Study of Taiwan and New Zealand, by Amelia Janaskie. American Institute for Economic Research, November 2, 2020. “The Taiwanese case reveals something extraordinary about pandemic response. As much as public-health authorities imagine that the trajectory of a new virus can be influenced or even controlled by policies and responses, the current and past experiences of coronavirus illustrate a different point. The severity of a new virus might have far more to do with endogenous factors within a population rather than the political response. According to the lockdown narrative, Taiwan did almost everything ‘wrong’ but generated what might in fact be the best results in terms of public health of any country in the world.”

23. “Predicting the Trajectory of Any COVID19 Epidemic From the Best Straight Line” by Michael Levitt, Andrea Scaiewicz, Francesco Zonta. MedRxiv, Pre-print, June 30, 2020. “Comparison of locations with over 50 deaths shows all outbreaks have a common feature: $H(t)$ defined as $\log_e(X(t)/X(t-1))$ decreases linearly on a log scale, where $X(t)$ is the total number of Cases or Deaths on day, t (we use \ln for \log_e). The downward slopes vary by about a factor of three with time constants ($1/\text{slope}$) of between 1 and 3 weeks; this suggests it may be possible to predict when an outbreak will end. Is it possible to go beyond this and perform early prediction of the

outcome in terms of the eventual plateau number of total confirmed cases or deaths? We test this hypothesis by showing that the trajectory of cases or deaths in any outbreak can be converted into a straight line. Specifically $Y(t) \equiv -\ln(\ln(N/X(t)))$, is a straight line for the correct plateau value N , which is determined by a new method, Best-Line Fitting (BLF). BLF involves a straight-line facilitation extrapolation needed for prediction; it is blindingly fast and amenable to optimization. We find that in some locations that entire trajectory can be predicted early, whereas others take longer to follow this simple functional form.”

24. “Government mandated lockdowns do not reduce Covid-19 deaths: implications for evaluating the stringent New Zealand response” by John Gibson. New Zealand Economic Papers, August 25, 2020. “The New Zealand policy response to Coronavirus was the most stringent in the world during the Level 4 lockdown. Up to 10 billion dollars of output ($\approx 3.3\%$ of GDP) was lost in moving to Level 4 rather than staying at Level 2, according to Treasury calculations. For lockdown to be optimal requires large health benefits to offset this output loss. Forecast deaths from epidemiological models are not valid counterfactuals, due to poor identification. Instead, I use empirical data, based on variation amongst United States counties, over one-fifth of which just had social distancing rather than lockdown. Political drivers of lockdown provide identification. Lockdowns do not reduce Covid-19 deaths. This pattern is visible on each date that key lockdown decisions were made in New Zealand. The apparent ineffectiveness of lockdowns suggests that New Zealand suffered large economic costs for little benefit in terms of lives saved.”

25. “Lockdowns and Closures vs COVID – 19: COVID Wins” by Surjit S Bhalla, executive director for India of the International Monetary Fund. “For the first time in human history, lockdowns were used as a strategy to counter the virus. While conventional wisdom, to date, has been that lockdowns were successful (ranging from mild to spectacular) we find not one piece of evidence supporting this claim.”

26. “Effects of non-pharmaceutical interventions on COVID-19: A Tale of Three Models” by Vincent Chin, John P.A. Ioannidis, Martin A. Tanner, Sally Cripps, MedXriv, July 22, 2020. “Inferences on effects of NPIs are non-robust and highly sensitive to model specification. Claimed benefits of lockdown appear grossly exaggerated.”

27. “Assessing Mandatory Stay-at-Home and Business Closure Effects on the Spread of COVID-19” by Eran Bendavid, Christopher Oh, Jay Bhattacharya, John P.A. Ioannidis. European Journal of Clinical Investigation, January 5, 2021. “Implementing any NPIs was associated with significant reductions in case growth in 9 out of 10 study countries, including South Korea and Sweden that implemented only lrNPIs (Spain had a non-significant effect). After subtracting the epidemic and lrNPI effects, we find no clear, significant beneficial effect of mrNPIs on case growth in any country. In France, e.g., the effect of mrNPIs was +7% (95CI -5%-19%) when compared with Sweden, and +13% (-12%-38%) when compared with South Korea (positive means pro-contagion). The 95% confidence intervals excluded 30% declines in all 16 comparisons and 15% declines in 11/16 comparisons.”

December 19, 2020

The Year in which Comforting American Myths Were Ravaged

JAMES BOVARD

Contributor

Thanks in large part to Covid lockdowns, this year has left vast wreckage in its wake, with ten million jobs lost, more than 100,000 businesses and dozens of national chains bankrupted or closed. Up to 40 million people could face eviction in the coming months for failing to pay rent, and Americans report that their mental health is at record low levels. But the casualty list for 2020 must also include many of the political myths that shape Americans' lives.

Perhaps the biggest myth to die this year was that Americans' constitutional rights are safeguarded by the Bill of Rights. After the Covid-19 pandemic began, governors in state after state effectively placed scores of millions of citizens under house arrest – dictates that former Attorney General Bill Barr aptly compared to “the greatest intrusion on civil liberties” since the end of slavery. Politicians and government officials merely had to issue decrees, which were endlessly amended, in order to destroy citizens' freedom of movement, freedom of association, and freedom of choice in daily life. Los Angeles earlier this month banned almost all walking and bicycling in the city, ordering four million people to “to remain in their homes” in a futile effort to banish a virus.

The Rule of Law is another myth impaled by 2020's dire developments. Courts have repeatedly struck down sweeping restrictions. Federal judge William Stickman IV invalidated some of Pennsylvania's restrictions in a September ruling: “Broad population-wide lockdowns are such a dramatic inversion of the concept of liberty in a free society as to be nearly presumptively unconstitutional.” After the Michigan Supreme Court effectively labeled Governor Gretchen Whitmer a lawless

dictator, she responded by issuing “new COVID-19 emergency orders that are nearly identical to her invalidated emergency orders,” as the Mackinac Center noted. How many governors and mayors have you seen on the television news being led away in handcuffs after their arrest for violating citizens' rights this year? None.

Another myth that 2020 obliterated was the notion that politicians spending more than a hundred billion dollars every year for science and public health would keep Americans safe.

The Centers for Disease Control utterly botched the initial testing regime, sending out bogus tests to state and local health departments and taking a month and a half to do what the Thai government achieved in one day. The Food and Drug Administration helped turn the coronavirus from a deadly peril into a national catastrophe. Long after foreign nations had been ravaged and many cases had been detected in America, the FDA continued blocking private testing. The FDA continued forcing the nation's most innovative firms to submit to its command-and-control approach, notwithstanding the pandemic.

The benevolence and compassion of public school teachers was another myth that 2020 obliterated. Teacher unions helped barricade school doors the same way that segregationist governors in the 1950s and 1960s refused to obey federal court orders to admit black students. The Chicago Teachers Union proclaimed: “The push to reopen schools is based in sexism, racism, and misogyny.”

Black and Hispanic students suffered much larger learning losses due to school shutdowns, leading former Education Secretary John King to

warn of a “lost generation of students.” Despite a deluge of studies that showed that schools posed little risk of fueling the pandemic, teachers insisted that they were entitled to both their salaries and to stay at home as long as they considered necessary.

This was part of the collapse of the broader myth that the rulers and ruled have common interests. Among other splits, the response to the pandemic divided Americans into those who work for a living, and those who “work” for the government. Government employees in most states and at the federal level have been the Untouchables, continuing to draw full pay even when they were no longer even required to show up for work. One exception to this trend is government tax collectors, who continue commandeering as much as ever from citizens and property owners regardless of the collapse in public services in many places this year.

Another myth that perished in 2020 was that social media and the Internet could be a powerful propellant of free information. Instead, the biggest players pulled the most strings to suppress criticisms or dissent from the latest Covid policies promulgated by officialdom. On March 18, Twitter announced that, in response to Covid-19, it would ban tweets guilty of “denial of expert guidance” or “misleading content purporting to be from experts or authorities.”

The World Health Organization initially over-estimated the Covid fatality rate by 50-fold but they remain Twitter-approved. Facebook recently launched far more aggressive policies, including directly contacting anyone who liked or commented on a piece that was later ruled erroneous by Facebook guardians and is refusing any ads that discourages people from getting vaccinations. Will they ban WHO’s chief scientist Soumya Swaminathan for declaring on Monday that there was “no evidence to be confident [vaccine] shots prevent transmission” of Covid? Google sought

to suppress any doubts about lockdowns: “Most users in English-speaking countries, when they google ‘Great Barrington Declaration’, will not be directed to the declaration itself but to articles that are critical of the declaration,” a Spiked-Online analysis noted.

This year’s presidential election put a helluva dent in the credo that politicians rule with the “consent of the governed.” The pandemic provided the pretext to radically change voting procedures, spurring 65 million mostly unverified mail-in ballots. The *New York Times* warned in 2012 that “fraud in voting by mail is... vastly more prevalent than the in-person voting fraud that has attracted far more attention.” Many states solved that problem by “defining down fraud” and expunging the verification procedures previously used to routinely invalidate 20% or more of mailed-in ballots. The controversies around mail-in ballots, questionable software, ballot harvesting and other practices mean that a record number of Americans will doubt Joe Biden’s legitimacy even before he takes his oath of office.

Perhaps the saddest casualty of 2020 is the myth that average Americans cherish their personal freedom. Politicians continually shifted the rationale for lockdowns – from flattening the curve, to ending “community spread,” to reducing cases to near zero. Regardless of the proclaimed rationale, most people submitted without a fight, and usually without even a whimper. Politicians and bureaucrats fanned mass fears which quickly ripened into hatred of anyone who did not comply with the latest edict.

States and cities across the country set up snitch lines that were soon deluged with complaints of people outside without a mask, meeting friends, or having more visitors in their homes than could fit in a phone booth. Many, if not most, people quickly acquiesced to the “new normal” where any

government hack who recited the phrase “science and data” became entitled to rule their lives with an iron fist.

As the *Harvard International Review* warned, “The very methods that liberal democracies are currently using to effectively fight the virus are the same tactics that authoritarian leaders use to dominate their people. The tools that have been temporarily deployed in the fight against a once-in-a-lifetime disease may become permanent.” That was written on May 23, more than 15 million Covid cases ago – proof of the failure of lockdowns and pervasive restrictions to make Covid-19 vanish. But the miserable batting average of officialdom will vanish into the Memory Hole if politicians launch a campaign to make Covid vaccinations mandatory, complete with boundless vilification of anyone who balks at the injection.

Perhaps it has long been a myth that we live in a self-governing republic rather than a Leviathan Democracy where citizens merely make cameo appearances every few years at the voting booth. It is still possible that the catastrophic and pointless losses imposed by Covid crackdowns will finally awaken enough people to their growing subjugation. But the most dangerous myth is that Americans will finally become safe after they cease making any efforts to leash their rulers.

December 30, 2020

Twelve Times the Lockdowners Were Wrong

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This has been a year of astonishing policy failure. We are surrounded by devastation conceived and cheered by intellectuals and their political handmaidens. The errors number in the thousands, so please consider the following little more than a first draft, a mere guide to what will surely be unearthed in the coming months and years. We trusted these people with our lives and liberties and here is what they did with that trust.

1. **Anthony Fauci says lockdowns are not possible in the United States (January 24):**

When asked about the mass quarantine containment efforts underway in Wuhan, China back in January, Fauci dismissed the prospect of lockdowns ever coming to the United States:

“That’s something that I don’t think we could possibly do in the United States, I can’t imagine shutting down New York or Los Angeles, but the judgement on the part of the Chinese health authorities is that given the fact that it’s spreading throughout the provinces... it’s their judgement that this is something that in fact is going to help in containing it. Whether or not it does or does not is really open to question because historically when you shut things down it doesn’t have a major effect.”

Less than two months later, 43 of 50 US states were under lockdown – a policy advocated by Fauci himself.

2. **US government and WHO officials advise against mask use (February and March)**

When mask sales spiked due to widespread individual adoption in the early weeks of the pandemic, numerous US government and WHO officials took to the airwaves to describe masks as ineffective and discourage their use.

Surgeon General Jerome Adams tweeted against masks on February 29. Anthony Fauci publicly discouraged mask use in a nationally broadcast *60 Minutes* interview on March 7. At a March 30 World Health Organization briefing its Director-General supported mask use in medical settings but dissuaded the same in the general public.

By mid-summer, all had reversed course and encouraged mask-wearing in the general public as an essential tool for halting the pandemic. Fauci essentially conceded that he lied to the public in order to prevent a shortage on masks, whereas other health officials did an about-face on the scientific claims around masking.

While mainstream epidemiology literature stressed the ambiguous nature of evidence surrounding masks as recently as 2019, these scientists were suddenly certain that masks were something of a magic bullet for Covid. It turns out that both positions are likely wrong. Masks appear to have marginal effects at diminishing spread, especially in highly infectious settings and around the vulnerable. But their effectiveness at combating Covid has also been grossly exaggerated, as illustrated by the fact that mask adoption reached near-universal levels in the US by the summer with little discernible effect

on the course of the pandemic.

3. _____ Anthony Fauci’s decimal error in estimating Covid’s fatality rates (March 11)

Fauci testified before Congress in early March where he was asked to estimate the severity of the disease in comparison to influenza. His testimony that Covid was “10 times more lethal than the seasonal flu” stoked widespread alarm and provided a major impetus for the decision to go into lockdown.

The problem, as Ronald Brown documented in an epidemiology journal article, is that Fauci based his estimates on a conflation of the Infection Fatality Rate (IFR) and Case Fatality Rate (CFR) for influenza, leading him to exaggerate the comparative danger of Covid by an order of magnitude. Fauci’s error – which he further compounded in a late February article for the *New England Journal of Medicine* – helped to convince Congress of the need for drastic lockdown measures, while also spreading panic in the media and general public. As of this writing Fauci has not acknowledged the magnitude of his error, nor has the journal corrected his article.

4. _____ “Two weeks to flatten the curve” (March 16)

The lockdowners settled on a catchy slogan in mid-March to justify their unprecedented shuttering of economic and social life around the globe: two weeks to flatten the curve. The White House Covid task force aggressively promoted this line, as did the news media and much of the epidemiology profession. The logic behind the slogan came from the ubiquitous graph showing (1) a steep caseload

that would overwhelm our hospital system, or (2) a mitigated alternative that would spread the caseload out over several weeks, making it manageable.

To get to graph #2, society would need to buckle up for two weeks of shelter-in-place orders until the capacity issue could be managed. Indeed, we were told that if we did not accept this solution the hospital system would enter into catastrophic failure in only 10 days, as former DHS pandemic adviser Tom Bossert claimed in a widely-circulated interview and *Washington Post* column on March 11.

Two weeks came and went, then the rationale on which they were sold to the public shifted. Hospitals were no longer on the verge of being overwhelmed – indeed most hospitals nationwide remained well under capacity, with only a tiny number of exceptions in the worst-hit neighborhoods of New York City.

A US Navy hospital ship sent to relieve New York departed a month later after serving only 182 patients, and a pop-up hospital in the city’s Javits Convention Center sat mostly empty. But the lockdowns remained in place, as did the emergency orders justifying them. Two weeks became a month, which became two months, which became almost a year. We were no longer “flattening the curve” – a strategy premised on saving the hospital system from a threat than never manifested – but instead refocused on using lockdowns as a general suppression strategy against the disease itself. In short, the epidemiology profession sold us a bill of goods.

5. _____ Neil Ferguson predicts a “best case” US scenario of 1.1 million deaths (March 20)

The name Neil Ferguson, the lead modeler and chief spokesman for Imperial College London’s pandemic response team, has become synonymous

with lockdown alarmism for good reason. Ferguson has a long track record of making grossly exaggerated predictions of catastrophic death tolls for almost every single disease that comes along, and urging aggressive policy responses to the same including lockdowns.

Covid was no different, and Ferguson assumed center stage when he released a highly influential model of the virus's death forecasts for the US and UK. Ferguson appeared with UK Prime Minister Boris Johnson on March 16 to announce the shift toward lockdowns (with no small irony, he was coming down with Covid himself at the time and may have been the patient zero of a super-spreader event that ran through Downing Street and infected Johnson himself).

Across the Atlantic, Anthony Fauci and Deborah Birx cited Ferguson's model as a direct justification for locking down the US. There was a problem though: Ferguson had a bad habit of dramatically hyping his own predictions to political leaders and the press. The Imperial College paper modeled a broad range of scenarios including death tolls that ranged from tens of thousands to over 2 million, but Ferguson's public statements only stressed the latter – even though the paper itself conceded that such an extreme “worst case” scenario was highly unrealistic. A telling example came on March 20th when the *New York Times*'s Nicholas Kristof contacted the Imperial College modeler to ask about the most likely scenario for the United States. As Kristof related to his readers, “I asked Ferguson for his best case. “About 1.1 million deaths,” he said.”

6. _____ Researchers in Sweden use the Imperial College model to predict 95,000 deaths (April 10)

After Neil Ferguson's shocking death toll predictions for the US and UK captivated policymaker attention and drove both governments into lockdown, researchers in other countries began adapting the Imperial College model to their own circumstances. Usually, these models sought to reaffirm the decisions of each country to lock down. The government of Sweden, however, had decided to buck the trend, setting the stage for a natural experiment to test the Imperial model's performance.

In early April a team of researchers at Uppsala University adapted the Imperial model to Sweden's population and demographics and ran its projections. Their result? If Sweden stayed the course and did not lock down, it could expect a catastrophic 96,000 deaths by early summer. The authors of the study recommended going into immediate lockdown, but since Sweden lagged behind Europe in adopting such measures they also predicted that this “best case” option would reduce deaths to “only” 30,000.

By early June when the 96,000 prediction was supposed to come true, Sweden had recorded 4,600 deaths. Six months later, Sweden has about 8,000 deaths – a severe pandemic to be sure, but an order of magnitude smaller than what the modelers predicted. Facing embarrassment from these results, Ferguson and Imperial College attempted to distance themselves from the Swedish adaptation of their model in early May. Yet the Uppsala team's projections closely matched Imperial's own UK and US predictions when scaled to reflect their population sizes. In short, the Imperial model catastrophically failed one of the few clear natural experiment tests of its predictive ability.

7. _____ Scientists suggest that ocean spray spreads Covid (April 2)

In the second week of the lockdowns several newspapers in California promoted a bizarre theory: Covid could spread by ocean spray (although the paper later walked back the headline-grabbing claim, it is outlined here in the *Los Angeles Times*). According to this theory – initially promoted by a group of biologists who study bacterial infection connected to storm runoff – the Covid virus washed down storm gutters and into the ocean, where the ocean breeze would kick it up into the air and infect people on the nearby beaches. As silly as this theory now sounds, it helped to inform California’s initially draconian enforcement of lockdowns on its public beaches.

The same week that this modern-day miasmatic drift theory appeared, police in Malibu even arrested a lone paddleboarder for going into the ocean during the lockdown – all while citing the possibility that the ocean breeze carried Covid with it.

8. _____ Neil Ferguson predicts catastrophic death tolls in US states that reopen (May 24)

Fresh off of their exaggerated predictions from March, the Imperial College team led by Neil Ferguson doubled down on alarmist modeling. As several US states started to reopen in late April and May, Ferguson and his colleagues published a new model predicting another catastrophic wave of deaths by the mid-summer. Their model focused on 5 states with both moderate and severe outbreaks during the first wave. If they reopened, according to the Imperial team’s model, New York could face up to 3,000 deaths per day by July.

Florida could hit as high as 4,000, and California could hit 5,000 daily deaths. Keeping in mind that these projections were for each state alone, they exceed the daily death toll peaks for the entire country in both the fall and spring. Showing just how bad the Imperial model was, the actual death toll by mid-July in several of the examined states even fell below the lower confidence boundary of its projected count. While Covid remains a threat in all 5 states, the post-reopening explosion of deaths predicted by Imperial College and used to argue for keeping the lockdowns in place never happened.

9. _____ Anthony Fauci credits lockdowns for beating the virus in Europe (July 31)

In late July Anthony Fauci offered additional testimony to Congress. His message credited Europe’s heavy lockdowns with defeating the virus, whereas he blamed the United States for reopening too early and for insufficient aggressiveness in the initial lockdowns. As Fauci stated at the time, “If you look at what happened in Europe, when they shut down or locked down or went to shelter in place — however you want to describe it — they really did it to the tune of about 95% plus of the country did that.”

The message was clear: the United States should have followed Europe, but failed to do so and got a summer wave of Covid instead. Fauci’s entire argument however was based on a string of falsehoods and errors.

Mobility data from the US clearly showed that most Americans were staying home during the spring outbreak, with a recorded decline that matched Germany, the Netherlands, and several other European countries. Contrary to Fauci’s claim, the US was actually slower than most of Europe to reopen. Furthermore, his praise of Europe

collapsed in the early fall when almost all of the lockdown countries in Europe experienced severe second waves – just like the locked down regions of the United States.

10. _____ New Zealand and Australia declare themselves Covid-free (August-present)

New Zealand and Australia have thus far weathered the pandemic with extremely low case counts, leading many epidemiologists and journalists to conflate these results with evidence of their successful and replicable mitigation policies. In reality, New Zealand and Australia opted for the medieval ‘Prince Prospero’ strategy of attempting to wall themselves from the world until the pandemic passes – an approach that is highly dependent on their unique geographies.

As island nations with comparatively lower international travel than North America and Europe, both countries shut down their borders before the as-of-yet undetected virus became widespread and have remained closed ever since. It’s a costly strategy in terms of its economic impact and personal displacement, but it kept the virus out – mostly.

The problem with New Zealand and Australia’s Prince Prospero strategy is that it’s inherently fragile. All it takes to throw it into chaos is for the virus to slip past the border – including by accident or human error. Then heavy-handed lockdowns ensue, imposed with maximum disruption at the spur of the moment in a frantic attempt to contain the breach.

The most famous example happened on August 9 when New Zealand’s Prime Minister Jacinda Ardern declared that New Zealand had reached 100 days of being Covid-free. Then just two days

later a breach happened, sending Auckland into heavy lockdown. It’s a pattern that has repeated itself every few weeks in both countries.

In early December, we saw a similar flurry of stories from Australia announcing that the country had beaten Covid. Two weeks later, another breach occurred in the suburbs around Sydney, prompting a regional lockdown. There have been embarrassing missteps as well. In November the entire state of South Australia went into heavy lockdown over a single misreported case of Covid that was mistakenly attributed to a pizza purchase that did not exist. While both countries continue to celebrate their low fatality rates, they’ve also incurred some of the harshest and most disruptive restrictions in the world – all the result of premature declarations of being “Covid-free” followed by an unexpected breach and another frantic lockdown.

11. _____ “Renewed lockdowns are just a strawman” (October)

In early October a group of scientists met at AIER where they drafted and signed the Great Barrington Declaration, a statement calling attention to the severe social and economic harms of lockdowns and urging the world to adopt alternative strategies for ensuring the protection of the most vulnerable. Although the statement quickly gathered tens of thousands of co-signers from health science and medical professionals, it also left the lockdown supporters incensed. They responded not by scientific debate over the merits of their policies, but with a vilification campaign.

They answered by flooding the petition with hoax signatures and juvenile name-calling, and by peddling wildly false conspiracy theories about AIER’s funding (the primary instigator of both

tactics, ironically, was a UK blogger known for promoting 9/11 Truther conspiracies). But the lockdowners also adopted another narrative: they began to deny that lockdowns were even on the table.

Nobody was considering bringing back the lockdowns from the spring, they insisted. Arguing against the politically unpopular shelter-in-place orders in the fall only served the purpose of undermining public support for narrower and more temperate restrictions. The Great Barrington authors, we were told, were arguing with a “strawman” from the past.

Over the next several weeks in October a dozen or more prominent epidemiologists, public health experts, and journalists peddled the “lockdowns are a strawman” line. The “strawman” claim saw promotion in top outlets including the *New York Times*, and in an op-ed by two principle co-signers of the John Snow Memorandum, a competing petition that lockdown supporters drafted as a response to the Great Barrington Declaration.

The message was clear: the GBD was sounding a false alarm against policies from the past that the lockdowners “reluctantly” supported in the spring as an emergency measure but had no intention of reviving. By early November, the “strawman” of renewed lockdowns became a reality in dozens of countries across the globe – often cheered on by the very same people who used the “strawman” canard in October.

Several US states followed suit including California, which imposed severe restrictions on private gatherings up to and including meeting your own family for Thanksgiving and Christmas. And a few weeks after that, some of the very same epidemiologists who used the “strawman” line in October revised their own positions after the fact. They started claiming they had supported a second lockdown all along, and began blaming the GBD for impeding their efforts to impose them at an earlier

date. In short, the entire “lockdowns are a strawman” narrative was false. And it now appears that more than a few of the scientists who used it were actively lying about their own intentions in October.

12. _____ **Anthony Fauci touts New York as a model for Covid containment (June-December)**

By all indicators, New York state has suffered one of the worst coronavirus outbreaks in the world. Its year-end mortality rate of almost 1,900 deaths per million residents exceeds every single country in the world. The state famously bungled its nursing home response when Governor Andrew Cuomo forced these facilities to readmit Covid-positive patients as a way to relieve strains on hospitals. The policy backfired as most hospitals never reached capacity, but the readmissions introduced the virus into vulnerable nursing home populations resulting in widespread fatalities (to this day New York intentionally undercounts nursing home fatalities by excluding residents who are moved to a hospital from its reported numbers, further obscuring the true toll of Cuomo’s order).

New York has also fared poorly during the fall “second wave” despite reimposing harsh restrictions and regional lockdown measures. By mid-December, its death rate shot far above the mostly-open state of Florida, which has the closest comparable population size to New York. All things considered, New York’s weathering of the pandemic is an exemplar of what not to do.

Cuomo’s policies not only failed to contain the virus – they likely made it far more deadly to vulnerable populations. Enter Anthony Fauci, who has been asked multiple times in the press what a model Covid response policy would look like. He gave his first answer on July 20th: “We know that,

when you do it properly, you bring down those cases. We have done it. We have done it in New York.”

Fauci was operating under the assumption that New York, despite its bad run in the spring, had successfully brought the pandemic under control through its aggressive lockdowns and slow reopening. One might think that the fall rebound in New York, despite locking down again, would call this conclusion into question. Not so much for Dr. Fauci, who told the *Wall Street Journal* on December 8: “New York got hit really badly in the beginning” but they did “a really good job of keeping things down, and still, their level is low compared to the rest of the country.”

December 26, 2020

Digital Currencies and US Dollar Dominance

COLIN LLOYD

Contributor

Since the Great Financial Crisis in 2008, cryptocurrencies have come of age. The advent of Bitcoin in 2009 is often thought to have been the beginning of cryptocurrencies, but as early as 1983, American Cryptographer David Chaum had invented the blinding formula, an extension of the RSA algorithm which is still used today for web encryption. Chaum went on to create DigiCash in 1989.

The backbone of modern cryptocurrencies is distributed ledger technology (DLT), which developed out of the public key infrastructure of the early 1990's. There are numerous reasons why it took so long for cryptocurrencies to gain traction, but the financial crisis of 2008 was undoubtedly a catalyst. It was a crisis of trust; trust in the banking system, trust in the honesty of public institutions, trust in the value of fiat money itself. In the aftermath of the crisis, gold, along with other stores of value, rose in price, but Bitcoin, endowed with anonymity and a finite money supply, captured the imagination of a new generation of investors for whom gold was a *technologically barbarous relic*.

Of course, the anonymity of a public ledger also led to Bitcoin – and other cryptocurrencies – being used by criminals seeking to hide the proceeds of their illicit activities from the authorities. In the early days of Bitcoin adoption, many commentators anticipated that the authorities would outlaw its use, driving it underground. Perhaps because of its structure and the global nature of the internet, the authorities chose not to act in haste. Instead they observed and learned.

Today regulators and their governments are starting to prosecute crypto-criminals. Despite the anonymity of encryption, cryptocurrency seizures

are on the rise, but at the same time central banks are preparing to launch their own digital currencies.

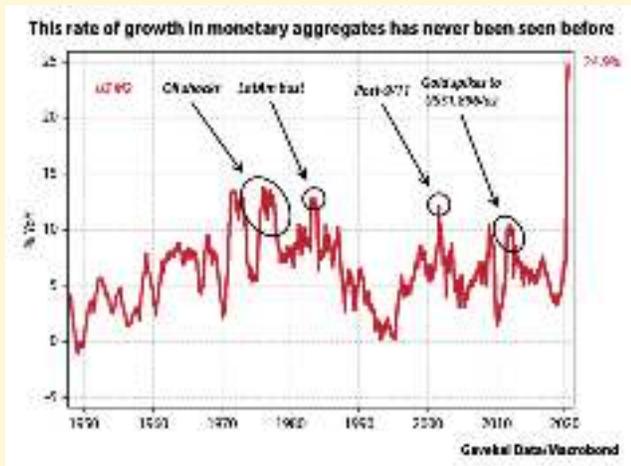
It is the implications of this development that I want to investigate in this article. To understand the motivation for the introduction of central bank digital currency (CBDC) one needs to look first at the evolution of the current fiat money system.

Prior to WWI the majority of developed nations linked their currencies to the price of gold. This was the era of the original Gold Standard. During the Great War the countries of Europe abandoned the Gold Standard and debased their currencies in order to finance the war to end all wars. The US benefited economically, selling goods to the allies who in turn made payment in gold or government debt. At the outbreak of WWI, Sterling had been the preeminent reserve currency; by 1918 the US Dollar had assumed preeminence.

During the interwar years, the US continued to supply goods to Europe. With the outbreak of WWII the flow of gold to the US accelerated to such an extent that the US acquired the vast majority of the world's gold reserves. A return to the Gold Standard, after hostilities ended in 1945, was simply impractical.

The year 1944 saw a meeting at Bretton Woods, New York, which led, with the ending of the war, to the introduction of the Gold Exchange Standard. Under this system gold reserves were replaced by US Dollar reserves. The Gold Exchange Standard, in its turn, collapsed in 1971, ushering in the era of fiat currencies, backed by the tax-raising capacity of each nation. Nonetheless, today more than 60% of all foreign bank reserves are still held in US Dollar cash or US Treasury securities. The Dollar

remains the world's reserve currency, but the recent pandemic has weakened its allure as a store of value, in part because the US government, abetted by its central bank, has expanded the monetary base to combat the combined supply and demand shock to the US economy.



Source: Gavekal/Macrobond, Federal Reserve

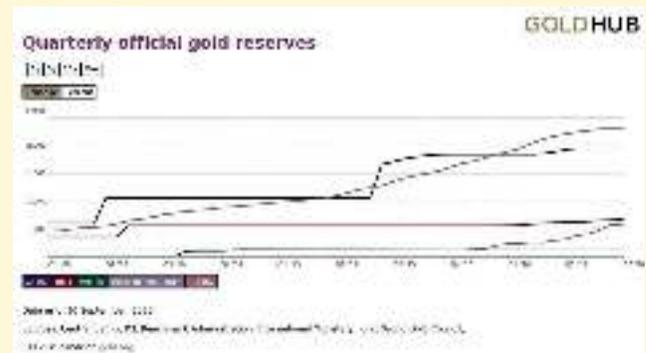
Of course, this rapid expansion of the monetary base has had multiple side effects. In their semi-annual, report to Congress, published this month and entitled, Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States, the US Treasury states: –

Over the four quarters through June 2020, a number of economies have experienced significant expansions in their current account surpluses, including China, Taiwan, and Vietnam, while other countries, including Germany and Switzerland, have maintained large trade and current account surpluses, which allowed for external asset stock positions to widen further.

Not content with an improved current account position with the US, a number of countries have doubled down, following the US lead as they *race to debase* their own fiat currencies. For most

nations, however, what French Finance Minister Valéry Giscard d'Estaing described in 1969 as the 'exorbitant privilege' bestowed upon the nation whose currency enjoys reserve status, means there is always enthusiasm for a viable alternative to the US Dollar.

Since the Great Financial Crisis, central bank gold reserves have risen rapidly. The chart below shows the main countries which have sought to diversify away from the US Dollar: –



Source: GoldHub

China, the world's second largest economy, has seen its foreign exchange reserves increase again during the last year. The composition of those reserves is not frequently disclosed but in 2019 the Chinese State Administration of Foreign Exchange announced that as at the end of 2014, US Dollar assets accounted for only 58% of their reserves, down from 79% in 2005. Since October 2016, when the Chinese Renminbi (RMB) became a constituent, the Chinese have volubly favoured the adoption of the IMF Special Drawing Right (XDR) – a statement of account rather than a tradable currency – as an alternative to simply holding US Dollars. Having been incorporated in the XDR, China anticipated that the RMB would quickly see its *secondary reserve currency status* grow, but as of April of this year, official reserves of RMB amounted to a mere \$221bln, less than 2% of total central bank reserves. For China, their inability to

promote the RMB as an alternative to the US\$ has perhaps prompted other initiatives.

One such initiative is the introduction of digital currency electronic payment (DCEP), China's name for their CBDC. The Chinese economy is well-positioned for such an innovation, as applications such as Alipay or WeChat Pay, together with the near ubiquity of the smartphone throughout China, means that digital payment is preferred to cash – in 2018 83% of payments were made through mobile devices. That figure is estimated to have reached 93% today.

The DCEP trial, launched in April, has been taking place in the cities of Shenzhen, Suzhou, Chengdu, and Xiong'an. It is cheaper and easier to use (and issue) than physical money and gives the authorities much greater control, both domestically and abroad. Every transaction can be audited, tax avoidance will be far more difficult and exchange controls can be more effectively enforced. If, during a crisis, the banking system should cease to function, the central bank could even deliver cash (or credit) directly to individuals.

The new currency does not come without risks to the incumbent system. For the individual, holding cash, securely in digital form, obviates the need for banks as deposit holders. If the banks have no deposits, their ability to lend is dramatically curtailed.

The international financial system could also be transformed. A digital RMB could eventually allow payment to sanction-bound countries without it having to pass through the dollar-based international payments systems.

At the beginning of December, Russia announced that a Digital Ruble will be introduced next year. The exact specifications are yet to be declared, but state control of the medium of exchange seems to be central to the endeavour. It has yet to be decided whether the Digital Ruble will be made available

through the current banking system or provided directly to individuals. Russian bankers remain nervous!

Interest in CBDC is more widespread than just China and Russia. A survey published earlier this year by the Bank for International Settlements (BIS) found that 53 out of 66 central banks were considering digital currencies. The BIS Markets Committee on Payments and Market Infrastructures published a working paper on the subject in March 2018, simply entitled Central bank digital currencies. Among their observations was the question of, *design choice*; should its access be wide or restricted, wholesale or general purpose; the degree of anonymity; operational availability (24/7 or less); and whether or not to make it interest bearing.

The authors went on to look at the role of central banks, noting that in the current fiat currency marketplace they tend to restrict access to digital money whilst making physical cash widely available. They then discussed the benefits of DLT for the settlement of wholesale CBDC transactions, highlighting the capacity constraints and questioning DLT's supposed technological advantage – much has changed since 2018 in that regard.

Since the use of physical cash was already in decline even in 2018, the BIS went on to consider the benefit of CBDCs as a means of bypassing the banking system and delivering money directly to the general public. Their enthusiasm was qualified and they asked whether there might be better means of achieving such goals, especially when fast and efficient private, retail payment products were already available. The authors recognised that digital money could (especially in a crisis) circulate even faster than traditional electronic cash, requiring central banks to react more quickly to rapidly changing demand for a broader range of eligible 'good collateral' assets. This again raised the issue of the disintermediation of the commercial

banking system. Why should one bother having a checking account with a limited liability bank when you could avail yourself of the services of a friendly neighbourhood central bank?

The BIS then considered the benefits of nonanonymous CBDCs, allowing for digital records and traces, which would improve the application of rules aimed at anti-money laundering. Then, in stark contrast, they peered into the abyss, contemplating anonymous general purpose CBDCs, which could be a near and present danger, especially since these currencies would not be limited to retail payments and might become widely used globally, not just for nefarious transactions, but as a form of economic warfare. Economic sanctions against rogue states, for example, would be rendered entirely toothless.

Finally the authors' opined on the need to monitor the development in digital technology and payments, noting the emergence of private digital tokens which would be neither the liability of any individual or institution and backed by no nation, nor any corporate authority. Their unspoken concern was of a challenge to the current order should the price of these private tokens become less volatile and investor protection improve. A common means of payment, which is both a stable store of value and a transparent unit of account could pose a real threat to the dominance of all fiat currencies. For the present Stablecoins, linked to the value of fiat currencies, fulfil this function, but with companies, such as Facebook, proposing to introduce their own currencies, an alternative means of exchange could quickly emerge.

Bringing the CBDC discussion up to date, the IMF – *Glaciers of Global Finance: The Currency Composition of Central Banks' Reserve Holdings* published this month, discusses the change in the pace of digital transformation, the shortening of global supply chains – which reduces the need for the world's principal reserve currencies. They

focus also on the increased issuance of domestic currency denominated government debt by emerging economies. All these factors combine to reduce international reliance on the US Dollar, Euro, Yen and Sterling – to list the four most traded reserve currencies. The recently signed Regional Comprehensive Economic Partnership, a free trade agreement between Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam, can only serve to further diminish demand for US Dollars as a medium of exchange.

The IMF authors conclude: –

There is currently no sign of major shifts in the composition of central bank reserve currencies. However, the glacial pace of change over recent decades should not be taken as an indication of the future.

The risk of an evolutionary leap forward to a multipolar world without a natural reserve currency may be closer than many commentators think. In November 2019, the Belfer Center, Economic Diplomacy Initiative, suggested the following scenario in *Digital Currency Wars – A National Security Crisis Simulation*: –

In the not-so-distant future, China becomes the first major economy to issue a central bank digital currency (CBDC). The development goes largely unnoticed at first, since payments in China are already highly digitized. Then, North Korea tests a nuclear missile that demonstrates significant advancements in its nuclear program. Analysts believe it could land a nuclear weapon in the continental United States within a year. These capabilities, it turns out, are funded using the Chinese

digital currency, which U.S. authorities cannot track. Soon thereafter, countries that want to escape U.S. oversight and sanctions, like Russia and Iran, begin issuing their own digital currencies.

As the world watches the Chinese experiment with its DCEP, which is planned to be rolled out across China in time for the Winter Olympics in February 2022, the Digital Currency market looks set to bifurcate into state-sponsored currencies which give their issuers greater control and private coins, backed by no authority – although some will have an underlying intrinsic asset value. There will also be, as of now, anonymous and non-anonymous offerings, both from private and public issuers. A US CBDC is inevitable, if the US government does not want to be left behind.

Is this the end for the US Dollar as the world's reserve currency? As Churchill might have said, '... This is not the end. It is not even the beginning of the end, but it is, perhaps, the end of the beginning.'

December 24, 2020

“We Hadn’t Really Thought Through the Economic Impacts” ~ Melinda Gates

JEFFREY A. TUCKER

Editorial Director

In a wide-ranging interview in the *New York Times*, Melinda Gates made the following remarkable statement: “What did surprise us is we hadn’t really thought through the economic impacts.” A cynic might observe that one is disinclined to think much about matters that do not affect one personally.

It’s a maddening statement, to be sure, as if “economics” is somehow a peripheral concern to the rest of human life and public health. The larger context of the interview reveals the statement to be even more confused. She is somehow under the impression that it is the pandemic and not the lockdowns that are the cause of the economic devastation that includes perhaps 30% of restaurants going under, among many other terrible effects.

She doesn’t say that outright but, like many articles in the mainstream press over this year, she very carefully crafts her words to avoid the crucial subject of lockdowns as the primary cause of economic disaster. It’s possible that she actually believes this virus is what tanked the world economy on its own but that is a completely unsustainable proposition.

Further, her comments provide a perfect illustration of the core problem all along: most of the people who have been advocating lockdowns in fact have no actual experience in managing pandemics. To many of these, Covid-19 became their new playground to try out an unprecedented experiment in social and economic management: shutting down travel, businesses, schools, churches, and issuing stay-at-home orders that smack of totalitarian impositions.

Here is what she says:

You can project out and think about what a pandemic might be like or look like, but until you live through it, it’s pretty hard to know what the reality will be like. So I think we predicted quite well that, depending on what the disease was, it could spread very, very, very quickly. The spread did not surprise us.

What did surprise us is we hadn’t really thought through the economic impacts. What happens when you have a pandemic that’s running rampant in populations all over the world? The fact that we would all be home, and working from home if we were lucky enough to do that. That was a piece that I think we hadn’t really prepared for.

There are plenty of specialists who have lived through pandemics in the past and managed them by maintaining essential social and economic functioning. A major case in point is Donald A. Henderson, who as head of the World Health Organization is given primary credit for the eradication of smallpox. He wrote as follows in 2006:

Experience has shown that communities faced with epidemics or other adverse events respond best and with the least anxiety when the normal social functioning of the community is least disrupted. Strong political and public health leadership to provide reassurance and to ensure that needed medical care services are provided are critical elements. If either is seen to be less than optimal, a manageable epidemic could move toward catastrophe.

Melinda together with her husband Bill have

been the major funding source for pro-lockdown efforts around the world, giving \$500M since the pandemic began, but also funding a huge range of academic departments, labs, and media venues for many years, during which time they have both sounded the alarm in every possible interview about the coming pathogen. Their favored policy has been lockdown, as if to confuse a biological virus with a computer virus that merely needs to be blocked from hitting the hard drive.

We can look at how this disease traveled around the world and see that the countries who locked down first, they're doing better. Many African countries saw it coming and locked it down early. Their replication rate just never got as high as many other countries. And that is a good thing.

While it is true that Africa is an odd outlier, the claim that this is due entirely to early lockdowns has no support. Those who have looked at the anomaly in Africa point to the very young population (just 3% are over 65), cross immunities with other coronaviruses as the main reason for the low death rate, and stronger overall immunities. Indeed, the demographics alone could account for nearly the whole of the mortality difference with Europe and the U.S. In addition, Melinda says here what Bill has said for years: the only solution to a virus is to suppress it and develop a vaccine – the previously untested experiment that has brought poverty, death, and despair to the entire world. Africa in particular was devastated by lockdowns.

It's still a good thing that she is opening up to the *New York Times* so that we can gain better perspective on her outlook. There will be a reckoning in the coming year concerning why and how all this happened to us. There will be no chance of suppressing the reality of what has happened. Indeed

the center-left press is already starting to admit what AIER has been saying since March 2020.

Consider this roundup from just the last several days:

What Has Lockdown Done to Us?

By Drew Holden

(New York Times)

Some researchers worry that the social isolation has inflicted damage to mental health that will outlast even the worst of the pandemic. We may not have a full accounting of the consequences for years to come.... There will be significant long term consequences from school closures as well. About half of the country's school districts held remote classes, either exclusively or partially, at the start of the year. This approach has meaningfully reduced educational quality, particularly for children of color.

These losses don't even take into account the direct effects of the lockdowns on the economy. Small businesses have closed their doors at very high rates as the American economy sputtered in response to stay-at-home orders. One study estimates that 60 percent of the millions of jobs lost between January and April were a result of the *lockdowns*, not the virus itself. The economic uncertainty caused by unemployment comes with its own health risks....

These tragedies have become an ambient backdrop to everyday life: present but forgotten, real but ignored. Perhaps America has simply gotten comfortable ignoring the quiet suffering of others.

**“The Problem With Underestimating How
Much People Want to Be Together”
by Julia Marcus
(*The Atlantic*)**

When a public-health approach isn’t producing the desired outcome, it’s time to try something different. Instead of yelling even louder about Christmas than about Thanksgiving, government officials, health professionals, and ordinary Americans alike might try this: Stop all the chastising. Remember that the public is fraying. And consider the possibility that when huge numbers of people indicate through their actions that seeing loved ones in person is nonnegotiable, they need practical ways to reduce risk that go beyond “Just say no.”

**“Covid used as pretext to curtail civil
rights around the world, finds report”
(*The Guardian*)**

The state of civil liberties around the world is bleak, according to a new study which found that 87% of the global population were living in nations deemed “closed”, “repressed” or “obstructed”.....A number of governments have used the pandemic as an excuse to curtail rights such as free speech, peaceful assembly and freedom of association, according to Civicus Monitor, an alliance of civil society groups which assessed 196 countries.

**The parental burnout crisis has
reached a tipping point
by Anna North
(Vox)**

Lack of child care is likely a big reason more than 850,000 women dropped out of the workforce in September — more than in any other month on record except for this April, Covert reports. Overall, moms have borne a bigger share of the pandemic parenting burden than dads, with 80 percent of mothers of kids under 12 saying they are responsible for the majority of distance learning in their homes in one April survey. And single moms have been the hardest-hit of all: The share of unpartnered moms in the workforce dropped from 76.1 percent in September 2019 to 67.4 percent in September 2020, a significantly larger drop than those seen among partnered parents or single dads, according to a Pew analysis.

**“Many aren’t buying public officials’
‘stay-at-home’ message. Experts say
there’s a better way”
(*Los Angeles Times*)**

Health officials are up against a fatigued public, as well as a number of people who don’t believe in the danger of the virus, (Dr. Monica) Gandhi said. But she is also part of a growing number of experts who think there’s a better way to engage those who do want to take the pandemic seriously — by taking a lesson from the public health strategy known as harm reduction.

Finally, it's tremendously gratifying that the last column of the mighty genius Walter Williams specifically named the Great Barrington Declaration as the answer:

What about the benefits and costs of dealing with the COVID-19 pandemic? Much of the medical profession and politicians say that lockdowns, social distancing, and mask-wearing are the solutions. CDC data on death rates show if one is under 35, the chances of dying from COVID-19 is much lower than that of being in a bicycle accident. Should we lock down bicycles? Dr. Martin Kulldorff, professor of medicine at Harvard University, biostatistician, and epidemiologist, Dr. Sunetra Gupta, professor at Oxford University and an epidemiologist with expertise in immunology, and Dr. Jay Bhattacharya, professor at Stanford University Medical School, a physician and epidemiologist were the initiators of the Great Barrington Declaration. More than 50,000 scientists and doctors, as well as more than 682,000 ordinary people, have signed the Great Barrington Declaration opposing a second COVID-19 lockdown because they see it doing much more harm than good.

The authors of the Great Barrington Declaration never had any doubt that eventually most everyone would come to see that the traditional principles of public health prevail over the previously untested and now failed policy of lockdowns. They spoke out when they did as a means of forcing the issue, and their courage will long echo in the annals of history. Now if we could only get Melinda Gates to see it.

December 9, 2020

Adopting a Gold Standard Would Promote Fiscal Discipline

JAMES L. CATON

Fellow, Sound Money Project

Many are surprised to learn that famed central banker Alan Greenspan has been a longtime supporter of the gold standard. But the record is clear. Greenspan published an essay in support of a gold standard with unregulated banking titled “Gold and Economic Freedom” in July 1966. He remained an advocate of the gold standard at the time of his appointment as Chairman of the Federal Reserve in 1987. And he has continued to wax about the gold standard in the time since leaving the Fed.

Among other things, Greenspan recognizes that the gold standard constrains government spending – and borrowing.

Much such infrastructure would have to be funded with government debt. We are already in danger of seeing the ratio of federal debt to GDP edging toward triple digits. We would never have reached this position of extreme indebtedness were we on the gold standard, because the gold standard is a way of ensuring that fiscal policy never gets out of line.

By now, the level of indebtedness has exceeded the value of U.S. GDP by an additional 35 percent. And the annual budget does not appear to be on course to reverse this trend any time soon. Under a commodity standard, like the gold standard, maintaining this risky position would be difficult, if not impossible, for the federal government.

Unlike Greenspan, most economists today see the gold standard as an arcane relic. But what if Greenspan is correct? Is it possible to regain the advantages of a gold standard today?

The Modern Monetary System and Fiscal Discipline

As Greenspan explains in his '66 essay, government borrowing is backed “only by the government’s promise to pay out future tax revenues.” The gold standard limited the extent to which a government can borrow because gold, unlike fiat money, cannot be printed. Governments are chastened for largess. Under a gold standard, money printing intended to support government borrowing quickly motivates investors to move gold to countries where it can earn a higher inflation-adjusted return. And the lost gold only returns after investors are compensated for the increased rate of inflation or the rate of inflation falls.

The modern monetary system, on the other hand, has developed in a manner that facilitates state borrowing. I do not mean to accuse any particular person of intentional mischief. I simply note that financial regulation and monetary policy have developed in a manner that increasingly supports fiscal expansion.

Consider the Basel Accords, which have charted the path of international financial regulation in recent decades. The guidelines provided by the Accords allow banks to hold supposedly safe debt – sovereign bonds – in lieu of reserves. Since these bonds typically earn a positive return and, even in the case of negative rates, tend to increase in value during a liquidity crisis, bank demand for sovereign debt has been practically insatiable. And this is only more true in an era where central banks dictate the value of short-term interest rates while also squeezing the yield curve by buying long-term bonds.

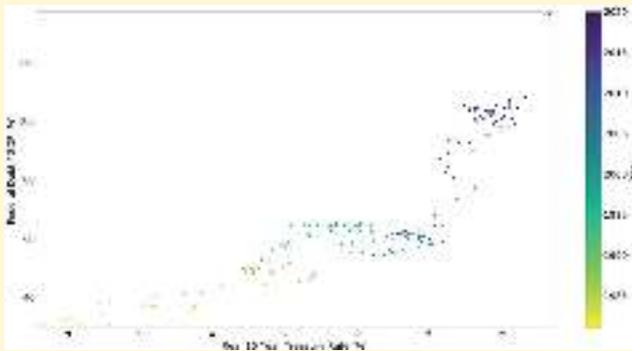


Figure 1

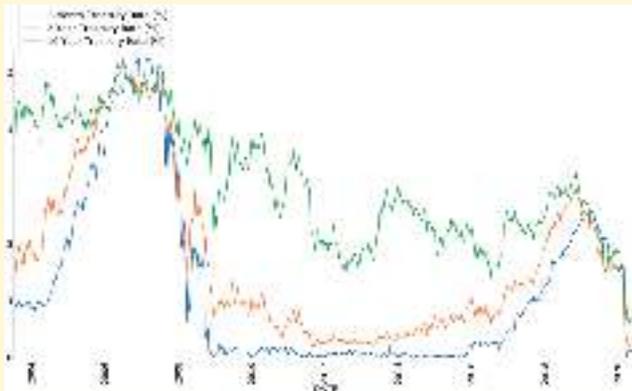


Figure 2

As Basel II/III was being implemented, Ben Bernanke radically transformed the Fed's operating system. To avoid short-run inflation and expectation of it by investors, Bernanke preferred to increase the quantity of reserves in the system while simultaneously paying banks risk-free interest not to lend those reserves. The alternative for a central bank would be to choose the level of reserves circulating within the financial system while allowing the competitive market to determine the rate of interest.

In this era of unprecedented control, the central bank has supported a massive expansion of federal borrowing. Since the Federal Reserve now sets the short-term rate, it can maintain historically low interest rates that support large fiscal deficits. Jerome Powell, the current chair, has even advocated for increases in federal spending in a wish to coordinate monetary and fiscal policies.

This system of monetary control suffers from massive tail risk. The value of the dollar depends upon the expectation that the government can repay its debts in the future. As Greenspan pointed out, the ability of a government to borrow depends on its convincing investors that the government will receive future taxes sufficient to repay the debt. With historically low rates set by the Federal Reserve, there is essentially no constraint on government spending except for the threat of default.

Gold and Fiscal Discipline

In light of the current fiscal position of the United States, there is a smattering of irony around the widespread disapproval of a gold standard among economists and policymakers. Perhaps more ironic, the gold standard failed not due to its natural functioning but due to an attempt by policymakers to circumvent the natural functioning of the gold standard so as to avoid the consequence of money printing in Great Britain during World War I. Such was the premise of the gold exchange standard where European central banks agreed – half-heartedly – to treat British pounds on par with their legal defined gold equivalent.

The system collapsed because it was politically unpopular. Those directing policy were unwilling to cooperate in a system that they felt did not benefit them. France withdrew its gold from England starting in 1927 and the system became inoperable. Growing demand for gold reserves by central banks led to plummeting asset prices and chaos in financial markets. The gold standard didn't fail because of the nature of a commodity standard, but rather, due to a failed intervention that sought to insulate governments and investors from the effects of Europe's departure from the gold standard during World War I.

As economist F.A. Hayek recognized in a 1935 interview with *The Economist*, it is unlikely that

the world could return to a gold standard as it had functioned before World War I. To do so would require that major holders of gold reserves would be willing to reduce their holdings, essentially donating to central banks that arrived late to the gold standard. When the international gold standard was established during the 1870s, gold and silver circulated as money. Bank lending depended on holdings of these metals as reserves. To attempt to return to the classical gold standard today would likely face difficulties that would outweigh the benefits.

But actors in the financial system would be happy to treat commodities as money if the cost of doing so was sufficiently low. There is nothing stopping any of us from opening a money market mutual fund account and writing checks or using a debit card linked to the account. Technologically, there is little reason individuals could not hold accounts denominated in a commodity like gold or silver except that they would suffer short-term capital gains taxes, in addition to the cost of accounting, for their regular transactions. Even in a world where the dollar is legal tender, savings accounts could be denominated in gold and gold would, therefore, serve as money.

We could allow for a de facto gold standard at little cost. And this standard would ensure that investors could discipline government for borrowing excessively. If citizens were allowed to save their income in gold-denominated accounts without extra costs of taxation and financial regulation, disciplining their government would be as easy as changing the form of one's savings account.

The lowest cost means of gaining the advantages from gold would be to remove all taxes and regulatory costs that inhibit citizens from treating commodities as money. In the case that citizens could keep their savings in a commodity ETF against which they could write checks or use a debit card, protecting one's financial position

from inflation would be as easy as opening a new account. The financial system would naturally encourage fiscal responsibility and could, perhaps, prevent a fiscal crisis that is growing more likely with every federal budget.

December 30, 2020

Why Hayek was Right About Nazis Being Socialists

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Words are powerful things in that they enable us to share a common world of understanding with our contemporaries and, in the written form, with generations long past. But too often words can just as easily cause confusion, misunderstanding, and conflict among people in any society. One such word that keeps causing this type of confusion and conflict is “socialism.” What does it mean, what forms has it taken, and why does it generate so much intellectual “heat” rather than “light?”

This has come up, again, in a recent article by Ronald J. Granieri, who is research director of the Lauder Institute at the University of Pennsylvania, on why, “The Right Needs to Stop Falsely Claiming that the Nazis were Socialists” (*Washington Post*, December 5, 2020).

Denying that National Socialism was “Socialist”

He seethes with frustration that those he calls on the political “right” attempt to classify the German Nazi regime of the 1930s and 1940s as “socialist.” Yes, the formal name of the Nazi Party was the National Socialist German Workers Party. But in his view, while the Nazis did impose an extensive degree of government intervention and control over the private sector, “their ‘socialism’ was at best a secondary element in their appeal.”

Some prominent Nazis may have played to the “working-class resentments” with the hope of attracting people away from the communists and the democratic socialists through appeals to anti-Jewish sentiments, but there was no directed and consistent challenge against private property. Rather than “controlling the means of production or redistributing wealth to build a utopian society, the

Nazis focused on safeguarding a social and racial hierarchy. They promised solidarity for members of the Volksgemeinschaft (‘racial community’) even as they denied rights to those outside the charmed circle,” Granieri argues.

The Nazis mostly pandered to small businessmen and artisans, and others in the middle class who feared and disliked communism and socialism. And they were not anchored into any advocacy and belief in democracy; to the contrary. What was Nazism all about, then? Granieri says: “National Socialism preserved private property, while also putting the entire resources of society at the service of an expansionist and racist national vision, which included the conquest and murderous subjugation of other peoples.” The Nazi regime, therefore, cannot be considered to be “socialist,” because National Socialism was not interested in controlling the means of production or redistributing wealth to build an egalitarian utopia.

Granieri does admit that the Soviet Union had entered into an alliance of convenience with Nazi Germany between 1939-1941 to divide up Eastern Europe between them. But with Hitler’s invasion of the Soviet Union in June 1941, the remainder of the war became a struggle between them of mutual annihilation. So that two-year period of Soviet-Nazi friendship does not demonstrate any commonality between socialism and National Socialism.

Hayek’s Misplaced Views on Socialism and Nazism

Granieri also takes a swipe at the Austrian economist and Nobel Prize winner, Friedrich A. Hayek, for attempting to put the socialist label on

Nazism in his book *The Road to Serfdom* (1944). “Hayek was appalled by the rise of economic planning in democratic states, embodied by Franklin Roosevelt’s New Deal. Hayek warned that any government intervention in the market eroded freedom, eventually leading to some form of dictatorship,” Granieri claims.

Hayek was “enormously influential,” he says, on both Ronald Reagan and Margaret Thatcher, and “Hayek’s assertion that all government interventions in the economy led to totalitarianism continues to animate popular works” that warn of the “genocidal dangers” from implementing a welfare state.

Ronald Granieri would rather drop all of this distracting labelling controversy and search for ways for “protecting citizens against the negative exigencies of the market,” focusing, instead, on a “proper balance of interests within a democratic political order,” depending “on the measurement of results” from introducing and implementing various types of interventionist and redistributive policies. He also wants “rightists” to drop harping on early 20th century American Progressives who heralded and advocated eugenics as a means of designing superior human types. (But, wait! Were they not simply “following the science” as widely understood and accepted at the time?)

Many Socialisms in the House of Collectivism

To begin with, in the house of collectivism there have been many socialist mansions. Among the early 19th century French socialists there was a diversity of views as to whether the socialist society to come, for instance, would be an industrial or agrarian paradise. There were disagreements about whether people could reason their way into radical social change, those whom Marx labelled the “utopian socialists,” or whether it would come only in its own good time due to inescapable historical

evolution and revolution, as Marx insisted.

The first socialist party to seriously move towards political influence in the second half of the 19th century was the German Democratic Socialists, who shunned the call for violent revolution, and amassed a growing number of votes in electing their candidates to the Imperial German Parliament by pursuing power through the ballot box. This frightened the German powers-that-be, so besides attempting for a while to suppress the German socialist party, Otto von Bismarck, as Chancellor of the German Empire in the 1870s and 1880s, introduced all the major component elements of the modern welfare state as well as interventionist regulations over parts of German industry and trade.

Bismarck’s brand soon was labelled “state socialism” or sometimes “monarchical socialism.” As the Iron Chancellor said to a British admirer, William H Dawson, “My idea was to bribe the working class, or shall I say, to win them over, to regard the state as a social institution existing for their sake and interested in their welfare.” And as Dawson explained, what Imperial Germany seemed to have found in state socialism was a middle ground between an individualism that would allow the state to do nothing and an extreme radical socialism that would have the state do everything.

Further to the East in Europe, more doctrinaire Marxian socialists in Imperial Russia rejected the niceties of elections and legislative welfare-state reforms. Only violent revolution could break the capitalist hold on the exploited masses, with, as Lenin came to insist, a dictatorship of the proletariat once in power. This resulted in a schism between democratic and dictatorial socialists for a good part of the 20th century. But it should be kept in mind while these two groups of socialists denounced each other over the means of coming to power, well into the second half of the 20th century they almost all agreed on the desired end: the abolition

of private ownership of the means of production and the introduction of central planning.

Paternalistic Expediency, from Cradle to Grave

From these forms of “socialism,” Granieri’s desire for a democratic “balancing of interests” based on the expediency of what “works,” Bismarck’s state socialism seems the closest to what he is looking for. As William Dawson expressed it in *Bismarck and State Socialism* (1891), “No department of economic activity should on principle be closed to the state . . . The state socialists say that this must be determined by expediency, and by circumstances of time and place.” (pp. 4-6)

It was a state socialism in which, as an American admirer of the German system, Frederic Howe, expressed it in his book on *Socialized Germany* (1915): “The state has its finger on the pulse of the worker from the cradle to the grave. His education, his health and his working efficiency are matters of constant concern.” And if this all seems too paternalistic, Howe said, “This paternalism does not necessarily mean less freedom to the individual than that which prevails in America or England. It is rather a different kind of freedom,” of social welfare guarantees (pp. 83; 162) Howe later served in FDR’s New Deal Agricultural Adjustment Administration (AAA) that attempted to plan the output of American farming. (See my article, “America’s Progressives are Bismarck’s Grandchildren”.)

National Socialism’s Master Race Egalitarianism

But did any of these socialisms have anything to do with the nature and content of what became the National Socialist ideology and actual policies? Granieri insists that National Socialism could not be “socialist” because it did not pursue a “utopian” ideal for greater equality for all as a whole. But this presumes that the only legitimate utopian dream, and therefore benchmark for labeling something

“socialist,” is the one that Granieri considers good and right.

In fact, the Nazis had a utopian vision for the future; it began with their notion of German race purity on the basis of which they rejected the older Prussian idea of aristocratic and class hierarchy. All “real” Germans were equal and were to be given opportunities for education, occupational and professional advancement as the means by which they could make their contribution to the high good of the German people as a whole.

That Nazi egalitarianism was limited to only those “real” Germans possessing the racial characteristics that guided their ideological thinking, with Jews classified as the lowest and most treacherous of race enemies, does not change the fact that they, too, were “utopians” with social equality goals, but only for those within the “in-group.” This was nothing but a variation of the Marxist theme that the world is divided into irreconcilable social classes, with the “capitalists” being the inescapable “class enemies” of “the workers.” And as in the Soviet practice, they and their children were stripped of all rights and opportunities, and made into permanent pariahs to be reeducated to serve “the building of socialism” or liquidated.

It may be a notion of a utopia that both Granieri and I would reject, but for many in the Nazi leadership and among the wider German population at the time, it was believed in and worked for, no matter reprehensible it may seem to others, certainly today when we all know what its outcome was in full practice. This is what made it a “national” socialism rather than an international socialism.

Its call and appeal were to a segment of humanity defined by asserted racial characteristics, rather than a call for all workers of the world to unite regardless of who or where. In retrospect, this meant that National Socialism could never have a following great enough to conquer and control the

world, since its pool of members was definitionally too limited a number of all of mankind. Most of the world's population had to find itself in conflict with Nazism precisely due to its race-based exclusivity.

Socialism, Nationalism, and the Race

But was National Socialism not only anti-capitalist, but “socialist” in some reasonable understanding? It would be possible to draw upon any number of Nazi sources to determine and decide whether National Socialism was a form of “real” socialism. In 1936, Nazi educator Friedrich Alfred Beck said in *Education in the Third Reich*, a text meant as a guide for German teachers around the country:

“National Socialism has restored the concept of a people from its modern shallowness . . . By people we understand an entire living body which is racially uniform and which is held together by common history, common fate, a common mission, and common tasks . . . Education, from the standpoint of race and people, is the creation of a form of life in which the racial unity will be preserved through the totality of the people . . .

“Socialism is the direction of personal life through dependence on the community, consciousness of the community, nationalism is the elevation of individual life to a unique (microcosmic) expression of the community in the unity of the personality.” (Translated in: *National Socialism* [U.S. Department of State, 1943], p. 28)

The individual lives through the community, and race and nation define to which community an individual owes his allegiance. Rather than social classes, National Socialism classifies people by race category. This makes you who you are and provides meaning to your life, in the Nazi worldview.

National Socialism's Anti-Capitalism and “Socialism”

But what about National Socialist economics? Let us look at Gustav Stolper's *German Economy, 1870-1940* (1940). Stolper was the long-time editor of a German economic magazine oriented toward a classical liberal viewpoint. He was forced to leave Germany with Hitler's rise to power due to his politics and his Jewish family background, and found refuge in the United States. Stolper explained some of the socialist aspects to Nazi ideology and policy:

“The National Socialist party was from the outset an anti-capitalist party. As such it was fighting and in competition with Marxism . . . National Socialism wooed the masses [from three angles]. The first angle was the moral principle, the second the financial system, the third the issue of ownership. The moral principle was ‘the commonwealth before self-interest.’ The financial promise was ‘breaking the bondage of interest slavery’. The industrial program was ‘nationalization of all big incorporated business [trusts]’.

“By accepting the principle ‘the commonwealth before self-interest,’ National Socialism simply emphasizes its antagonism to the spirit of a competitive society as represented supposedly by democratic capitalism . . . But to the Nazis this principle means also the complete subordination of the individual to the exigencies of the state. And in this sense National Socialism is unquestionably a Socialist system . . .

“The nationalization of big industry was never attempted after the Nazis came to power. But this was by no means a ‘betrayal’ of their program, as has been alleged by some of their opponents. The socialization of the entire German productive machinery, both agricultural and industrial, was achieved by methods

other than expropriation, to a much larger extent and on an immeasurably more comprehensive scale than the authors of the party program in 1920 probably ever imagined. In fact, not only the big trusts were gradually but rapidly subjected to government control in Germany, but so was every sort of economic activity, leaving not much more than the title of private ownership.” (pp. 232-233; 239-240)

German Businessmen Reduced to Enterprise Managers

Guenter Reimann, in *The Vampire Economy: Doing Business Under Fascism* (1939), highlighted that while most of the means of production had not been nationalized, they had nonetheless been politicized and collectivized under an intricate web of Nazi planning targets, price and wage regulations, production rules and quotas, and strict limits and restraints on the action and decisions of those who remained; nominally, the owners of private enterprises throughout the country. Every German businessman knew that his conduct was prescribed and positioned within the wider planning goals of the National Socialist regime.

Not much differently than the state factory managers in the Soviet Union, even at that time under Stalin, the German owners of private enterprises were given wide discretion in the day-to-day management of the enterprises that nominally remained in their possession. But Nazi planning agencies set output targets, determined input supplies and allocations, determined wage and work condition rules, and dictated the availability of investment funds and the rates of interest at which they could be obtained through the banking system, along with strict central control and direction of all import and export trade

The Nazi Ideal of a Socialist Welfare State for all Real Germans

But more generally approaching Ronald Granieri-denial of National Socialism being a socialist system, we can turn to a more recent historian of the Nazi regime, that being Goetz Aly in, *Hitler's Beneficiaries: Plunder, Racial War, and the Nazi Welfare State* (2007). Aly “focus[es] on the socialist aspect of National Socialism” so as to better understand “the Nazi regime as a kind of racist-totalitarian welfare state.”

Aly emphasizes that the ideology and practice of the Nazi regime were in fact deeply socialist. Within Germany, among the German people of “pure Aryan blood,” the ideal was an egalitarian social order in which every German would be freed from traditional class barriers so that he might have the opportunity to rise to any level of success in serving the fatherland. The welfare-state policies begun by Bismarck in late 19th century Imperial Germany were viewed by the Nazis as a prelude to a complete guarantee of a quality standard of living for all “real” Germans that would be paternalistically provided by the National Socialist state.

The problem was that the promises of the welfare state could not be fulfilled within Germany’s 1933 borders. If the German people were to have this material paradise on earth, someone would have to supply the manpower and the resources to provide the means for this massive redistribution of wealth.

Aly points out that before and during World War II, the German “capitalist class” was made to pay its “fair share” for the benefit of the rest of the German people. Taxes were proportionally far higher on the “rich” in Germany than the rest of the population. During the war the government established mandatory overtime pay in all industries and imposed wage increases to keep “the masses” loyal to the regime – all at the expense of German business. At the same time, German industry

worked under government-commanded four-year plans from 1936 until the end of the war in 1945.

Plunder Policy to Fund the National Socialist Welfare State

But it was only after the war started that the machine of redistributive plunder was really set into motion. Every country overrun by the German army not only had to pay the costs of the occupation, but also was systematically looted for the benefit of the German population as a whole.

Both within Germany and around the rest of Europe, the great “enemy” that the Nazis were determined to eliminate were the Jews. Before the war the regime had attempted to pressure German Jews to leave the country. After the war began the government was determined to expel all Jews in western and central Europe to “the East.” Finally, the “solution” to the “Jewish problem” was found in the concentration and death camps.

But beginning in 1941 and 1942 the expelling of Jews from Germany and the rest of occupied Europe was accelerated as part of the Nazi welfare state. When Great Britain began to bomb German cities, at first thousands and then tens of thousands of Germans found themselves homeless, with all their belongings destroyed. Municipal governments, with the approval of the Nazi leadership in Berlin, began to confiscate Jewish houses and apartments, including the contents, to make room for racially pure Germans needing new places to live.

In every occupied country the Nazis initiated similar confiscatory policies with local accomplices with whom they shared looted Jewish property. (Only in Belgium and Denmark did large segments of the population and the bureaucracy resist participating in this plunder of the Jews.) The Nazis first nationalized Jewish property and then distributed it to those deemed worthy among the German or occupied populations.

“Needy” Germans Provided for by Redistributing from Other Europeans

Hundreds of trainloads of stolen Jewish property were either given away or sold at discounted prices in German cities, large and small, throughout the war. Aly estimates that because of this looted property and the goods sent back to Germany by soldiers, many, if not most, Germans enjoyed a more comfortable standard of living throughout most of the war than the civilian population in Great Britain.

What also fed a large part of this Nazi plunderland was the invasion of the Soviet Union in June 1941. In the East, Hitler wished to show none of the minimal “niceties” with which the people of western Europe were treated. The vast and rich lands of Russia and Ukraine were to become the economic Promised Land in the Nazi dreams of the future. Under the plan at least 20 million Russian peasants would be worked and starved to death in the countryside after a German victory to make room for a huge German resettlement that would provide the “living space” for the Aryan race. The cities of Moscow and Leningrad were to be razed, their populations left to die.

The vast majority of German families continued to feast, even under the allied bombings, thanks to the locust-like seizure of anything and everything across occupied Europe. Aly estimates that during the five-and-a-half years of war, the Nazis plundered \$2 trillion worth of property, goods, and wealth from the peoples of Europe—a large sum by any standard, but truly huge considering the much lower levels of output and income in Europe during those war years.

No doubt this summary of the content of Goetz Aly’s analysis of the National Socialist welfare system and its version of central planning would convince Ronald Granieri even more that the Nazi regime should not be classified as “socialist.”

Hayek was Right: Nazis were Socialist Central Planners, Too

But in my view, it demonstrates that all of its characteristics find their family resemblance in socialist regimes. Institutionally, the starting premise is that the individual is little or nothing, and must view himself as dependent upon and working for a wider “common good,” other than his own personal self-interest.

In the name of “the people” those in political authority, whether in that position through votes or violence, establish in the name of “the people” the hierarchy of social goals, purposes, and collective ends for which a set of government planning policies, interventions and welfare redistributions will be set in motion.

Individual choice and decision-making as consumers and producers are significantly reduced or even totally eliminated with government central planning and decision-making replacing voluntary association and exchange through the competitive processes of supply and demand.

Prices and production no longer fully reflect the valuations and appraisements of the multitudes of interacting buyers and sellers in the society – which means all of us in our consumption and production roles in the social system of division of labor. Instead, government plans and interventions determine or heavily influence wages and prices, along with what gets produced and how much; which means everything concerning our personal lives, livelihoods and standards of living.

In other words, extensive and intrusive government regulations, restrictions, redistributions, and imposed centralized plans demonstrate what Friedrich A. Hayek was arguing over 75 years ago in *The Road to Serfdom*: that the more government command and control replaces market-based choices, decisions, and opportunities, the less freedom we have over increasing corners

and aspects of our lives. (See my articles, “Is America Still on F. A. Hayek’s *Road to Serfdom*?” and “F. A. Hayek and Why Government Can’t Manage Society”.)

Like many others over the more than one hundred last years, Ronald Granieri may very well pooh-pooh this because he may not consider some loss of personal liberty something much to despair when it’s replaced with compulsory political paternalism that “guarantees” various material wants for some that he considers more important than the degree of freedom forgone by some others.

But I would ask him to at least admit that this is freedom lost for a coerced “security,” for which some have had to be plundered; that is, have part of the income and wealth that was theirs taken from them without their voluntary consent. It is still a compulsory “taking,” whether done by a voting majority or dictatorial elite.

And I would further ask him to concede that whether he agrees with the ends and goals of other socialists, their use of command and control and their introduction of some form of institutional central planning to pursue their declared “social good” makes their system just as much a “socialist” one as any other that Ronald Granieri might endorse or look more favorably upon. So, whether he likes it or not, the Nazis, too, were socialists, just a different stripe than the ones he feels more comfortable with.

December 8, 2020

The FDA's Deadly Caution

CHARLES L. HOOPER (Contributor) & DAVID R. HENDERSON (Senior Fellow)

The FDA saves American lives when its rigorous clinical testing and review process rejects a dangerous drug. However, the FDA also takes American lives. Caution has a price. For every new medical breakthrough that reduces morbidity and mortality, one can reasonably ask how many suffered and died while the FDA checked off its boxes or, worse, rejected the breakthrough outright.

Consider Covid-19. The FDA's caution with vaccines has been deadly. On December 10, the FDA convened an advisory committee to review the Pfizer/BioNTech Covid-19 vaccine. The next day, the FDA cleared the vaccine for use through a so-called emergency use authorization, or limited approval. Next week, the FDA will hold a similar meeting for Moderna's vaccine.

Let's consider the Moderna vaccine with the FDA's current rules as compared to a hypothetical free market. In a free market, any willing seller can sell to any willing buyer. Yes, this can be scary. For instance, Merck began selling morphine commercially in 1827, and any buyer could have acquired morphine from any willing pharmacist. Before you recoil at the concept, remember that opioid abuse didn't become a significant problem until 2010, decades after the federal government clamped down on the sale of so-called scheduled drugs such as morphine.

You may be surprised to learn how quickly and early the Moderna vaccine was developed. On January 11 of this year, China's Yong-Zhen Zhang distributed the genetic code of the virus that has since been named SARS-CoV-2. The Moderna lab in Massachusetts took all of one weekend to formulate the vaccine, which was ready on Monday,

January 13. David Wallace-Wells of New York magazine writes, "It was completed before China had even acknowledged that the disease could be transmitted from human to human, more than a week before the first confirmed coronavirus case in the United States."

Here's the timeline:

- January 13, the mRNA-1273 vaccine is formulated
- February 7, the first clinical batch is produced
- February 24, Moderna ships the first batch to the NIH for a Phase 1 clinical trial
- March 4, the FDA gives permission to conduct a Phase 1 clinical trial (safety only)
- March 16, the first human subject is given a dose
- March 23, Moderna begins scaling up for commercial production
- March 27, another Phase 1 clinical trial begins
- April 27, Moderna ask the FDA for permission to run a Phase 2 clinical trial (safety and efficacy in a limited number of test subjects)
- May 1, Moderna and Lonza announce a plan to manufacture a billion doses a year

- May 12, the FDA gives Moderna Fast Track designation for mRNA-1273
- May 18, Moderna announces positive Phase 1 clinical results
- May 29, the first test subjects are dosed in a Phase 2 clinical trial
- July 14, Phase 1 results are published
- July 27, a Phase 3 clinical trial begins (safety and efficacy in a large number of test subjects)
- July 28, non-human primate study results are published
- November 16, Phase 3 results show the vaccine is 94.5% effective at preventing infections
- November 30, the FDA announces that it will convene an advisory committee meeting on December 17
- December 2, the U.K. approves a similar vaccine from Pfizer and BioNTech
- December 11, the FDA gives the Pfizer/BioNTech vaccine an emergency use authorization

The human toll from this virus has been considerable. Currently, 297,000 Americans have died and thousands more are joining them every day. The pandemic has been raging for about 280 days, which means that about 1,000 have died each day. For every day earlier that the pandemic ends, approximately 1,000 Americans won't unnecessarily die. This estimate is an understatement because each person who becomes immune to the SARS-CoV-2 virus protects those around him through the process

known as herd immunity.

While counterfactual timelines are hypothetical, we can consider what might have happened with a free market for drugs and vaccines. We don't know the thinking of Moderna's team—remember that each transaction requires a willing seller—so here are some possible scenarios, expanding on the ideas of the Hoover Institution's John Cochrane.

Early Vaccine Sales

The earliest Moderna probably would have sold the mRNA-1273 vaccine would have been after it began scaling up manufacturing. A company doesn't begin manufacturing until it believes in a product. In the timeline above, that's March 23. But manufacturing takes some time to get going. Let's assume that by April 1, five weeks from the date the first batch was shipped, Moderna begins offering mRNA-1273 for sale.

Sales start slowly. Supplies are limited. Only the bold and brave get inoculated. The rest of us, and Moderna, get some early, albeit messy, safety and efficacy data. This data helps Moderna improve the vaccine, dose, and dosing schedule. Having a ready market and a steady source of revenue, Moderna scales up production faster than in the timeline above.

In this scenario, inoculations could have begun at least 8.5 months earlier and, perhaps, the pandemic would have ended 240 days and 240,000 lives earlier. There's little talk of lockdowns and the economy remains resilient.

Middle Vaccine Sales

Moderna might be more conservative and would not start selling its vaccine until July 1, when more was known. Moderna continues randomized, controlled clinical trials until this date. The same process described above takes place but at an accelerated pace. Inoculations could begin at least 5.5

months earlier and, perhaps, the pandemic would end 160 days and 160,000 lives earlier. Lockdowns are loosened.

Late Vaccine Sales

Moderna certainly would have been willing to sell its vaccine on November 16, when the glowing Phase 3 results were made public. In this scenario, inoculations could begin at least a full month earlier than the FDA will allow. In this scenario, the pandemic would end 30 days and 30,000 lives earlier.

The range of the results shows that the FDA's processes and actions—even though the FDA has acted incredibly fast in this situation—have killed between 30,000 and 240,000 Americans.

Maybe you wouldn't have taken the Moderna vaccine months before the full clinical results were known. That's fine. Americans don't need to walk in lockstep. Those of us bolder, braver, or feeling more exposed to Covid-19 would have welcomed the vaccine sooner. Those of us more timid, skeptical, or protected from Covid-19 might still wait a year to get vaccinated. Many of us are in between.

Any discussion of the lives saved by the FDA must include estimates of the lives lost due to that very same agency. Two thousand Americans are dying each and every day while there's a savior in a syringe sitting in a warehouse ready to protect us.

December 16, 2020

An Incomprehensive List of Spending Bill Nonsense

FIONA HARRIGAN (Contributor) & PETER C. EARLE (Research Fellow)

After months of waiting, we finally have it. Congress has passed its spending bill, which comes in at \$2.3 trillion, and contains its latest Covid-19 relief bill, with a price tag of \$900 billion. If that sounds exorbitant, wait until you hear its page count: 5,593.

Congress had no energy for a snappy acronym like those of the earlier CARES and HEROES Act, though it had energy for plenty else. The bill, titled the Consolidated Appropriations Act, 2021, was so full of pork that it literally had to be wheeled through the halls of Congress on a wagon.

According to the Senate Historical Office, it's likely the longest bill ever passed by Congress. The previous record was a 1986 tax reform bill, which was just half as long as Monday's spending bill at 2,847 pages.

Released at 2 p.m. on Monday, Congress largely voted for the legislation on pure faith. To read the entire thing would have taken days, though it was released just hours before Congress eventually passed it. Rep. Paul Gosar (R-Ariz.), one of the 53 members of the House of Representatives to vote no, lamented, "No member can honestly say they know exactly what they voted for this evening. That is reason alone to vote no."

By bundling much-needed Covid-19 relief in with so many special interest programs, voting members of Congress effectively had their hands tied.

Covid-19 Relief Measures

The first relief checks began to arrive in Americans' bank accounts back in April, and politicians have been clamoring for an update ever since. Senate Majority Leader Mitch McConnell (R-Ky.)

called the measure "the bipartisan breakthrough the country has needed," while House Speaker Nancy Pelosi (D-Calif.) and Senate Minority Leader Chuck Schumer (D-N.Y.) offered a more tepid assessment that it was "urgently needed" and promised to push for additional relief under the forthcoming Biden administration.

Individuals making up to \$75,000 per year will receive a one-time payment of \$600, while couples making up to \$150,000 will get checks for \$1,200. Each dependent will tack an additional \$600 on to those initial payment amounts. "Mixed earners"—workers who earn money as employees and as contractors—will be eligible for an additional \$100 per week, ironing out a kink that emerged in the March relief measure.

The bill broadened pandemic-era federal unemployment benefits, allowing jobless folks to collect an additional \$300 per week for 11 weeks. It also expanded unemployment insurance eligibility, albeit for an unspecified amount of time. Without such a provision, 12 million people were set to lose their unemployment insurance the day after Christmas.

There are also provisions for \$25 billion in rental assistance, \$15 billion in aid to theaters and other live venues, \$82 billion for schools, colleges, and universities, and \$10 billion for child care providers. Funds totaling \$30 billion were allocated to vaccination procurement and distribution efforts, while \$22 billion was set aside for states' testing, tracing, and mitigation programs.

The bulk of these measures can be found under Divisions M and N of the Monday legislation (the bill, it must be said, ranges from Division A to

Division FF, as the full alphabet wasn't sufficient to cover Congress's exorbitance).

That's all good and well, but there are plenty of pages that remain unaccounted for. So what else could this gargantuan spending bill possibly contain?

The Contents

Though one might expect a nation in the throes of the worst economic crisis since the Great Depression—an artificial downturn caused by government nonpharmaceutical interventions like lockdowns and business closures—to primarily set its sights on domestic relief, that would ignore Congress's long track record of bundling special interest programs in with legislation that few legislators could vote down. With that in mind, here are a few of the provisions in Monday's spending bill that have nothing to do with Covid-19 relief:

- \$10 million for “gender programs” and \$15 million for “democracy programs” in Pakistan
- \$4 billion for vaccination programs in other countries
- \$1 billion for Amtrak, a reliable money-loser (or, more a gift to railroad worker unions and rail equipment contractors)
- \$1 billion for two new Smithsonian museums: the National Museum of the American Latino and the American Women's History Museum
- An 64-page section devoted to “Horseracing Integrity and Safety,” establishing guidelines for anti-doping, medication, and racetrack safety programs
- The repeal of criminal punishments for permissionless usage of Smokey the Bear's likeness
- The decriminalization of the usage of the Swiss coat of arms
- The repeal of criminal violations for transporting water hyacinths, a delightful (and highly

invasive) flower from the Amazon Rainforest

- A section devoted to “Democracy in the Tibetan Exile Community,” which outlines the Dalai Lama's preferred system of governance for the Tibetan people, delegates over \$7 million to two pro-Tibet radio stations, and sets out guidance for the Dalai Lama's reincarnation
- \$700 million to Sudan
- \$500 million for Jordanian defense spending
- \$453 million to Ukraine
- \$74.8 million for the “Caribbean Basin Security Initiative”
- \$33 million for programs supporting democracy (“democracy”) in Venezuela
- \$1.4 billion for President Donald Trump's border wall
- Funds for a “Resource Study of the Springfield (Illinois) Race Riot,” which took place in 1908
- A provision to make illegal streaming a felony
- A call for the Food and Drug Administration (FDA) to produce a seafood consumption guide entitled, “Advice About Eating Fish”

This is only new, of course, in terms of the nature of the “stuffing.” Crisis-era bills have long held strange contents. For example, the Emergency Economic Stabilization Act of 2008 not only recapitalized large banks and securities firms (whether they needed it or not), but also repealed an excise tax on wooden arrows.

The Lesson

The urgency of the pandemic, continued (in some cases, worsening) economic strain, and the dynamics of a lame duck presidency—in addition to the ongoing hyper-politicization of the American public—suggested that this bill would pass without issue. Lobbyists, special interests, and the drafters of the bill knew this, and they stuffed the legislative behemoth accordingly.

This spending bill seemed to contain a gift for everyone except the American people. Many of the measures that were buried deep in the thousands of pages were congressional passion projects and the fulfillment of longtime quid pro quos that had no chance of passing if forced to stand on their own.

Downtrodden Americans have received nothing but breadcrumbs. An estimated 8 million people have fallen into poverty since June. Between March and September, over 160,000 small businesses closed, about 60 percent of them for good. And now, while congressional interests guide the spending agenda, Americans will continue to suffer at the hands of the government they fund.

Yesterday, President Trump threw the bill's future into question when he called for amendments to its provisions. He badgered Congress to raise relief checks from \$600 to \$2,000 for individuals (and from \$1,200 to \$4,000 for couples). He specifically criticized the spending bill funds intended to be sent as foreign aid, asking Congress to scrap the "wasteful and unnecessary items" found in the legislation. But one would rightfully expect that Trump, left to his exclusive choices, would have filled the bill with plenty of pork—just differently directed.

The swamp, as we are learning, is far from drained.

December 23, 2020

Cheers for College Football's Victory over Covid-19 Fear

ALAN W. DOWD

Contributor

College football just crossed the goal line. A handful of programs are undefeated; some finished winless; most are somewhere in between. But all of them are winners this year—because, together, they overcame Covid-19 fear. In doing so, the administrators, coaches and players who made the 2020 college football season possible have reminded the rest of America that life and living must go on—even in the middle of a pandemic.

Death: Guaranteed

A back-of-the-envelope count reveals that college football went 523 and 54 during the regular season—523 games played and 54 games cancelled. That's the measure of success in 2020, given the hurricane force winds college football withstood from the media and the fearmongers.

Before and during the season, large segments of the media preached that playing college football couldn't be done—or more revealing—shouldn't even be attempted.

Some in the media were resigned to the fact that it just couldn't happen: “The people in charge of whether college football plays a game in September don't have the stomach for the worst-case scenario or for plowing through the queasiness that'll come with unavoidable outbreaks of COVID-19.” In fact, they did exactly that—see the above tallies—as commissioners and coaches nimbly canceled, postponed and rescheduled games on the fly.

Others in the media used wordsmithing sleight-of-hand to conflate deaths and infections—and thus preemptively condemned trying to play college football: “With the U.S. death toll continuing to rise and infections exceeding 5.7 million,” the

New York Times intoned, “players and others contracting the virus as a result of an ill-advised college football season is not a likelihood—it's a certainty.” Of course, players and other students were “contracting the virus” before they returned to campus. Indeed, tens of millions of Americans who don't play college football have contracted the virus. What the *Times* ignores is that “contracting” a new virus is the pathway to community immunity. Modern societies, as AIER's readers have learned, overcome new viruses not by quarantining college students and other healthy people, but through natural spread of a virus and/or through vaccination (the purposeful introduction of a virus into our bodies)—all while quarantining the unhealthy and the at-risk.

One writer, with all the subtlety of a fullback, warned that college presidents were gambling “that their decision to play football this fall won't kill people,” declared that playing football was “the most reckless action ever perpetrated on college campuses in the name of athletics,” and scoffed at the “quest to play football in the middle of a pandemic.”

That last comment is priceless and typical of this era, with its myopic sense that history begins when one is born. The writer is apparently unaware that colleges played football during the pandemics of 1968 and 1957 and even during the Great War's Great Pandemic of 1918.

A professor in computer science—doubtless, relying on the same sort of computer-modeling programs that claimed Covid-19 would kill 1.1 million Americans even under “the most effective mitigation strategy”—projected that up to seven

college football players would die from Covid-19. “I guarantee someone [who plays college football] is going to die,” he declared. “I just want to give you the facts.” And CBS Sports uncritically, unthinkingly reported those “facts.” In fact, there was nothing factual about the computer-science professor’s “facts.” Projections, by definition, aren’t facts. They’re just dressed-up guesses. In June, his projections grabbed headlines and generated clicks. In late December, they are provably wrong. I don’t have access to every college player’s health status, but I’m unaware of any college football players who have died from Covid-19. Something tells me that if such a tragedy had happened, we would be hearing about it—constantly.

We’re still waiting for some statement of accountability from that computer scientist—though in August he did revise his death-projection “guarantee” down to two—and we’re still waiting for a mea culpa from the CBS Sports columnist who so eagerly circulated those unfactual “facts.”

A *Sports Illustrated* columnist yelped in early October that “Notre Dame’s leadership is failing its students” and wondered “whether [Notre Dame] can piece a promising season back together” after postponing a game in late September. Notre Dame went on to win its next eight games, finish the regular season undefeated, outlast the second-ranked Clemson Tigers in a double-overtime game for the ages (complete with a field-rush by the student body that, we were assured, would lead to Covid carnage), and paint a masterpiece season. In short, the Fighting Irish pieced things together quite well.

When the University of Wisconsin temporarily paused football activities during the first week of November due to contact tracing and positive tests on the team, one national radio personality reported that “sources” told him the school’s football stadium would be used as “a possible field hospital.” Well, in early December, Wisconsin’s Camp Randall

Stadium hosted the Wisconsin-Indiana game. It’s now late December, and Camp Randall Stadium is still a football stadium.

A Little Truth

On and on the media herd bleated, howling that college football’s decision makers were reckless or mercenary or bent on death—or all of the above. By August, the herd seemed to have more than just inborn bias on its side.

After battling Covid-19, an Indiana University offensive lineman developed “possible heart issues,” his mother reported in early August. The Big 10 Conference, of which Indiana is a member, soon thereafter canceled its 2020 fall sports season, citing concerns that players contracting Covid-19 could develop myocarditis.

Myocarditis, a columnist explained, is “a rare heart condition that can lead to cardiac arrest and premature death.” A Penn State team physician reported that “cardiac MRI scans revealed that approximately a third of Big 10 athletes who tested positive for Covid-19 appeared to have myocarditis,” as McClatchy newspapers reported.

Given those high percentages and grim side effects, it was no surprise that Big 10 and Pac-12 presidents voted to cancel football. What was surprising and puzzling was that their counterparts in the other so-called Power Five conferences—the Southeastern Conference (SEC), Atlantic Coast Conference (ACC) and Big 12 Conference—didn’t do the same.

The solution to that puzzle became apparent as people started asking questions and digging through the information. Covid-19 can indeed lead to myocarditis, and myocarditis can indeed lead to death. That much is true. What too many expert scientists (and non-expert columnists) failed to tell us is that many viruses and infections can lead to myocarditis, including viruses that cause the common cold,

influenza viruses, gastrointestinal viruses, HIV, mononucleosis, staph and strep. In other words, viral events leading to myocarditis are not terribly rare, and the myocarditis side effect is not at all unique to Covid-19.

That led many of us to ask, “Why are all these protocols and precautions not in place for all those other myocarditis-triggering conditions? And if we don’t have these protocols and precautions for all those other myocarditis-triggering conditions, why do we have them for Covid-19?”

The myocarditis-Covid-19 warnings turned out to be a classic case of people telling the truth but failing to tell the whole truth. Thankfully, some experts—including physicians at the Mayo Clinic and other respected medical institutions—called out their colleagues and rejected the Covid-19-myocarditis claims as “nonsensical” and based on “bad statistics.” We soon learned that Covid-19 was not correlated with myocarditis in anywhere close to 33 percent of Big 10 athletes. The Penn State physician was forced to—ahem—clarify the Covid-myocarditis conclusion. The Big 10 developed cardiac-screening safety protocols, reversed course and decided to play football. Other conferences followed. By the first week of October, that Indiana offensive lineman had returned to practice, though that piece of good news somehow never made it into national media outlets. And by the first week of November, at least 116 top-division colleges were playing football.

The Reasonable Rebellion

This was and is a victory for reason over fear—and for individual liberty over coercion.

The SEC, Big 12 and ACC deserve credit for leading, for giving us a welcome distraction from the hash so many decision makers have made of our nation, states, cities and workplaces since March, and for illustrating a profound truth: Free men and

women armed with facts are far better than experts and bureaucrats at determining what works and what doesn’t, when and where to make adjustments, and how to balance risks and benefits.

Indeed, those with eyes to see have found better examples of leadership on college campuses than in the halls of government.

First, there were university presidents. Way back in April, a handful of university leaders articulated how and why colleges must reopen—an essential precondition for colleges playing football. Purdue University’s Mitch Daniels, for example, explained that our nation’s unprecedented mass quarantine of the healthy “has come at extraordinary costs, as much human as economic, and at some point... will begin to vastly outweigh the benefits of its continuance.”

Fr. John Jenkins of Notre Dame pushed back against our society’s embrace of scientism and our worship of experts, reminding us there are “questions that a scientist, speaking strictly as a scientist, cannot answer for us. For questions about moral value—how we ought to decide and act—science can inform our deliberations, but it cannot provide the answer.” And as public-health experts used fear to shut down our free society, West Virginia University’s Gordon Gee said something simple yet profound: “We need to learn to dance with the pandemic rather than being fearful of it.”

Then there were the conference commissioners and athletic directors, who have provided thoughtful leadership throughout the pandemic. They didn’t ignore the science. Rather, they listened to experts, educated themselves, looked at the data and made informed decisions. They didn’t succumb to the defeatism that consumes our echo chamber press. Rather, in a quintessentially American way, they approached the challenge from a perspective of “How can we make this work?” rather than “How can we even try to do this?” And unlike so many

elected officials, they didn't ignore history. Rather, they remembered—many of them firsthand—that American commerce and culture didn't shut down during past pandemics.

As SEC commissioner Greg Sankey noted in May, “If football is not an active part of our life in the fall, what’s happening around us becomes a real big question societally, economically and culturally.”

Notre Dame AD Jack Swarbrick pointed out that college football contributes to the “education of our student-athletes, the culture of our campus and a sense of community.” This truth transcends the gridiron. No matter the motives, the lockdown way of life is a hideous destroyer of life and living, culture and community.

Finally, we saw leadership on display in the players themselves. When it appeared in August that university presidents would cancel the season without even trying to play, Clemson’s Trevor Lawrence made a reasoned case that players would be safer within the structure of team activities—and in the process sparked a grassroots rebellion, as hundreds of student-athletes signed on to the “Let Us Play” campaign. Big 10 players launched a similar effort. Some Big 10 players even sued their own conference—implicitly declaring that as young adults, they were ready to accept the risks and responsibilities that come with liberty.

Indeed, it’s not a stretch to say that college football players, coaches and administrators were making the same argument that Americans who believe in individual liberty and individual responsibility have made since March: If you don’t want to play football games or go to football games or send your child to school or dine at a restaurant or gather for worship, that’s fine. Don’t do those things. But don’t prevent the rest of us from moving forward.

Through it all, Americans were given a real-time lesson in civics. Our federal system of government

makes it difficult to force everyone in every state, every county and every city to do the same thing. As Alexis de Tocqueville marveled in *Democracy in America*, “The intelligence and the power of the people are disseminated through all the parts of this vast country...instead of radiating from a common point, they cross each other in every direction.” Almost 200 years later, this truth was put on display week in and week out by college football programs and the places they call home.

Reminders

Perhaps all those players, athletic directors, conference commissioners and administrators had read the work of Donald Henderson, who years ago warned against the destructive course most policymakers (though not all) forced Americans to walk this year.

Perhaps they heard a lecture by Oxford University epidemiologist Sunetra Gupta, who in an echo of Gee’s “dance with the virus” comment, explains that “The epidemic is an ecological relationship that we have to manage between ourselves and the virus”—and that we must find “a way of living with this virus.”

Perhaps they remembered that Americans played college football—and went to church and school and movies and restaurants—during past pandemics.

Or perhaps they simply looked at the information and recognized that Covid-19, while lethal for people in certain age groups and people suffering from certain preexisting conditions, has an incredibly low likelihood of serious effects for college-aged people (Clemson’s Lawrence is one of many examples) and an overall case-fatality rate between 0.2 and 0.3 percent. In other words, Covid-19 is not another 1918 Spanish Flu. It’s not even another 1957 Asian Flu (which had a case-fatality rate of 0.67 percent). As such, Covid-19 warrants prudent precautions,

but it doesn't warrant shutting down religious, commercial and cultural activity.

None of this is to suggest that football is more important than life. It is not. But the 2020 college football season reminds us of truths that too many Americans have forgotten in the long months since March: Sports and other "nonessential" activities make life richer and better; a person or a society can be alive and not really be living; sheltering in place until a governor or scientist gives an "all clear" is the very opposite of America's promise of "life, liberty and the pursuit of happiness;" and living, like college football in many ways, is intertwined with contact, connection, community, culture and commerce.

Those gridiron reminders are something to cheer about.

December 17, 2020

Yes, Follow the Science – in Every Field

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Repeatedly this year we have heard the admonition, from acolytes of Covid-19 lockdowns, to “follow the science.” Many of the admonishers presume that lockdown skeptics are myopic, “anti-science” miscreants infected with a reckless disregard for human health, safety, and life. Yes, some people are so emotional, phobic, religious, or political that they cannot reason right; but can there be no rational, healthy skepticism about the health effects of Covid-19 or the health-wealth effects of lockdowns? Nothing can be farther from the truth – nothing farther from . . . science.

Yes, of course we must follow science, but we must do so in *every field*, not only in epidemiology but also in politics, economics, and philosophy. The last-mentioned field – which means “love of wisdom” – teaches mankind to follow his nature, to be rational, logical, objective, and contextual. To be scientific in every field means to incorporate both theory and practice, to assess all real and relevant factors, not just a select few of them; it means cultivating a perspective that is likewise *impartial* (not biased), *comprehensive* (not narrow) view, and *proportional* (not imbalanced).

In *Economics in One Lesson* (1946), Henry Hazlitt distinguishes between scientific and nonscientific methods in economics, but his distinction applies as much to other fields. “The bad economist,” he writes, “sees only what immediately strikes the eye,” while “the good economist also looks beyond. The bad economist sees only the direct consequences of a proposed course; the good economist looks also at the longer and indirect consequences. The bad economist sees only what the effect of a given policy has been or will be on one

particular group; the good economist inquires also what the effect of the policy will be on all groups.” Likewise, I’d say, competent epidemiologists, political scientists, economists, and philosophers must look beyond what strikes their eyes or fits their predilections; they must consider also intermediate and longer-term effects, and effects on all types of people, groups, and livelihoods, not just those which bureaucrats favor as “essential.”

The purpose of “following the science” in every field is best captured in the immortal words of Ben Franklin: to be “healthy, wealthy, and wise.” But to be frank, not everyone shares these goals or wants this kind of world, for it is a world that only reason, science, liberty, and capitalism can deliver. As Alfred Pennington once observed: “Some men just want to watch the world burn.”

Today’s most vocal admonishers condone political-bureaucratic micromanaging and controls; they seem to love shaming innocent people into obeying draconian, life-stifling edicts. If millions must sacrifice and suffer, so what? Most religions (secular and otherwise) say that this signifies “virtue.” Covid-19 bullies use science language to shield themselves from criticism and cloak their nefarious designs; they seem to sense that most Americans still respect science (not despotism).

The etymology of “science” originates in the 14th century and derives from the Latin *scientia*, which derives from *scire* (“know”). Our knowledge is the accumulation of all that we have come to know – and to know anything is to know it is *true*, that it derives from and corresponds to the facts of reality. As humans we are fundamentally distinguished from other animals and organisms in

that we possess the faculty of reason; we are *homo sapiens* (from the Latin, *sapere* – “to know”). Additionally, and importantly, we know that knowledge does not come automatically, and surely not from faith, revelation, or intuition. Enlightenment thinkers taught mankind that knowledge comes solely from applied reason – a *volitional* tool. We must use experience, sensory evidence, and the laws of logic to *verify* our hypothesis and theories – i.e., to establish their truth. Verification is the process of establishing a “verity” (from the Latin, *veritas*) – i.e., a *truth*.

Science has three crucial components, each of which is necessary to acquiring reliable knowledge: description, explanation, and prediction. Description is accurate observation of facts, requiring careful data gathering and classification. Explanation is the provision of valid theories of how and why facts come to be, requiring a careful tracing and explication of causes and effects. Prediction uses facts and theories to project the future, which helps us anticipate, plan, prepare, act, and prosper. Mere description devoid of explanation or prediction is but a journalistic chronicling of that which is. Explanation devoid of facts is mere *surmise*, guesswork, assertion, or speculation; to merely surmise, as many do today, means not to prove definitively but only to “suppose that something is true without having evidence to confirm it.” Finally, if valid theories (those which correspond to the facts of reality) are to have practical value, they too must have predictive power.

Now, let’s consider the current status of science (and nonscience) in contemporary epidemiology, politics (governance), economics (production), and philosophy (epistemology and morality).

Scientific epidemiology carefully collects and classifies the relevant facts associated with a disease (or virus), identifies its origins and its effects, and advises mitigants or remedies. The

ancients (Hippocrates) had a crude sense of it, but the modern field was effectively inaugurated in mid-19th Century London when John Snow, a physician, stopped the lethal cholera disease by investigating, mapping, and pinpointing its source (tainted water at the Broad Street pump). For two decades until Snow’s work in 1854, as nonscientists pushed crackpot theories, tens of thousands of people died of cholera. Snow also pioneered the development of medical hygiene and anesthesia.

For the most part, the investigation of Covid-19 has been scientific. Some of the best work has been done by the much-maligned pharmaceutical companies (*e.g.*, Pfizer, Moderna, AstraZeneca) while developing vaccines. In general, commercially motivated science is more practical than purely academic science and less corrupt than politically supported science. Tragically, many politicized health agencies in 2020 – *e.g.*, the WHO (World Health Organization), CDC (Centers for Disease Control), the FDA (Food and Drug Administration), the NIH (National Institutes of Health) and HHS (Health and Human Services) – gave undue voice and power to a wide array of charlatans and political hacks in the epidemiological community. These agencies publicized and empowered various quacks who denied the source of Covid-19, overrated the efficacy of its mitigants (masking, social distancing, lockdowns), or exaggerated its positivity and lethality (generally and by sub-groups). As AIER has described it, “The Modelers Thought of Everything Except Reality.”

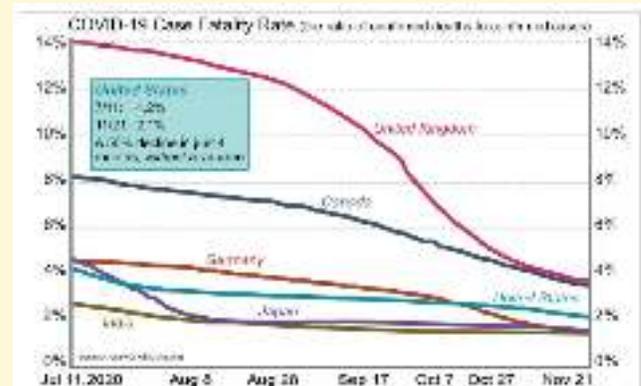
Less-than-scientific epidemiologists, although probably a small fraction of all epidemiologists, nevertheless have enjoyed disproportionately greater influence in political circles, especially among those with paternalistic predilections (pre-Covid-19) for authoritarianism. The harshest decree-issuers have been keen to follow those epidemiologists who’ve least followed the science.

Although science is not established by mere agreement among minds (or by polls), the *New York Times* recently conducted an “informal survey” of 700 epidemiologists, asking what precautions they have taken regarding Covid-19 and what it would take to end lockdowns. A large majority of respondents said they had cloistered themselves and “even with vaccines on the way, many do not expect their lives to return to pre-pandemic normal until most Americans [at least 70%] are vaccinated.” Indeed, “most said that even with vaccines it would probably take a year or more for many activities to safely restart, and that some parts of their lives may never return to the way they were.” This seems to be an overcautious if not phobic (irrationally fearful) attitude, given that Covid-19 lethality rates have been plunging this year, prior to any vaccines (chart). Phobias, being irrational, are never supported by reason or science (per psychology); perhaps in this case it exists mainly among those polled by the *New York Times*, not among epidemiologists generally.

Last March, prior to the imposition of harsh lockdowns, the same *New York Times* reported that public health policy on Covid-19 was being driven by the work of British epidemiologist Neil Ferguson at Imperial College of London – thereafter to be exposed as a quack. Even assuming masks and social distancing, his team of fifty epidemiologists projected that in 2020 the U.K. would see 510,000 deaths from Covid-19 while the U.S. would suffer 2.2. million.

The facts? The science? How good was the Ferguson prediction? Let us see. So far, deaths have totaled only 65,520 in the U.K. (14% of Ferguson’s projection) and 307,642 in the U.S. (13% of his projection). Not even the global total of Covid-19 deaths has reached 2 million (it is now only 1.65 million, a mere 0.021% of the global population). For those less than 70 years old who get Covid-19,

the survival rate is quite high (99.94%). For this, dozens of the world’s major economies have been shuttered while millions of lives and livelihoods have been ruined. This is not a case of “following the science.” Many narrowly focused, phobic epidemiologists have allowed their work to be tainted and worse, weaponized by would-be political despots in the “public health” sector.



For decades, but especially in 2020, we have seen the awful effects of “junk science” – *i.e.*, “the use of faulty scientific data and analysis to advance special interests and hidden agendas” – and the vast array of flawed public policies that rely on it. We can also observe a bipartisan *politicization* of public health, reflecting deeper defects in the health sciences as well as in political science.

What about political science? Has it been followed in 2020? It teaches that public governance (state action) necessarily entails coercion and thus should be deployed carefully, sparingly, and legitimately – by this last criterion, only in retaliation against those who initiate force. The legitimate state does not itself initiate force against innocents. That would be despotism. A proper state is constitutionally restricted to protecting individual rights; its main functions, therefore, include national defense, police, and courts. The proper state necessarily upholds the rule of law.

The “public choice” school of political science

further demonstrates that political actors are by no means either angelic or omniscient “public servants,” and no less self-interested than economic actors, yet prone specifically to abusing power, absent a constitutional separation (into executive, legislative, and judicial powers) with inter-branch checks and balances. The legitimate state eschews both despotism and paternalism, leaving wide scope for voluntary private governance. This is how political science models the ideal state: one that promotes and preserves human well-being, whether manifested as liberty, safety, security, or prosperity. The scientifically structured, judiciously operated state maintains an equilibrium; it does not prioritize one aspect of human well-being over another, nor does it pit health versus wealth or sacrifice the latter to the former.

Obviously, in 2020 we have not witnessed elected officials (or their advisors) “following the science” of politics. Armed with dubious epidemiology and unreal conceptions of “public health policy,” they have imposed authoritarian lockdowns; they have violated rights to assemble, worship, speak, live, and work (earn a livelihood); they have severely eroded human liberty, safety, security, and prosperity. They’ve also allowed (and left unpunished) rioting, looting, and arson. They’ve condoned a spreading “rule of lawlessness” in streets and in voting systems alike.

What about economic science? It teaches that the production of wealth must be primary, the main feature of an ever expansive, durable prosperity, which necessarily precedes the exchange and consumption of wealth. Economics teaches that production is driven by creative intelligence, entrepreneurial energy, and the profit motive. People at every stage of production derive great value, self-esteem, and pride from work well done. Economic science further demonstrates how private property, the sanctity of contract, a free and flexible

price system, fair taxation, sound money, free trade, and light regulation are *indispensable prerequisites* of prosperity (and human well-being).

Sadly, in 2020 we have *not* seen policymakers (or advisors) “follow the science” of economics. Lockdowns have been accompanied by a widespread violation of property and commercial rights, including the right to own, open and operate businesses, the right to work and exchange, to shop in person, to travel or congregate, to enjoy public entertainments. Licenses to do business – which already abridge rights *per se* – have been routinely revoked as a means of punishing and criminalizing the recalcitrant (those who wish to keep working for a living). There is no scientific evidence whatsoever that mandatory business closures materially mitigate Covid-19 lethality; but there is ample evidence that closures erode liberty, prosperity, solvency, and sanity.

Nor has economic science been followed in matters of public finance. So-called “stimulus” schemes, with cascades of newly issued public money and public debt, are depressive, in fact, since they only divert and divide existing wealth while curbing incentives to create more of it. Nor is wealth created by public deficit spending on the jobless – for work not done (“unemployment insurance”). The U.S. federal government spent \$6.5 trillion in FY 2020 (year through September 30), up 47% from the prior year, the biggest increase since the Korean War (1952) and nearly *triple* the increase during the recession year of 2009 (+17%). Gross federal debt is now \$27.5 trillion (128% of GDP), up \$5 trillion in a year and double the level of 2010 (when it was 94% of GDP). Meanwhile the Federal Reserve has boomed the money supply (M-1) by 53% (to \$6 trillion) in the past year, the biggest rise on record (since 1914). None of this has “stimulated” real output.

The science of economics is clear: the

production of money and debt is not equivalent to the production of real wealth. To claim otherwise is to follow fantasy, not reality – or science.

Philosophy is the most important science of all, because it determines the status and health of the others. Among other things, it teaches us how to discover and validate knowledge (epistemology) and how to live virtuously, according to our unique nature (morality). Unless epistemology and morality alike are rational, logical, and reality-based, they won't be scientific – and neither will their derivatives, the natural sciences and social sciences. Just as flawed epistemology generates junk science, flawed morality generates junk governance. The morality of rational egoism, derived scientifically from human nature, undergirds the scientific versions of psychology, politics, and economics. But notice: egoism is precisely the morality most vehemently disdained and denied by contemporary philosophers, who prefer to tout the alleged “nobility” of selfless sacrifice. Well, as they may have wished, 2020 has seen considerable pain, suffering and sacrifice – to no good end. Those who demand an end to lockdowns are smeared as selfish seekers of wealth over health.

On the bright side, we may be thankful that some people still appeal to science instead of faith, revelation, or fantasy. But how many are genuine? The art of deception is practiced by control freaks, charlatans, and groupthinkers who wish to impose their will for “the good of society.” In the words of Rahm Emanuel, one-time advisor to President Obama, “You never want a crisis to go to waste,” meaning “an opportunity to do things that you could not do before.” In short, reckless policies which would be rejected in normal, reasonable times are more easily adopted amid phobias and chaotic times – when fear and mere surmise replace reason and science. Actress Jane Fonda gushed recently that we are “lucky to be alive in a moment when decisions

can make the difference between hundreds of millions of people living or dying,” adding that “COVID is God's gift to the left.” Indeed. “Some men (and women) just want to watch the world burn.”

If *science* had been followed in 2020 – in *all* fields – we'd be much healthier and wealthier than we now are. But control freaks have used Covid-19 to justify still more government controls, still more statism. In every field they've cited chaos as an (alleged) reason to “reimagine” (*i.e.*, sabotage) capitalism – a system they hated already, pre-virus – to promote despotism, a system they preferred already. For such people, crises are to be welcomed, if necessary, even concocted.

December 20, 2020

The Work of AIER and Its Future

EDWARD PETER STRINGHAM

President

As the year winds to an end, Americans are being told to dial back all their holiday plans and stay away from friends and family. They demand: do not trust your own sense of things but rather defer to politicians and their advisors. If you don't want to do that, you will be forcibly masked, traced, and harassed with threatening emails from sheriffs and public health officials.

It's now a daily reality for many millions of Americans.

It's only the most visible sign of the economic and social catastrophe we've seen this year. Day after day we've hoped for the world to come to its senses. And yet one day leads to the next, and still the mainstream media screams at us that we have no choice but to lock down. It was two weeks. Then two months. Now they tell us it will be two years.

A feeling of powerlessness has swept over the population. There is nothing we can do, we are told. We must defer, comply, obey. If you doubt any aspect of what has happened – do the benefits of these destructive policies really outweigh the costs? – you will be called all kinds of names.

It does indeed seem like madness. Viruses have always been with us, and we've had a sophisticated understanding of them for at least one hundred years. In previous outbreaks, we used rationality and medical therapeutics to get through them while not smashing markets and social functioning.

This year, governments around the world – even in countries like ours that pride itself for its liberties and guarantees of human rights – ignored the science and history and instead embarked on an unprecedented social and political experiment. The carnage is all around us, easily documented. We've

spent a year issuing warnings and exposing the reality, thereby becoming a crucial voice in times when the mainstream media has failed to be truthful with the American people.

Just this weekend, we had an important guest visit our campus, one of the most notable public intellectuals of the last half-century. She came to deliver a message to us. “The fires of liberty seem to be burning out,” she told us. “AIER's fire is still lit. You must burn hotter and brighter than ever in 2021. The whole world needs you now more than ever.”

AIER has become profoundly aware of the challenges we must face in the new year. This year has brought us new attention internationally. Millions of people who had never heard of our work before are now following us on a daily basis. Our research and editorial work has had profound influence, not enough to stop the disaster, but we've made it clear that despotism does face an intellectual resistance. That resistance is growing.

At the same time, we've faced throttling, digital blockades, censorship, and outright smears. It's been a trial for all of us. But we've never backed off, never relented.

Rather than look back at this catastrophe pushed by errant policy this year (there will be plenty of time for that), we need to look forward to ways to rebuild. Perhaps 30 percent of hospitality businesses like bars and restaurants will go under. International travel and migration still aren't open. Children have suffered nearly a year without in-person schooling and many are traumatized. The general demoralization of the population has led to a surge in overdoses and depression.

The AIER answer here is always the same: the

best research and writing pointing to the light of liberty. It's true that there have been times this year when we felt very alone in our work. But as we approach the year-end, things have changed. We are now joined by multitudes who have appreciated that we never wavered in our commitments to integrity and principle in the search for truth.

The challenges next year all come down to recommitting ourselves to these institutions that are the bulwark of peace and prosperity: trade, capital investment, individual rights, sound money, limits on government, and functioning market and social processes. There is no other way. We know this from theory and experience. Unless some institution is willing to stand up boldly for these principles, society can lose its way. AIER is perfectly positioned to continue its work in this direction.

Does it, can it, make a difference? Some powerful people want you to believe that the narrative of history is baked into the structure of time itself. Therefore, there is nothing you can do. That is the surest way to enable the triumph of error and evil.

Our founder, Edward C. Harwood, refused to acquiesce to power. From our founding in 1933 and forward, we have faced down countless threats and attempts to silence us. And why did they try? Because ideas matter. They can teach, inspire, build, and shift. Nothing is inevitable. History is what we make of it.

We are called upon again to exercise creativity and moral courage in defense of the ideals of freedom. The power of that courage is often underestimated. The road back to sanity and liberty is treacherous and twisted, with dangers and barriers at every step, but it is navigable. The battle can be won.

I welcome your support for our work. We value it. We also need it. And we need your friendship and collegiality in this coming year. Please consider a generous donation today. You might even consider joining our 1933 Club.

Happiest of holidays and a joyous New Year to you. I'm optimistic that we can make a change, and your commitment to our work further inspires all of us at AIER.

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