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RESEARCH REPORTS

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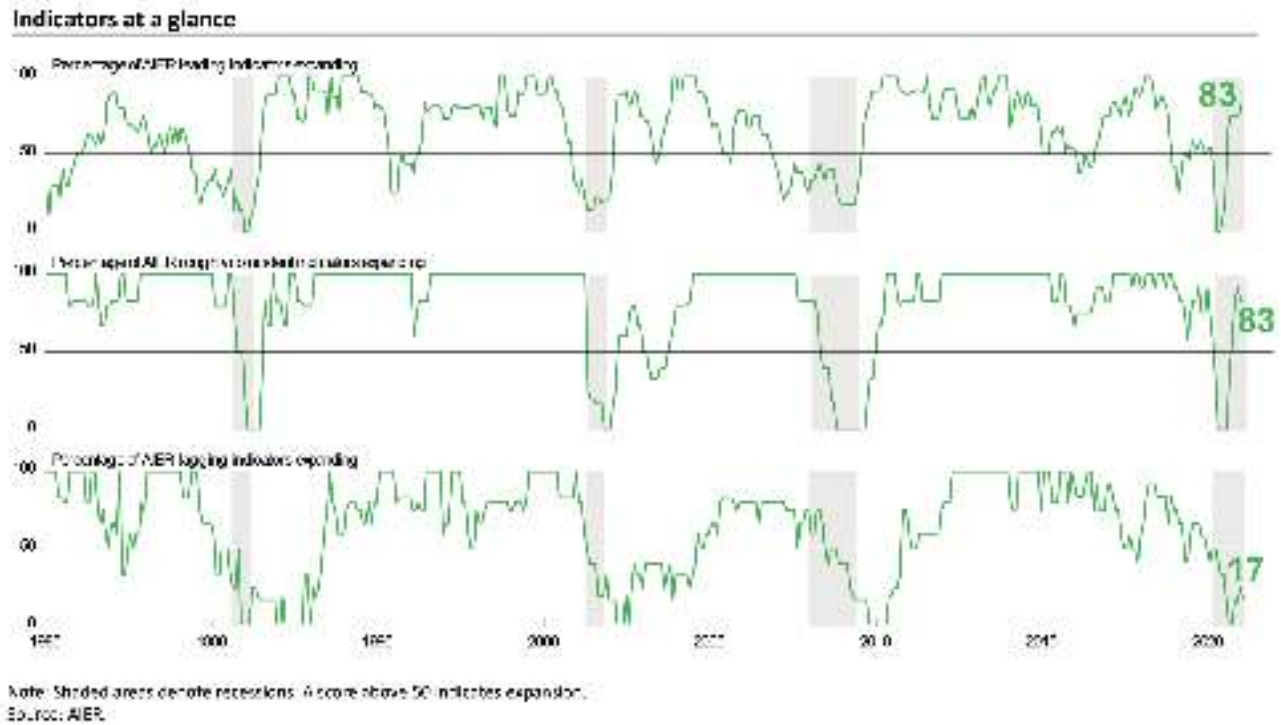
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BUSINESS
CONDITIONS
MONTHLY

Robert Hughes

SENIOR RESEARCH FELLOW

AIER Leading Indicators Index Moves Higher in February



Summary

AIER's Leading Indicators Index posted a gain in February, hitting the highest level since October 2018. The Leading Indicators index came in at 83 following four consecutive months at 75. The February result marks the sixth consecutive month above the neutral 50 level. The Roughly Coincident Indicators index held at 83 for a second month after posting a 92 in December while the Lagging Indicators Index fell back to 17 from 25 (see chart). The results indicate economic growth broadened modestly in February and suggest continued economic expansion in the months ahead.

Economic data over the past month continue to show varied strength among the major sectors of the economy. Housing remains robust, with ongoing gains and multi-year highs in levels of activity. Manufacturing is also performing admirably though levels of activity generally remain below pre-pandemic levels. However, both are facing some headwinds: rising home prices and mortgage rates in housing, and labor issues, new health procedures, supply constraints, and logistical issues in manufacturing. Business investment had a strong fourth quarter while consumer spending finished the year with disappointing results (though retail sales rebounded sharply in January).

The labor market represents an intersection for businesses and consumers and is critical to the economic outlook. Jobs gains and income growth have been mixed recently as government restrictions on consumers and businesses remain a significant threat to the outlook. The distribution of vaccines is a very positive development for the outlook and should eventually lead to the cessation of restrictive policies. In the meantime, the longer the virus continues to spread (along with the possibility of mutations prolonging the outbreak),

consumers remain restricted, and businesses remain closed or limited, the more uncertain a labor market recovery becomes and the higher the probability of financial hardships contributing to a slow and drawn-out economic recovery.

Leading Indicators index hits the highest level since October 2018

The AIER Leading Indicators index rose to 83 in February, the highest level since October 2018. The February result is the sixth month in a row above the neutral 50 threshold and follows a run of four consecutive months at 75. The results indicate that favorable trends have broadened among the 12 leading indicators and suggest continued overall economic expansion. In total, 10 of the 12 leading indicators were in a positive trend in February, with 2 trending lower and none were neutral.

Initial claims for unemployment benefits was the lone change among the leading indicators, moving from an unfavorable trend in January to a favorable trend in February. The other labor-related leading indicator, the average workweek in manufacturing, remained in a favorable trend in February. Positive (favorable) trends also continued for 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 (unfavorable) trends remained in place for the University of Michigan index of consumer expectations and the 10-year–1-year Treasury yield spread.

Overall, the Leading Indicators index moved further above the neutral 50 level to a multiyear high, indicating widening breadth among the 12 indicators and suggesting continued expansion is likely. However, government policies continue to distort economic activity and threaten future

growth. The distribution of vaccines is a positive development for the outlook and should eventually lead to the cessation of restrictive policies.

The Roughly Coincident Indicators index remained unchanged in February, coming in at 83 for a second consecutive month, following a 92 reading in December. This index rose rapidly from a zero reading in August to 83 in November. The six individual roughly coincident indicators were all unchanged in February with five indicators trending favorably while one was in an unfavorable trend and none were in a neutral trend.

AIER's Lagging Indicators index fell back to a reading of 17 in February following a 25 result in January, back-to-back readings of 17 in November and December, and back-to-back zeros in September and October. Just one indicator changed trend in the latest month: the 12-month percent change in the core consumer price index (consumer price index excluding food and energy) weakening from a neutral trend to an unfavorable trend. Overall, five indicators were trending lower, one indicator was trending higher, and none were in a neutral trend.

Initial Claims Fall to the Lowest Level Since November

Initial claims for regular state unemployment insurance totaled 730,000 for the week ending February 20, down 111,000 from the previous week's downwardly revised tally of 841,000. The latest week is the lowest level since November 28 and follows a run of six consecutive weeks above the 800,000 level. Initial claims have continued to run in the 700,000 to 1 million range for 26 consecutive weeks and remain well above the pre-pandemic level of 212,000 in early 2020.

The four-week average fell 20,500 to 807,750, the third weekly decline in a row. However, the four-week average has been above the 800,000 level for 11 consecutive weeks. The latest result is

a positive sign but persistent initial claims at such a historically high level remain a threat for the labor market recovery and the economy.

The number of ongoing claims for state unemployment programs totaled 4.934 million for the week ending February 6, down 68,890 from the prior week. State programs had been trending lower since early March, but the downward trend has turned to a flattish trend since the week ending November 21, decreasing by an average of just 25,408 or 0.4 percent per week over the past 11 weeks. For the same week in 2019, ongoing claims were 2.095 million.

Continuing claims in all federal programs rose again in the latest week, coming in at 14.108 million for the week ending February 6. Since the beginning of June 2020, continuing claims in all Federal programs have averaged 14.051 million.

The total number of people claiming benefits in all unemployment programs including all emergency programs was 19.043 million for the week ended February 6, up 701,102 from the prior week.

Weak January Jobs Report Boosts Labor Market Concerns

U.S. nonfarm payrolls added just 49,000 jobs in January, after a drop of 227,000 in December (December was the first monthly decline since the historic, shutdown-driven plunges in March and April). The gain brings the nine-month post-plunge recovery to 12.47 million and is far from offsetting the 22.36 million loss in March and April, leaving nonfarm payrolls 9.9 million or 6.5 percent below the February 2020 peak.

Private payrolls rose by a very disappointing 6,000 jobs in January, which brings the nine-month recovery to 12.79 million versus a loss of 21.35 million in March and April, leaving private payrolls 8.6 million or 6.6 percent below the February 2020 peak.

The details of the report are worrisome, with

a clear deterioration in the breadth of gains over the last five months. While August showed gains for nearly every industry, subsequent months have shown few gains and more declines. Overall, the report suggests that the payroll recoveries of many industries within the economy are faltering. The uneven performance of the different industries particularly as large gaps to full recovery persist is raising doubts about the strength and durability of the recovery.

Within the 6,000 gain in private payrolls, private services added 10,000 while goods-producing industries lost 4,000. For private service-producing industries, the gains were led by a 97,000 rise in business and professional services and a 34,000 rise in education services. Offsetting those gains were a 61,000 decline in leisure and hospitality, a 41,000 drop in health care and social assistance, a loss of 38,000 in retail, and a 28,000 fall in transportation and warehousing.

Within the 4,000 drop in goods-producing industries, construction lost 3,000 jobs, durable-goods manufacturing decreased by 17,000, nondurable-goods manufacturing rose by 7,000, and mining and logging industries added 9,000 jobs.

Eleven months after the peak in employment, every private industry group still has fewer employees. The net losses range from about 8,300 in utilities workers to a devastating 3.9 million in leisure and hospitality.

On a percentage basis, the losses are more evenly distributed. Leisure and hospitality still leads with a 22.9 percent drop since February. However, mining and logging comes in second with an 11.7 percent loss followed by education services at 11.3 percent and information services at 8.3 percent. Seven of the 14 private industries shown in the report have declines of four percent or more since February 2020.

The government sector added 43,000 employees in January, with local government payrolls rising

by 36,000, state government payrolls up 31,000, but the federal government cutting 24,000 workers.

Average hourly earnings rose 0.2 percent in January, putting the 12-month gain at 5.4 percent. The average hourly earnings data should be interpreted cautiously, as the concentration of job losses for lower-paying jobs during the pandemic distorts the aggregate number.

The average workweek increased in January, rising 0.3 hours to 35.0 hours. Combining payrolls with hourly earnings and hours worked, the index of aggregate weekly payrolls rose 1.1 percent in January following a 0.5 percent gain in December. The index is up 0.6 percent from a year ago.

The total number of officially unemployed fell to 10.130 million in January, a drop of 606,000 from December. The number of officially unemployed in January 2020 was just 5.796 million.

The unemployment rate fell to 6.3 percent while the underemployed rate, referred to as the U-6 rate, fell from 11.7 percent in December to 11.1 in January.

The participation rate also fell in January, dropping to 61.4 percent; the participation rate was 63.4 percent in January 2020. The employment-to-population ratio, one of AIER's Roughly Coincident indicators came in at 57.5 for January, above the 57.4 ratio in December.

Government Transfer Payments Distort Personal Income in January

Personal income jumped 10.0 percent in January, boosted primarily by a 52.0 percent surge in personal transfer payments, according to data from the Bureau of Economic Analysis. Personal income data over the past eleven months have been sharply distorted by lockdown policies which caused massive layoffs, and government stimulus programs that sent transfer payments skyrocketing. Ultimately, a strong, self-sustaining economy

without government distortions is likely to provide the most beneficial future.

Excluding personal transfer payments, personal income fell 0.1 percent in January and is down 0.6 percent over the latest 12-month period. In real terms (adjusting for price changes), personal income excluding transfers fell 0.5 percent in January, leaving that measure down 2.0 percent for the year. Both measures remain below their pre-pandemic levels.

Personal tax payments fell 0.4 percent in January, leaving disposable personal income with an 11.4 percent jump for the month. Adjusted for price changes, real disposable income rose 11.0 percent in January.

Among the other components of personal income, wages and salaries, which typically account for about half of personal income, rose 0.7 percent for the month while supplements to wages and salaries (primarily employer contributions to pension and insurance funds and government social-insurance programs) which typically account for another 12 percent of personal income also posted a gain, rising 0.8 percent. Proprietors' income fell 0.5 percent for the month following drops of 4.6 percent in December and 10.4 percent in November. Income on assets (interest and dividends) also fell, dropping 3.0 percent in the latest month.

Job Openings Increase in December, But Labor Questions Remain

The latest Job Openings and Labor Turnover Survey from the Bureau of Labor Statistics shows the total number of job openings in the economy rose to 6.646 million in December, up from 6.572 million in November. The number of open positions in the private sector increased to 6.048 million in December. Private-sector openings are well above the low of 4.332 million in April at the height of government-imposed lockdowns, posting gains in

six of the last eight months, but are still below the pre-pandemic peak of 6.858 million in November 2018. The private-sector job-openings rate, openings divided by the sum of jobs and openings, was 4.8 percent, up from 4.6 percent in November and well above the low of 3.8 percent in April.

The industries with the largest number of openings were professional and business services (1.523 million), education and health care (1.247 million), and trade, transportation, and utilities (1.229 million). The highest openings rates were in professional and business services (6.9 percent), leisure and hospitality (5.5 percent), and education and health care (5.1 percent).

The rise in job openings was a function of hires, separations and changing labor requirements. Hires in December fell to 5.539 million from 5.935 million in November. At the same time, the number of separations fell to 5.460 million in December with the number of private sector separations increasing to 5.130 million. Within separations, total quits were 3.286 million (versus 3.180 million in November) and layoffs were 1.812 million, down from 2.055 million in the prior month.

The total separations rate fell to 3.8 percent with the private sector experiencing a rate of 4.2 percent, unchanged from November. By industry, leisure and hospitality leads with a separations rate of 9.0 percent (layoffs rate of 3.9 percent and quits rate of 4.9 percent).

From the worker perspective, labor market conditions remain challenging. The number of openings per job seeker (unemployed plus those not in the labor force but who want a job) fell to a modest 0.342. That is well below the 0.72 openings per seeker in November 2019 but well above the low of 0.101 in December 2009.

Outlook remains cautiously optimistic

Overall, the economy continues to recover from the

draconian lockdowns that began in 2020 though the results vary widely among the different sectors. The AIER Leading Indicators index indicates growth broadened among the 12 individual leading indicators and suggests continued expansion in coming months.

However, government restrictions on consumers and businesses remain a significant threat to the outlook for economic growth. The distribution of vaccines is a very positive development and should eventually lead to sharply less government restrictions. In the meantime, the longer the virus continues to spread (along with the possibility of mutations prolonging the outbreak), consumers remain restricted, and businesses remain closed or limited, the more uncertain a labor market recovery becomes and the higher the probability of a slow and drawn-out economic recovery.

CAPITAL MARKET PERFORMANCE

(Percent change)

	February	Latest 3M	Latest 12M	2020	Calendar Year 2019	2018	3-year	Annualized 5-year	10-year
Equity Markets									
S&P 1500	5.0	6.3	20.9	15.8	28.3	-6.3	11.0	14.5	11.7
S&P 500 - total return	2.8	5.0	31.3	18.4	31.5	-9.4	14.1	10.8	12.4
S&P 500 - price only	2.6	3.2	29.0	16.3	29.9	-6.2	12.0	14.6	11.1
S&P 400	5.7	15.1	57.6	11.8	24.1	-12.5	10.7	15.4	10.0
Russell 2000	5.1	21.0	49.1	18.4	23.7	-12.2	13.3	10.2	10.2
Dow Jones Global Large-Cap Index	1.8	5.5	27.6	14.7	23.8	-10.4	8.4	15.0	6.6
Dow Jones Global Large-Cap ex-U.S. Index	1.9	7.7	34.0	8.8	18.2	-15.7	3.4	9.4	2.2
STOXX Europe 600 Index	2.3	4.0	7.8	-4.0	23.2	-13.2	2.2	3.9	2.5
Bond Markets									
iShares 20-plus Year Treasury Bond ETF	-5.6	-10.6	-7.8	16.4	11.5	-4.2	6.4	1.6	4.5
iShares AAA - A Corporate Bond Fund	-2.2	-4.1	-0.2	7.1	9.1	-5.2	3.3	1.9	5.1
Commodity Markets									
Gold	-7.0	-2.7	6.9	24.8	12.7	-1.7	9.4	7.0	2.0
Silver	-2.7	20.5	57.8	46.8	16.7	-6.3	17.5	12.6	-2.2
Refinitiv CoreCommodities CRB total return Index	9.3	19.0	19.6	9.3	11.3	13.7	3.8	4.2	5.4

Sources: Barris, Dow Jones, Frank Russell.

iShares, Standard & Poor's, STOXX Europe 600, Refinitiv.

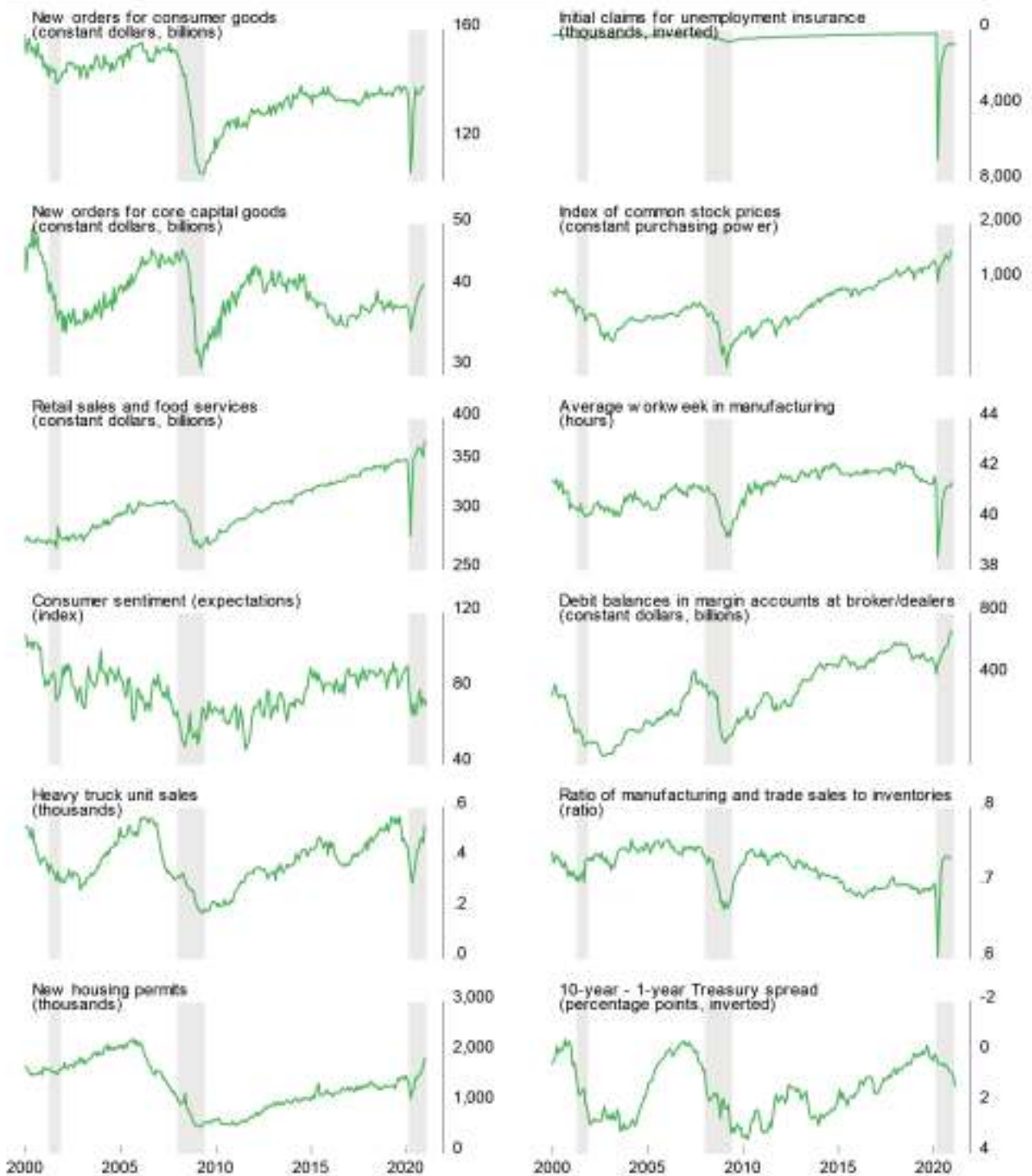
CONSUMER FINANCE RATES

(Percent)

	February	Latest 3M	Latest 12M	Average for Year			Average over Period		
				2020	2019	2018	3-year	5-year	10-year
30-yr. fixed mortgage	2.7	2.7	3.0	3.1	3.9	4.5	3.8	3.8	3.9
15-yr. fixed mortgage	2.2	2.2	2.5	2.6	3.4	4.0	3.3	3.2	2.2
5-yr. adjustable mortgage	3.0	3.0	3.0	3.1	3.6	3.3	3.5	3.3	3.1
48-month new car loan	5.0	5.0	5.1	5.1	5.4	5.0	5.2	4.9	4.8

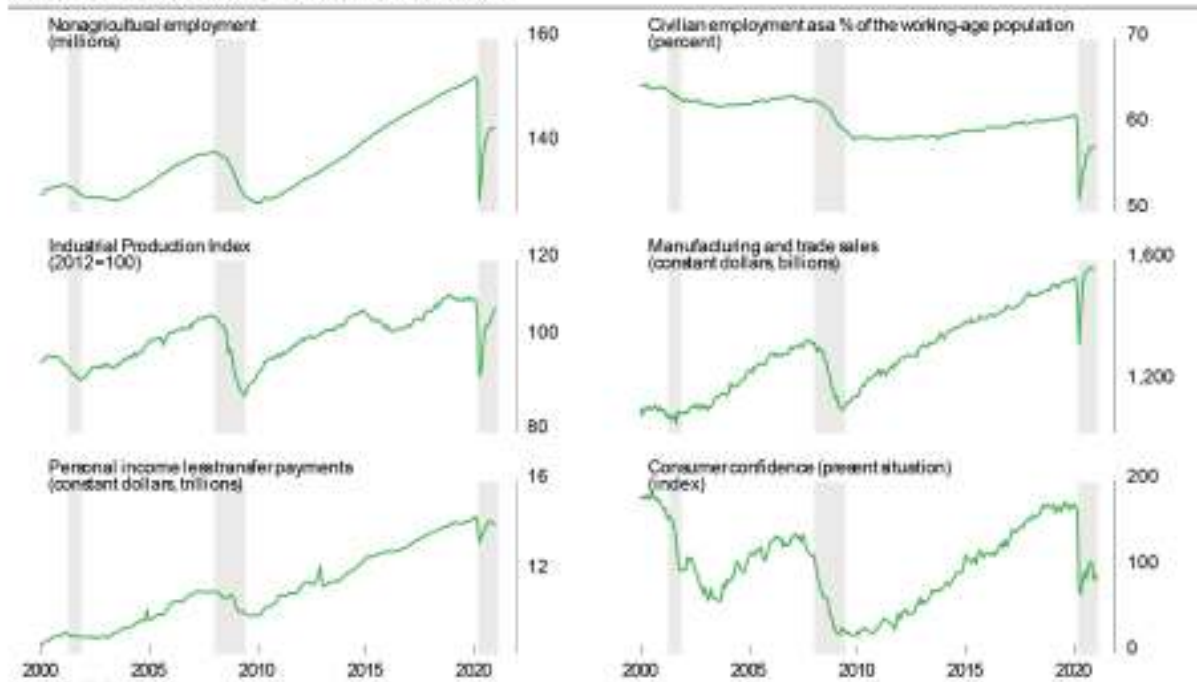
Sources: Bankrate, Federal Reserve.

LEADING INDICATORS (2000-2021)



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).

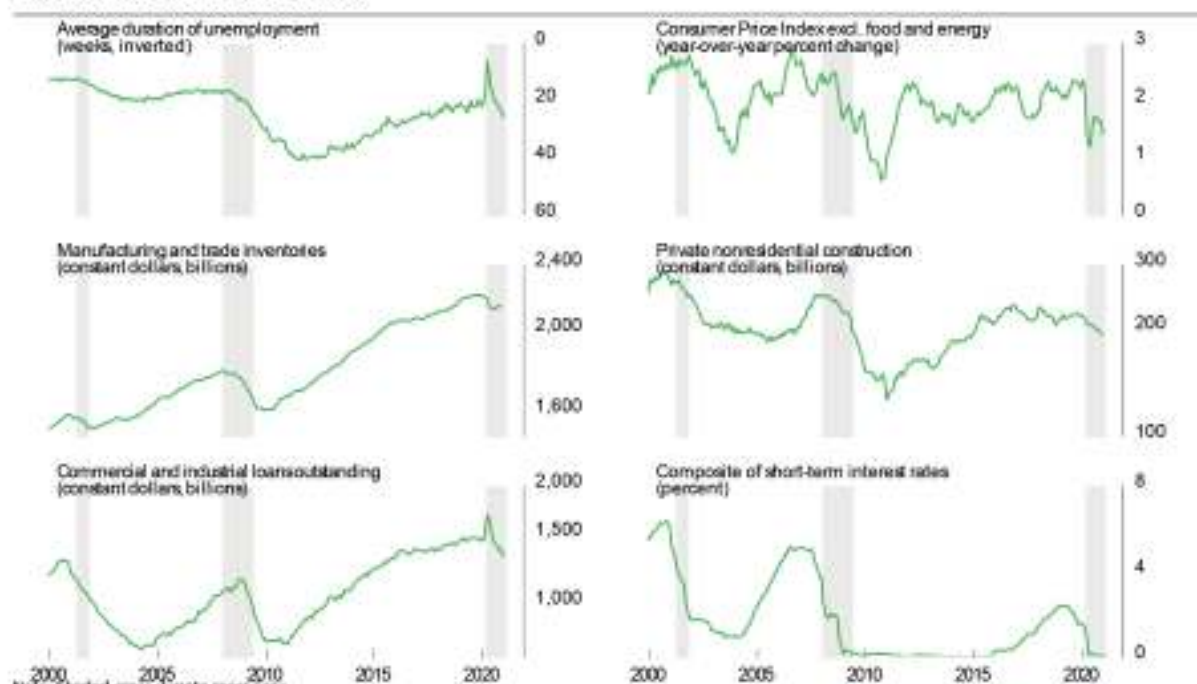
ROUGHLY COINCIDENT INDICATORS (2000-2021)



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 (2000-2021)



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).

The Florida Versus California Showdown

AMELIA JANASKIE

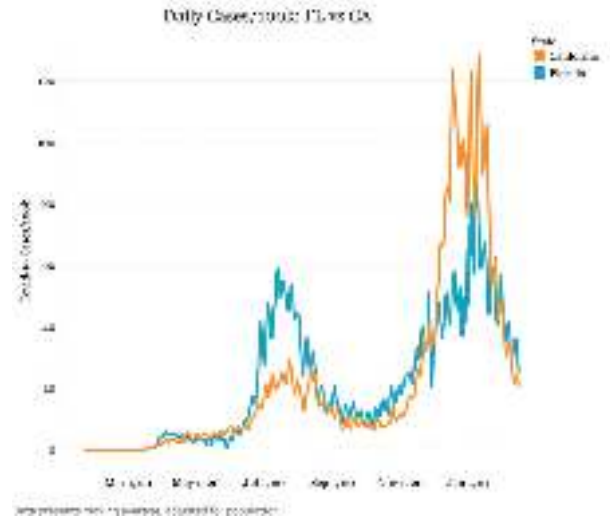
Research Associate

Florida and California are remarkably similar for their warm climates, beaches, tourist destinations, immigrant populations, and more, but both states could not be more different with respect to the management of the Covid-19 pandemic. Florida operates on close to zero pandemic-related restrictions whereas California maintains strict lockdown policies.

In California, virtually all public schools are closed, restaurants must follow unwavering capacity limits, travelers must quarantine for ten days, and on the list goes. Meanwhile, Florida’s schools are all open for in-person instruction, state-wide restrictions do not exist for restaurants, and there is no travel quarantine implemented by the state. All of these details point to Florida’s current stringency score being low at 33.8 compared to California’s 58.8.

While the media labels California Governor Newsom a “lockdown fanatic” for his authoritarian approach, they call Florida Governor DeSantis “Death-Santis” for being too relaxed. The two governors are polar opposites in how they handle Covid, but their outcomes are peculiarly similar.

In total, California experienced more cases per 100,000 people, while Florida had more deaths per 100,000 people. During the summer of 2020, cases and deaths spiked higher in Florida, but the course switched from November through January as cases and deaths peaked in California.

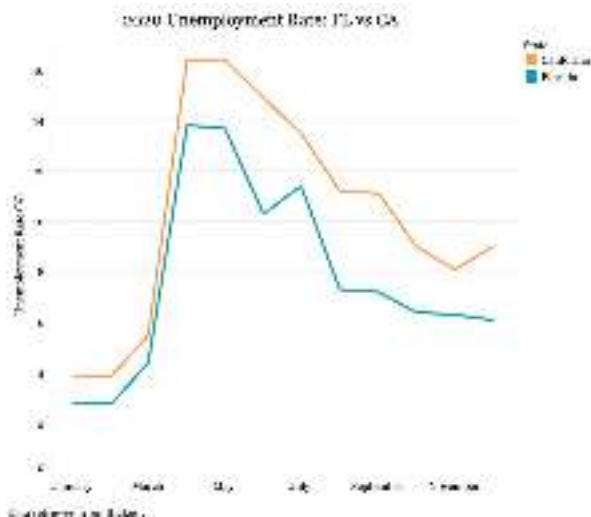


One reason why Florida has more deaths but not cases is that the elderly – those who are more vulnerable to the virus – account for a larger portion of Florida’s population. In fact, Florida has the second largest 65+ population at about 16.5%, but ranks #27 for deaths in the US. The elderly in California, on the other hand, comprise 14.8% of the state population. Still, California has worse outcomes within nursing homes at 2.27 deaths per 100 residents, while Florida sees 0.72 deaths per 100 residents. The chart below provides a side-by-side comparison to show that the statistics are similar and that one state did not clearly do better than the other.

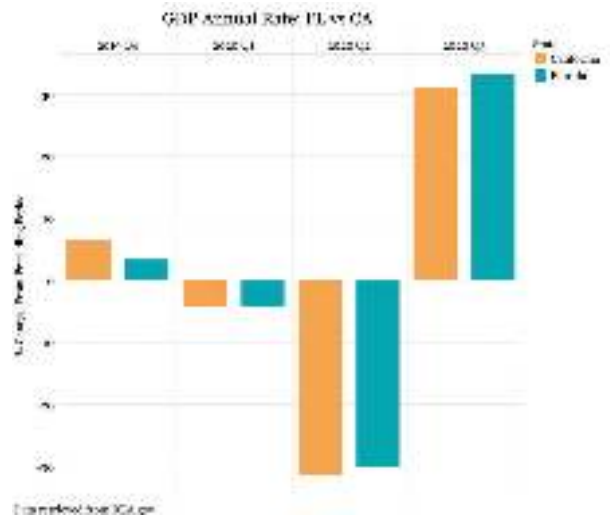
10. US COVID Summary		
	California	Florida
Cases/100k	1661	829
14 Day Growth	112	22
Missing Tests Over 14 Day Period	3	1
State Rank Cases	19	48
State Rank Deaths	35	47

Rather, the outcomes suggest that lockdown measures might not have a significant impact on lowering the number of Covid cases and deaths. But a more comprehensive look at the economic and social well-being of the states potentially reveals a greater disparity.

First, the unemployment rate in Florida remains consistently lower than California's. As of December 2020, Florida's (preliminary) unemployment rate was at 6.1% while California's was 9%. This means that a staggering 1,700,383 people are unemployed in California, compared to 614,327 in Florida. (The gap between the states is still immense when the numbers are adjusted for population.)



The gross domestic product (GDP) of both states is similar, though Florida's annual rate is slightly higher. California ranks as the largest economy – in terms of GDP – of all US states and even exceeds the United Kingdom's. So, the drop in California's GDP is not only steeper than Florida's but also takes a greater toll on the entire United States economy.

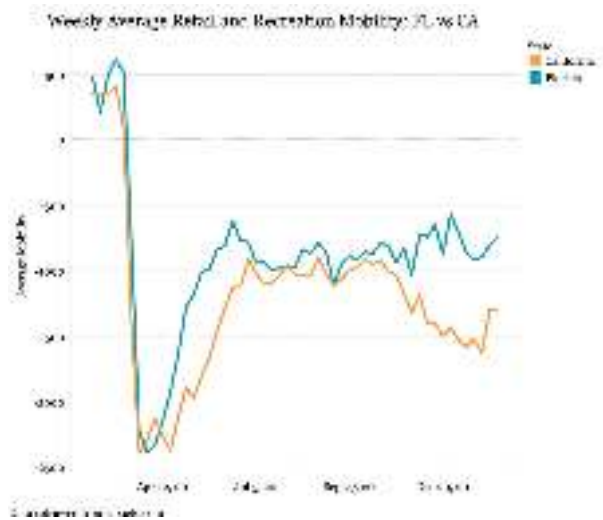


Another revealing factor is inbound and outbound migration. According to 2020 data collected from two moving companies (U-Haul and United Van Lines), Florida is among the top states for inbound migration, and California ranks high for outbound migration. While these migration patterns follow previous 2019 moving trends, lockdown policies still might play into other factors for why people are leaving California, including taxes, cost of living, and affordable housing. Florida conversely attracts movers for having no income tax, low housing prices, and agreeable climate.

Mobility may also indicate some level of economic activity by showing the degree of movement made by residents through cell phone data. The graph below specifically looks at travel to retail and recreation locations, which ultimately is telling. Between April and June 2020 and November 2020 up to now, Florida evidently experienced more

movement.

This data indicates that Florida residents are more mobile than Californians and are thus generating more economic activity within the state. Not only does this have important implications for how policy influences human behavior, the data also shows that Floridians are more comfortable moving around in their state, which could be attributed to reliable information about Covid or higher risk tolerance among the population.



February 22, 2021

cheaper living conditions and less authoritarian governments, Californians may continue to exit.

California and Florida provide a clear example for the dubious efficacy of Covid-19 restrictions. Their disparities elucidate the enduring costs of lockdowns with regard to the economy and livelihoods of residents. The states also pave the way for us to better understand whether authoritarian measures truly work in controlling a virus and, on a greater scale, the trajectory of human behavior.

While Governor Newsom keeps his state at high level of lockdowns despite glaring consequences, Californians are becoming increasingly irate as they sign a petition for a recall against him. As of February 2nd, Newsom's approval rating rests at 46%, a sharp drop from September's rating of 64%. Meanwhile, DeSantis is in the green with an approval rating of 54%.

The states' contrasting lockdown policies may lead to a future that looks very different. More and more people flee California to places like Tennessee, Texas, and Florida as they continue to be restricted in their freedom to work and go to school. For example, California is home to numerous tech companies, employing millions of people, but with remote working and a desire for

How Does All of This End?

JEFFREY A. TUCKER

Editorial Director

There is a sense in the air that the pandemic is winding down, and the toxic culture of division, fear, and hatred along with it. Cases are down dramatically. Deaths too. Hospitalizations are no longer irregular. Restrictions are being repealed. You can follow all the action daily at the CDC's new and unusually competent landing page on the virus (it only took them a year to build this).

Despite all the talk of a new normal and infinite mandates, there is hope that it could all unwind quickly, pushed by force of public impatience and frustration with restrictions, and a political scramble to avoid responsibility by running away from all that they did for the last year.

The list of signs and symbols could be made very long.

- The politicians who overreached are suddenly being held accountable, with both Andrew Cuomo and Gavin Newsom on the hotseat. Calls for governors and mayors to resign consume state and local news. There is clearly major political tumult building.
- The Great Barrington Declaration scientists can hardly keep up with the requests for respectful interviews, now that it is becoming clear that they were right all along.
- The experience in open states like Florida, Georgia, South Dakota, and so on, makes it impossible to ignore the grim truth that the lockdowns achieved nothing for public health but did harm health, businesses, liberties, law, and civilized life.
- The push to open economies, by the same people who locked down the economies, such

as Boris Johnson in the UK, is an implicit repudiation of the nonsensical ZeroCovid movement. Everyone seems now to agree with what AIER has been saying for a year: humanity must deal intelligently with pathogens and stop pretending that political forces can control them.

- AIER visiting senior fellow Naomi Wolf had a hit just last evening on the Tucker Carlson show, and they spoke as allies in the reopening efforts after years of ideological sparring.
- There is growing weariness of Anthony Fauci's daily word salads that have massively mixed up the public health messaging for a full year, to the point that Meghan McCain has called for his firing.
- A year ago, Slate was making sense until the virus became political and they joined the lockdown mob. Now the publication is back to making sense again, with this excellent piece.
- British medical journal *The Lancet* is publishing excellent short pieces on the cost of lockdowns, including this riveting letter from Martin Kulldorff.
- A prestigious European journal of public health has published a blistering attack on the very idea that a power government should ever be trusted with virus mitigation.

The people who have committed their careers and lives to this pandemic and the policies surrounding it might soon need to find a new *raison d'être*. Then the clean up begins – how did this happen, who did it, how to make sure it never happens again – and does not end perhaps for decades.

It's been fascinating to see the early drafts on the reasons why. There will be some perfunctory efforts to credit lockdowns, masks, human separation, and closures for somehow making the virus go away. The trouble is that there is no evidence of this. There is evidence for many other explanations having to do with herd immunity and "seasonality" (another way of saying the pathogen comes and then goes) and possibly more precision in testing.

For example, this new article by the very sensible Jennifer Beam Dowd of Oxford names many factors (while downplaying the role of vaccines) but says of masks and so on that it is "challenging to identify their specific effects, and cases are dropping in almost all states even with a wide range of policies."

Indeed!

The reckoning will be taking place for months if not years. In the end people will be left wondering why we took such extreme measures that wrecked so many lives when the endemic equilibrium comes in time regardless of all these measures. We tried a crazy experiment in social and economic control and we are left with scant evidence that it made much difference on the virus but vast evidence that they demoralized and ruined life for billions of people.

What about the opening? There will continue to be those who will cower in fear, still dealing with the deep psychological trauma that comes from watching TV journalists scream panic for the better part of a year. But there will be an emerging majority that will be more than willing to go back to real life.

My go-to book on the pandemic and the response has been Albert Camus's remarkable novel *The Plague*. He wrote it as partially autobiographical about his own quarantine. It was published in 1947. It still stands as a brilliant account of the sociology and psychology of fear during pandemic and lockdown.

As we approach the end of the novel, the plague begins to lift, not because of anything that the townspeople did or because of the restrictions on their lives. It lifts because the virus ran its pandemic course. What's striking is how quickly the dawn of normalcy happens, followed by a new appreciation for life, fun, revelry, and exuberance.

As people begin to see the end, Camus records the fictional scene.

No doubt the plague was not yet ended—a fact of which they were to be reminded; still, in imagination they could already hear, weeks in advance, trains whistling on their way to an outside world that had no limit, and steamers hooting as they put out from the harbor across shining seas. Next day these fancies would have passed and qualms of doubt returned. But for the moment the whole town was on the move, quitting the dark, lugubrious confines where it had struck its roots of stone, and setting forth at last, like a shipload of survivors, toward a land of promise....

In streets and squares people were dancing. Within twenty-four hours the motor traffic had doubled and the ever more numerous cars were held up at every turn by merry-making crowds. Every church bell was in full peal throughout the afternoon, and the bells filled the blue and gold sky with their reverberations. Indeed, in all the churches thanksgiving services were being held. But at the same time the places of entertainment were packed, and the cafés, caring nothing for the morrow, were producing their last bottles of liquor. A noisy concourse surged round every bar, including loving couples who fondled each other without a thought for appearances. All were laughing or shouting. The reserves of emotion pent up during those many months when for

everybody the flame of life burned low were being recklessly squandered to celebrate this, the red-letter day of their survival. Tomorrow real life would begin again, with its restrictions. But for the moment people in very different walks of life were rubbing shoulders, fraternizing. The leveling-out that death's imminence had failed in practice to accomplish was realized at last, for a few gay hours, in the rapture of escape.

And so on goes the opening, slowly at first, then quickly, then all at once. The decisive turn is when the public returns to thinking rationally, refuses to be locked up anymore, and decides to trust themselves and the medical profession rather than the powerful elites who only pretend to manage disease. The trauma lasts, of course, but the healing also begins.

Last April, in a more naive time, I truly did imagine that these lockdowns and restrictions could not last. I had underestimated both the public panic and the government's willingness to double- and triple-down on unworkable policies.

I also overestimated what I had previously imagined to be a widespread commitment to liberty and property that would have inspired some public revolt early on. So here we are a full year later, with the reports of lockdown carnage pouring in by the day and hour. It's a gigantic mess, to be sure, but the end does seem to be in view, and thank goodness for that. Let the blowback begin.

February 23, 2021

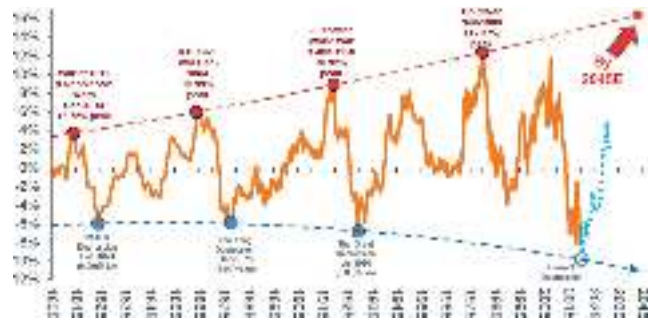
Are the Conditions Right for Another Commodity Super-Cycle?

COLIN LLOYD

Contributor

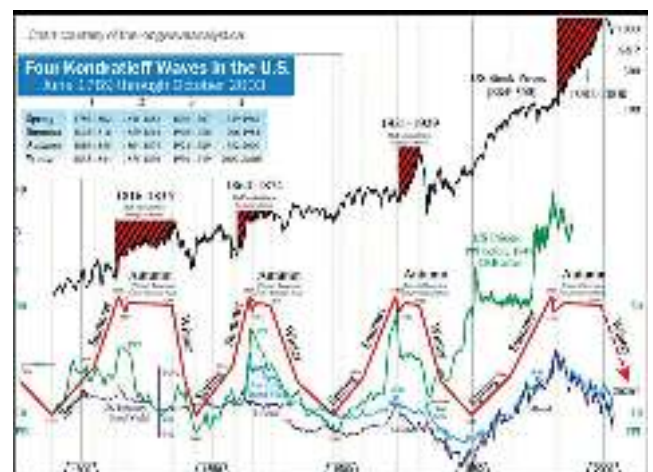
Since the price of crude oil and other industrial commodities collapsed and then rebounded in the wake of the Covid pandemic, there has been speculation about the start of a new commodity supercycle. Historically these cycles, sometimes referred to as Kondratieff Waves, are few and far between – on average they occur between 20 and 70 years apart. For more about these long-term waves, The Corporate Finance Institute – What is the *Kondratieff Wave*? provides an excellent introduction. The inflationary part of these cycles is usually preceded by a period of low capital investment, often the result of listless economic growth, followed by a sudden increase in demand or a supply shock. They end with prices collapsing in what the Austrian economist Joseph Schumpeter described as a period of *creative destruction*. A period where old methods are replaced by new and innovation sweeps aside inefficient businesses and processes. For further information on this process this MIT Creative Destruction paper is a good primer.

This chart, taken from a recent Janus Henderson article, shows commodity supercycles over the last two centuries: –



Source: Janus Henderson, Stifel Report June 2020. Note: Shown as 10yr rolling compound growth rate with polynomial trend at tops and bottoms. Blue dotted line illustrates a forecast estimation. Warren & Pearson Commodity Index (1795-1912), WPI Commodities (1913-1925), equal-weighted (1/3rd ea.) PPI Energy, PPI Farm Products and PPI Metals (Ferrous and Non-Ferrous) ex-precious metals (1926-1956), Refinitiv Equal Weight (CCI) Index (1956-1994), and Refinitiv CoreCommodity CRB Index (1994 to present).

On the basis of the Janus analysis, the boom of 2006-2009 was merely a correction. The Kondratieff presentation below suggests we are twenty years into the *Kondratieff Winter*; for *winter* to turn to *glorious summer* so rapidly would indeed be unusual: –

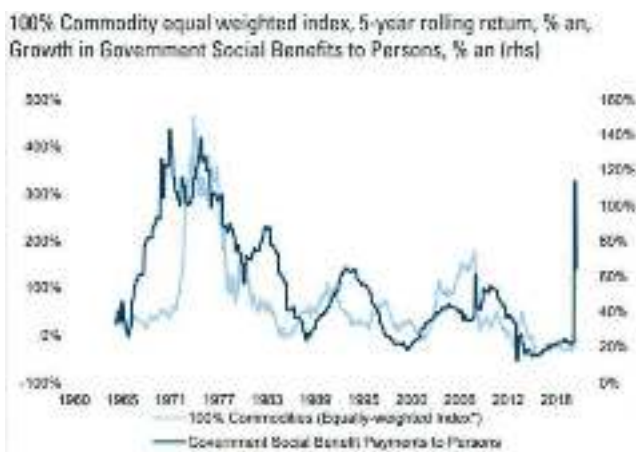


Source: Longwaveanalyst.com

As economies have moved away from a reliance on basic materials and manufacturing, the patterns

of the long economic waves, historically tied to the fortunes of commodity prices, have weakened. The processes of *creative destruction* have also been frustrated by the financial repression of developed – and to a lesser extent developing – nations and their notionally independent central banks. Nonetheless, commodity prices often trend and the cause of those trends is always an imbalance in supply or demand.

From a demand perspective this chart highlights the correlation between commodity prices and fiscal spending on Social Security: –



When one adds in the effect that fiscal spending will have on demand for industrial commodities for infrastructure projects and housing the expectation of increased demand looks compelling.

Another reason commodities may be set to rise is their valuation relative to stocks: –



Commodity prices may have bottomed in Q2, 2020 but their rebound has still lagged a breathtakingly ebullient stock market.

Of course, thanks to human ingenuity, in inflation adjusted terms, the price of commodities has been falling for millennia. This chart shows the Economist Industrial Price Index adjusted for inflation using the US GDP Deflator: –

A Century of Decline

The Economist Industrial Price Index
real* \$ terms, 1845-50=100



Source: The Economist

Supply and demand shocks are still evident starting with the buildup to the US Civil War of

1861-1865. The swings have moderated since the ending of the Bretton Woods agreement; however we may be in for a shock. According to the World Bank June 2020 – Global Economic Prospects report, the current pandemic has seen the largest decline in per capita output since 1870 and the largest recession since WWII.

I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a .400 baseball hitter. But now I would like to come back as the bond market. You can intimidate everybody.

James Carville
 – Political adviser to President Clinton

Rising commodity prices often feed through to consumer price increases and the US bond market has taken note. Having reached an all-time low of 0.32% in March 2020, 10yr Treasury yields have rebounded to reach almost 1.4% this week (w/c 22nd February). The chart below shows how bond yields have declined over the last 25 years: –



Source: Trading Economics

The Federal Reserve may be more tolerant of higher inflation in the short run in order to achieve their 2% target over the long run, but the bond

market looks determined to call their bluff. Yet the collective memory of the bond market is short; between 1942 and 1950 US Treasury yields were fixed. This Federal Reserve article – How the Fed Managed the Treasury Yield Curve in the 1940s – explains: –

By mid-1942 the Treasury yield curve was fixed for the duration of the war, anchored at the front end with a 3/8 percent bill rate and at the long end with a 2 1/2 percent long-bond rate. Intermediate yields included 7/8 percent on 1-year issues, 2 percent on 10-year issues, and 2 1/4 percent on 16-year issues...

In late November 1950, facing the prospect of another major war, the Fed, for the first time, sought to free itself from its commitment to keep long-term Treasury yields below 2 1/2 percent. At the same time, Secretary of the Treasury John Snyder and President Truman sought a reaffirmation of the Fed's commitment to the 2 1/2 percent ceiling.

During the same period US consumer price inflation was allowed to fluctuate considerably: –



Source: US BLS

The Federal Reserve of the Forties was still an ingénue, and their dual mandate of full employment and stable prices was only introduced in 1977.

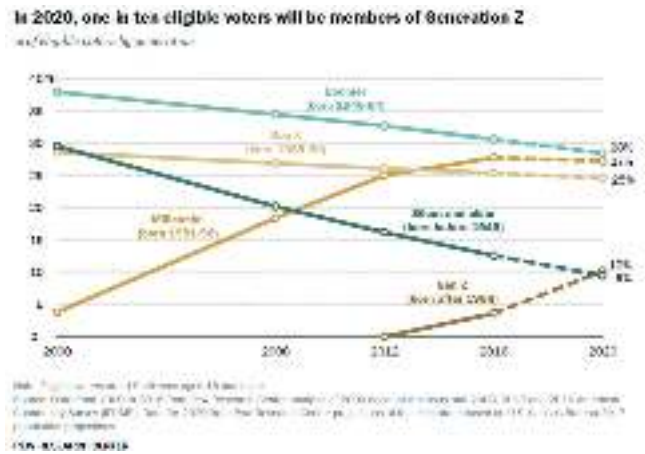
Nonetheless, with *yield-curve control* they effectively neutered the bond market. If bond yields cannot rise, stocks remain underpinned; only the currency is left to take the strain. Yet, if all major fiat currencies are engaged in a *race to debase*, the environment looks more like one where stores of value, such as gold and other commodities, will be favoured, as central bank balance sheets balloon.

On the fiscal side of the equation, those individuals with savings favour less financial repression; those with debt, the opposite. The next chart shows US wealth by generational cohort. Back in the early 1990's, when the Boomers were the same age that Millennials are today, their share of US household wealth was 21%, while today Millennials account for just 3%. Generation X shows a possible Millennial trajectory; already in their late 40's they account for just 17%. By that age the Boomers had accumulated more than 40% of the total: –



Source: Federal Reserve, FT, Strategic Funds

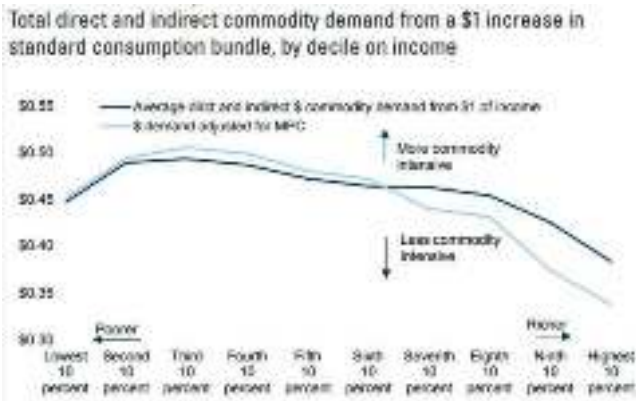
This wealth distribution is important because the Millennials will shortly gain the upper-hand in terms of votes: –



Source: Pew Research

Millennials and Generation Z already account for 37% of votes. The weakening of the financial position of Generation X resulting from the pandemic will further tip the scales in favour of fiscal expansion, at least until employment has been restored to pre-Covid levels.

As for where the governments will focus their fiscal largesse? It will undoubtedly be directed to those in greatest need. The initial post-Covid financial stimulus benefited higher-income groups but their marginal propensity to consume out of wealth is meagre – Goldman Sachs' recent estimate put it at just 3%. As election promises are kept, US government aid will be directed to lower income groups. Here is an estimate of how \$1 of fiscal spending will affect commodity prices as it applies to each income decile: –



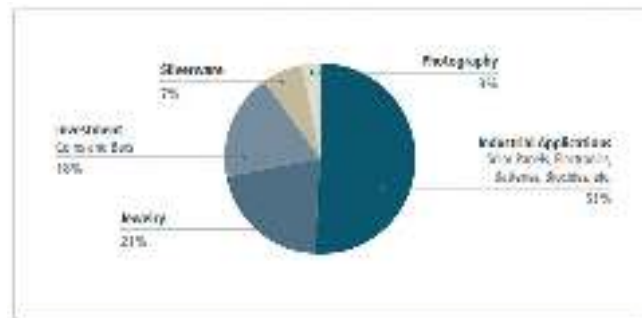
Source: BLS, BEA, Goldman Sachs

Redistribution policies are traditionally commodity-price-positive since lower-income households tend to spend more of the extra money they receive.

President Biden is about to roll out \$1.9trln of additional spending measures and has indicated that further spending on infrastructure, climate change, education, digital transformation and healthcare could be undertaken should this job in the economic arm not suffice. Taken together the measures could be worth 9% of US GDP. For those wondering (or worrying) about the efficacy and true cost of these measures this article from the Peterson Institute – In defense of concerns over the \$1.9 trillion relief plan provides insight. Of more importance to the discussion of commodity prices is the question of which commodities will be in the vanguard and which might not be impacted at all. To that end according to last month’s US Manufacturing Purchasing Manager’s Report only Caustic Soda fell in price. Commodities in short supply included Copper; Corrugate; Corrugated Boxes; Electrical Components; Electronic Components; Road Freight; Personal Protective Equipment; Semiconductors; Cold Rolled, Hot Rolled and Fabricated Steel.

The recovery from this pandemic will emphasise the renewable industrial revolution and social need.

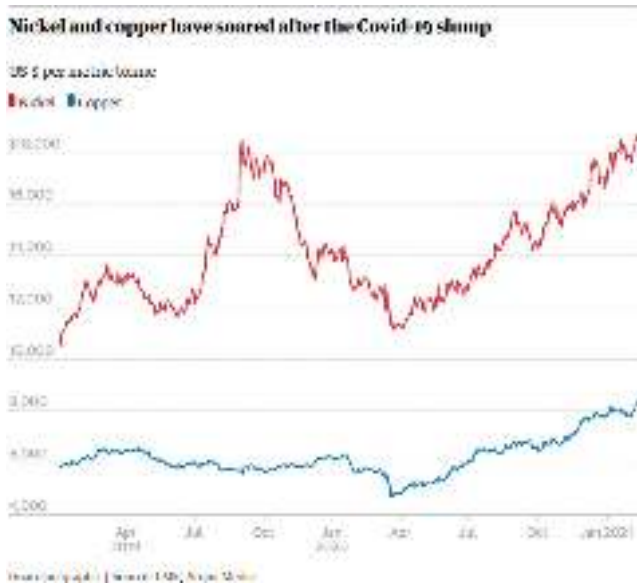
China recently committed to carbon neutrality by 2060, and President Biden has already returned the US to the Paris Agreement on climate change. Energy policy is going green and global, and it has the potential to create a new cycle of capital expenditure favouring commodities needed to accelerate climate-friendly technology. By way of example, last year the price of silver rose by almost 48%; this infographic shows the breakdown of demand: –



Source: GFMS Definitive, Metals Focus, The Silver Institute, UBS

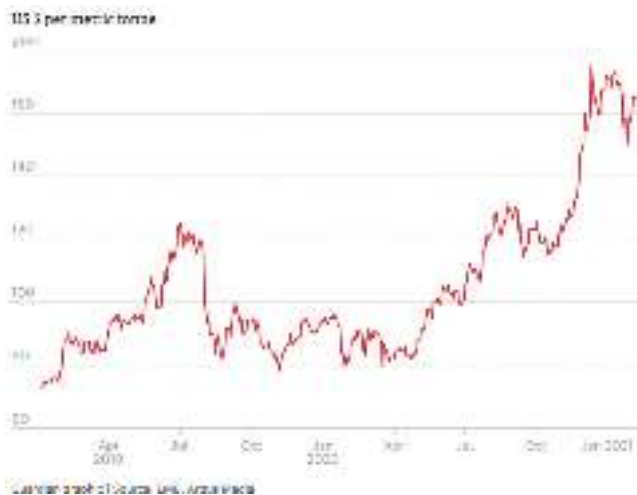
The industrial applications are key to the growth in demand. Silver will benefit from an expanding automotive sector, especially for electric vehicles; solar energy is also a driver of demand as is the growth of 5G broadband.

This week copper, a bellwether of industrial metals, hit a nine-year high at more than \$9,000/ton, whilst nickel breached \$21,000/ton, its highest since 2014. The chart below is to mid-January: –



Source: Guardian, LME, Argus Media

Price increases are not confined solely to the elements of the green revolution; witness the recent surge in iron ore, possibly driven by the rebound in the Chinese economy after their strong monetary stimulus in the aftermath of the pandemic: –



Source: Guardian, LME, Argus Media

It is not just commodities that will be affected by this demand-pull; the impetus will have a multiplier effect on labour markets and commodity-producing

countries. There will be bottlenecks caused by the decade-long shortening of supply chains; trade tensions have not vanished with the outgoing US President. Meanwhile China has continued to strengthen its grip on the supply of rare-earth metals, yet it imported a record 71,407 tons of rare-earth ores from the US last year, up 55% from 2019, for which they paid 26% more.

Agriculture, Energy and Freight

Commodities, although invariably lumped together from an investment perspective, are the most diverse instruments to trade, and their prices can vary widely depending on many differing factors. Within the agricultural sector there has been much dispersion: –



Source: Knoema, FAO

There may be flash points which drive individual agricultural commodity prices higher but overall the price increases have been moderate.

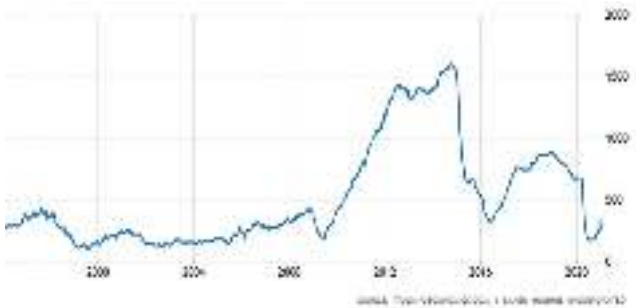
Currently crude oil and natural gas prices are on the rise. An unseasonably cold snap has hit the US, especially Texas, which has reduced the ability to use wind power and reduced well capacity just as domestic demand has risen. The chart below shows prices over the last five years: –



Source: Trading Economics

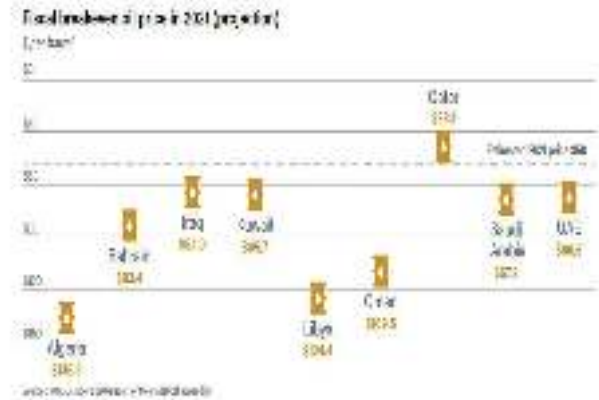
Aside from the liquid natural gas demand, which is high due to unseasonably cold weather in Asia, the gas market seems to be relatively stable.

The picture looks reasonably balanced for oil too, until one looks at the rig count data for the world's largest oil producer, the US: –



Source: Trading Economics, Baker Hughes

The fiscal break-even for the largest oil producers outside the US means substantially higher crude oil prices are needed in order to balance fiscal budgets. It should also be remembered that many of these countries lack the political stability of developed nations: –

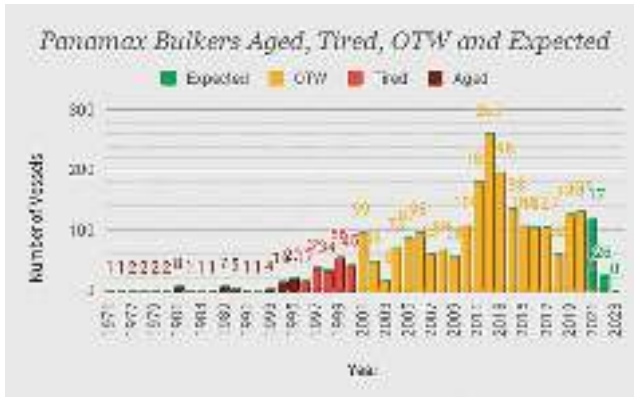


Source: Eurasia Group, IMF

The geopolitics of energy is always dangerous to underestimate. Europe, which relies on Russia for 40% of its gas imports and 30% percent of oil imports, is just one example of the upside risk evident in many natural resources.

No review of commodity prices is complete without considering shipping, for without ships, commodities cannot be transported.

In the Dry Freight market the pandemic caused rates to collapse, and ship owners responded by increasing scrapping whilst maintaining relatively low new-build orders. Many previous orders had already been delivered just in time for the Covid crisis to strike. Looking at the three main cargo ship types we see the same pattern, which suggests there will be a shortage of capacity. Here is the situation in the Panamax market but the pattern holds true for Capesize and Supramax vessels as well: –



Source: VesselsValue, Value Investor's Edge

To date this supply shortage has only led to a small increase in the Baltic Dry Freight Index. Here is a chart showing just how inelastic prices can become: –



Source: Trading Economics

Container shipping rates have also been rising and shipping specialists suggest supply bottlenecks will not ease until 2025 at the earliest. A dearth of supply and long lead time between ordering a new ship and its delivery underpin freight rates. Even a moderate increase in demand could herald a 2007/2008 reprise.

Conclusion

At the beginning of January **Goldman Sachs** released a client report predicting a new commodity supercycle. They see rising wages leading to faster, commodity price positive, home formation and more synchronised social policies, akin to those of the 1960s ‘War on Poverty’ campaign. In other respects they believe this cycle has stronger parallels to the 1970s than the 2000s. Goldman expects industrial capex to run at 2000 levels whilst social rebuilding generates a 1970s-style consumer boom.

This infographic from S&P is also useful when considering the potential winners and losers: –



Source: S&P Global

With unemployment rates still elevated and much of the global economy in some form of lockdown, it is hard to imagine the conditions for an economic boom, especially one that will see wage increases, but the size and scale of the global monetary and

fiscal response to the pandemic is unprecedented. It creates the conditions for a continued appreciation of a wide range of essential commodity prices as the pandemic ends and demand rebounds.

February 26, 2021

Presidential Impeachment and US Equity Markets

PETER C. EARLE

Research Fellow

A fairly broad array of academic studies finds a connection between political stability and economic growth. As the setters and overseers of the rules of the game, elected and appointed government officials have a direct impact upon fiscal, monetary, and regulatory policy. If those policies are consistent over time and thus predictable, firms can budget and plan — which in turn sets the stage for economic growth.

Compared with other nations, the United States has a fairly consistent record of political stability, with a few brief exceptions: the American Civil War, in particular. (Even during the War of 1812, during a foreign invasion, political rule remained essentially intact.) The United States has also experienced little unforeseen presidential turnover, with a single resignation and a few impeachments. One might argue that presidential impeachments are the closest the United States ever comes to true political uncertainty.

We likely need not ask *whether* impeachment proceedings affect the financial markets; rather, we need to determine *how* impeachments affect the financial markets.

This article examines the stock market effects of presidential impeachment proceedings. But rather than jump directly to the three historical episodes (Andrew Johnson, Bill Clinton, and Donald Trump), we will first examine market reactions to three proposed elements of impeachment concerns individually, and then compare them to what equity markets actually did during and after the three impeachments. The three elements are: general uncertainty; concern about the succession of key persons; and worries specifically associated

with the removal of a U.S. President (outside of elections).

Our surrogate for financial markets will be US equity indices: usually the Dow Jones Industrial Average, but occasionally others.

But first, a few caveats. One is well advised not to use the price fluctuations of stock indices, at least not alone, to draw major sociological conclusions. Second, no market moves in response to a single cause; for that reason, one cannot attribute the entirety of a move in prices, or the lack of a move, to one specific event. And finally, over the period under examination (from 1868 to 2020), the size and composure of stock markets varied greatly, as did the number of types of investors. The longer the time period between events is, the less relevant comparisons are, and thus the less weight a conclusion should carry:

General Uncertainty

The prospect of an impeachment creates great uncertainty, and uncertainty is the bane of financial markets. Because the United States is the largest economy in the world, the issuer of the world's reserve currency, and at the center of a massive network of global trading relationships, the injection of sizable uncertainty spells concern for not only Americans but foreign governments, and global investors of all stripes.

As a first step, I examine the impact of a series of unexpected events upon the US equity markets:

TABLE 1: Market Impact of Events Generating Sudden, Extreme Uncertainty

Event	Next market date	1 day ret. (DJIA)
Bush becomes president	29-Nov-01	-6.96%
World Trade Center bombing	23-Sep-97	-3.16%
9/11 terrorist attack	28-Sep-01	-9.09%
Washington City bombing	10-Apr-93	-2.00%
Enron CEO scandal	15-Jul-06	-4.83%
Keynote (San Jose) Unemployment	7-Feb-05	-2.24%
Keynote (NYC) Unemployment	12-Sep-01	-4.31%
Bankruptcy of Enron reported	29-Sep-05	-7.20%
Tsunami (Tokyo) (New York) (Japan)	16-Mar-11	-1.83%
		-1.95%

Few would be surprised to hear that financial markets are notably averse to sudden increases in unpredictability. The average decline among these events shall serve as an initial, if incomplete, benchmark.

Unexpected Removal of Key Officials

To consider the financial impact of the removal of a high-level decision maker, consider this element of impeachment by analogy: how do stock prices react when key personnel leave a company unexpectedly?

CEOs

According to CNBC anchor Jim Cramer, unexpected resignations are a major red flag for investors: “When you see unexpected resignations among key executives ... maybe you should go too.” Most individuals do not leave a high-paying position they spent decades jostling for without careful consideration.

While numerous factors influence the market reaction (such as the stock performance under their tenure, the existence of a clearly-defined succession plan, etc.), consider a few such studies. *Fortune* (2019) reports that “companies whose CEOs departed saw their stocks’ returns drop an average of 4.19 percent in the 30 days following compared to the S&P 500.” Larcker and Tayan (2012) cover 12 CEO deaths between 1994 and 2012 and report that the stock price on the day of the executive’s

death fell by 2.01 percent on average. And Salas (2010) indicates that the sudden death of a CEO leads the stock price to fall immediately by 0.64 percent on average.

Other Corporate Executives

The impact upon stock prices of the resignation or termination of other managers depends largely upon the circumstances leading up to the change. Agrawal and Chen (2008), for example, report that “stock prices decline significantly (both statistically and economically) upon news of these events” and that “firms [with internal management disputes] have poor operating performance in the years surrounding the dispute episode, and experience significantly greater incidence of stock market delisting in the years following.” They find that the cumulative average abnormal return is -2.6 percent between the day before the episode and the day after and -6.1 percent between ten days before and one day after. It is even larger, -3.9 percent or -10.3 percent, if the resigning director is an insider. Worell, Davidson, and Glascock (1993) find a statistically significant price increase of 2.3 percent in the case of forced resignations, no doubt indicating that in those cases, investors were relieved and looked ahead to an improved future. Context, as always, is pivotal.

TABLE 2: Stock Impact of Termination, Resignation or Death of Key Leaders

Source	Stock Return	Event/time period
Fortune (2019)	-4.19%	30 days in the following 30 days to S&P 500
Agrawal & Chen (2008)	-2.6%	10 days, cumulative avg abnormal return over day before and after
Larcker & Tayan (2012)	-2.01%	CEO's announcement
Salas (2010)	-0.64%	1 day announcement
Worell et al (1993)	2.3%	30 days resignation of director to same corp.
Average return:	-1.42%	

Removal of a US President (Outside Term of Office)

In addition to general uncertainty and fears arising from the removal of any key decision maker,

the impeachment of a US president introduces worries unique to the circumstances surrounding the removal of an individual with significant influence over both the United States and the world at large—not only economically but geopolitically. Domestically, the impeachment introduces significant uncertainty surrounding such executive powers as the veto, the ability to issue executive orders, the tenure of Cabinet appointees, the possible abruption of policy initiatives, and more.

The unscheduled exit of a president may occur for several reasons besides impeachment: resignation, assassinations, or invocations of the 25th Amendment (concerning inability “to discharge the powers and duties of his office”). I now consider the stock market returns associated with these types of episodes.

Resignation

The day after the August 8, 1974 announcement of Nixon’s resignation, the Dow Jones Industrial Average fell 1.3 percent. (An important side note: by September 1, 1974, the index had fallen over 15 percent.)

Assassination Attempts

Several weeks before his inauguration in early 1933, an attempt was made on the life of Franklin Delano Roosevelt. Although he was unhurt, equities fell by slightly over 2 percent the next day. In September 1975 two assassination attempts were made against Gerald Ford. In the first, undertaken by former Mansonite Lynnette “Squeaky” Fromme, the weapon didn’t fire and the attempt had little if any effect on US equities. In the second, the weapon fired but Ford was unhurt; the following day, markets fell roughly 0.5 percent.

The March 1981 attempt on the life of Ronald Reagan was far more serious. Today we know that had the bullet hit a few millimeters in one direction,

the wound may well have been fatal. At the time, Reagan’s injuries were described as serious but survivable, and between the time of the news release and the market’s 4:00 p.m. close, stocks fell roughly 0.25 percent. The next day, stocks rallied strongly.

Assassinations

Bearing in mind that US equity markets were orders of magnitude larger under Kennedy’s administration than under Lincoln’s, presidential assassinations have an extreme impact as they bring to the fore worries about policies and existential fears. A 2014 Harvard University paper by Baker, Frydman, and Hilt entitled “From Plutocracy to Progressivism? The Assassination of President McKinley as a Turning Point in American History” attests to the importance of worries about policy. It finds that “firms with vulnerability to antitrust prosecution saw greater decreases in their valuations following the assassination, suggesting that regulatory forbearance was an important mechanism by which firms benefited during McKinley’s Presidency.”

As for existential fears, Lincoln’s killing occurred when North-South tensions were still high following the end of the Civil War. McKinley was shot by a putative anarchist amid growing concerns about armed leftists and nihilist insurgents. Kennedy was shot when the Cold War was heating up. As Robert Stovall, then a 37-year-old director of research at the erstwhile investment bank E.F. Hutton in New York City recalled: “We thought the Kennedy assassination might be followed up by an even more serious incident. . . . We thought there might be a follow-up attack.”

How did the killings affect markets? Markets were closed the day Lincoln died (Saturday, April 15); on Monday, April 17, they fell approximately 0.7 percent. James A. Garfield was shot on July 2, 1882. That day, stocks fell 3.3 percent. (He died

just short of 80 days later.) William McKinley was shot on September 6, 1901, and died 8 days later. Equities on the New York Stock Exchange fell 6.2 percent the following day. And John F. Kennedy was shot on November 22, 1963, and died shortly thereafter. Between roughly 1:30 pm and 2:07 pm EST, when trading was halted, markets fell 2.8 percent.

25th Amendment

Section 4 of the 25th Amendment involves the removal of a president who, owing to physical or mental ailments, has become unable to discharge the duties of office. While it has never been invoked, perhaps the closest approximation to the way the stock market would react is exhibited in the response to President Dwight D. Eisenhower’s heart attack while playing golf on September 24, 1955. (Today over 90 percent of individuals suffering heart attacks survive, but at that time the prospects were grimmer.) Although he survived, the Dow Jones Industrial Average fell over 6 percent after the news was broadcast.

Event	Date (in relation to event)	Market return (DJIA)
Resignation		
Richard Nixon	9 August 1974 (next day)	+1.2%
Assassination attempts		
Franklin D. Roosevelt	12 Feb. 1952 (next day)	+2.0%
Serald Ford	25 Sept. 1975 (next day)	+0.4%
Donald Trump	7 June 2019 (10 months later)	+0.7%
Assassinations		
Abraham Lincoln		+0.2%
James A. Garfield	19 July 1881 (same day)	+1.1%
William McKinley	6 Sept. 1901 (next day)	+6.2%
John F. Kennedy	23 November 1963 (to the date)	+2.8% (stocks halted)
Section 4, 25th Amendment cases		
Richard D. Nixon	14 June 1974 (same day)	+6.7%
	Average return:	+2.56%

Impeachment

How have impeachments impacted markets? We have three episodes to draw on:— the impeachment trials of Andrew Johnson, Bill Clinton, and Donald Trump, all of which ended in acquittal.

Andrew Johnson

After discharging Edwin Stanton, the Secretary of War, Johnson faced 11 articles of impeachment. He was impeached in February 1868 on charges of violating the Tenure of Office Act; for voicing “intemperate, inflammatory, and scandalous harangues” and “loud threats and bitter menaces” against both Congress and the laws of the United States; and for unlawfully challenging the authority of the 39th Congress. Between May 16, 1868, and May 26, 1868, first one article and then two more were considered and failed to pass the two-thirds-majority threshold. The trial was adjourned and the remaining eight articles were dropped.

Bill Clinton

In December 1998, Clinton faced two articles of impeachment for perjury and obstructing justice related to the Monica Lewinsky scandal. On February 12, 1999, the Senate found Clinton not guilty on both articles.

Donald Trump

Trump faced two articles of impeachment (passed in December 2019): one for abuse of power, another for obstructing justice. The case centered upon the alleged withholding of military aid from Ukraine to induce an investigation of Trump’s most likely challenger in the 2020 election, former vice president Joe Biden. On February 5, 2020, the Senate found Trump not guilty on both articles.

Table 4 reports the market reactions between the date of the impeachment and the vote date(s), and again between the vote date and two months later. .

Table 1: Market reactions to presidential impeachments

Impeachment	Impeachment Date	Impeachment Vote	Impeachment Date	Impeachment Vote	Impeachment Date	Impeachment Vote
Clinton	1998	227-206	1998	221-206	1998	228-197
Trump	2019	232-197	2019	229-199	2019	249-177
Johnson	2019	287-133	2019	286-133	2019	285-133

The above table shows the market reactions to presidential impeachments. The table is organized into three columns, one for each impeachment. Each column contains the impeachment date, the impeachment vote, and the impeachment date. The table shows that the market reactions to presidential impeachments are generally negative, with the average intraday index return on the day of impeachment votes being -0.16%.

Findings and Conclusion

Granted that this is a ‘quick-and-dirty’ study rife with hidden variables and a small-n problem (only three impeachments, with one almost a century and a half before the other two), the results show straightforward, virtually uniform average negative responses among the *a la carte* market reactions to general uncertainty, key person/business continuity concerns, and presidentially-unique market events. And yet the behavior of equity indices with respect to the three presidential impeachments is mostly languid between both the impeachment date and the vote date (with the exception of the Clinton impeachment, during which a strong bull market ran), and intraday on the day of the vote.

But this makes perfect sense. For one thing, impeachments involve a sequential process, with updates trickling out over time. As market participants acquire information, they continually assess and revise their expectations regarding the likelihood of conviction (and possible removal from office), trading and adjusting their stock positions accordingly. Unlike terrorist attacks, management shake-ups, or assassinations — each of which bring a burst of precariousness — impeachments are characterized by proceedings through which news is slowly but steadily incorporated into stock prices: a fairly persuasive display of the efficient market hypothesis in action. For another thing, knowing that conviction requires a two-thirds majority in the Senate allows observers to discount the outcome

well in advance of a vote.

Compare the market reactions to impeachment with the demise of a well-regarded corporate executive: Steve Jobs of Apple, Inc. Before he died in October 2011, he had been on sick leave for months and his uncertain health had been a drag on Apple’s stock performance. When it was reported that he finally passed away, the stock fell only 0.2 percent, no doubt in part because expectations of his demise had mostly been priced into the stock. Not dissimilarly, the average intraday index return on the day of impeachment votes is a similarly insouciant -0.16%.

Another conclusion can be drawn; this one from the two-month post-impeachment equity index returns: +1.74 percent for Johnson; +11.48 percent for Clinton; and -22.57 percent for Trump. In the case of Clinton, markets were still well within a bull market, in particular in technology stocks; and in the case of Trump, not long after the impeachment vote the coronavirus pandemic struck the market (and the world). From the perspective of the markets, impeachment outcomes tend to fade quickly, with attention rapidly shifting back to macroeconomic issues.

Equity market reactions associated with the proposed constituents of impeachment concerns — general uncertainty, removal of a key decision maker, and uneasiness specifically relating to the removal of the top political executive in the United States — do not approximate what actually occurs during and after impeachment trials. Each impeachment case is idiosyncratic and delivers unique financial market outcomes. In any event, the gradual pace of what is fundamentally a political (as opposed to legal) action tends to result in dampened, rather than heightened, volatility. And nearly as soon as any latent uncertainties are ironed out, broader economic trends resume driving the direction of financial markets. A more profound

degree of political upheaval, with a more sudden onset, is required to throttle the stock markets.

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February 10, 2021

Fauci Was Duplicitous on the AIDS Epidemic Too

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In May 1983, amid the rapidly escalating AIDS crisis, a doctor at the National Institutes of Health (NIH) promoted a stunning theory about the newly encountered disease in the *Journal of the American Medical Association (JAMA)*. Noting that the same issue of the journal contained an article documenting one of the first cases of the immunodeficiency disease's appearance in an infant, the author sounded an alarm about "the possibility that routine close contact, as within a family household, can spread the disease."

The article took an increasingly speculative turn in promoting this new theory. "If indeed the latter is true, then AIDS takes on an entirely new dimension," it continued. "If we add to this possibility that nonsexual, non-blood-borne transmission is possible, the scope of the syndrome may be enormous." Although the article reiterated the need to "be cautious" in accepting these findings as they awaited more evidence, the discovery "should at least alert us to the possibility that we are truly dealing with AIDS in children," as transmitted through routine interaction.

The author of the article has since attained widespread familiarity. It was Dr. Anthony S. Fauci, a rising star within the NIH bureaucracy.

Press accounts, noticing Fauci's article, immediately sounded the alarm. "Household contacts can transmit AIDS," read one nationally syndicated report on the UPI wire dated May 5, 1983. The Associated Press queried the next day "Does AIDS spread by Routine Contact?" and quoted Fauci as their lead authority. The *New York Times* raised the specter of household transmission between family members, invoking Fauci's commentary as its main

authority.

We now know of course that Fauci's theory was wrong. HIV, the virus that was later discovered to cause AIDS, only transmits by exposure to infected bodily fluids such as blood, or by sexual contact. The infant infection discussed in the same *JAMA* issue involved vertical transmission from the mother to child during pregnancy.

The damage was already done though, as the media went to work stoking alarm about AIDS transmission through simple routine contacts. Hundreds of newspapers disseminated the distressing theory from Fauci's article. Writing a few weeks later, conservative columnist Pat Buchanan enlisted Fauci as the centerpiece of a rebuttal against Health and Human Services Secretary Margaret Heckler, who told him "there is no evidence...that the general population is threatened by [AIDS]."

On July 14, both Buchanan's column and its excerpt of Fauci's article were entered into the congressional record along with moralizing commentary that assigned blame for the disease to homosexual establishments and gatherings. Unfounded fears of transmission risk through simple contact, and accompanying social ostracization of the disease's victims, became one of the most notorious and harmful missteps of the entire AIDS crisis.

It might be tempting to chalk Fauci's error up to the scientific uncertainties of a novel disease. Medicine advances by investigating all plausible theories, subjecting them to testing, and ruling out those that lack evidence. In this case however, the more likely candidate was scientific negligence and unwarranted alarmist speculation.

Journalist Randy Shilts documented the incident in his classic early history of the AIDS crisis, *And the Band Played On*. Immunologist Arye Rubinstein had already offered a more plausible explanation for the infant case, which even cursory examination would verify: the disease transmitted from the mother to the baby during pregnancy. As Shilts explains, “Upon investigation, Rubinstein learned that Anthony Fauci had not bothered to read his paper.” The NIH scientist instead relied on second-hand information from another researcher to indulge in open-ended speculation (for a longer excerpt of Shilts, see David Henderson’s post on Fauci’s early career).

Although his speculative commentary had triggered a national media frenzy over unfounded fears of AIDS transmission through routine contact, Fauci himself emerged relatively unscathed from the episode. He did so by deploying an all-too-familiar tactic from his Covid-19 commentary: the political pivot, executed in front of a fawning news media.

On June 26, less than two months after his JAMA article appeared, Fauci publicly contradicted its most irresponsible claim – albeit without ever acknowledging his own central role in promoting that claim to begin with. As he told the Baltimore Sun, “It is absolutely preposterous to suggest that AIDS can be contracted through normal social contact like being in the same room with someone or sitting on a bus with them. The poor gays have received a very raw deal on this.” In short, Fauci flip-flopped with the political winds and the press barely even noticed.

It’s a familiar pattern to anyone who has closely followed the infectious disease bureaucrat’s public commentary since Covid-19 burst into the national news cycle last January. It usually starts with Anthony Fauci fielding a question about a disease from the press, at which point he offers up a highly speculative answer that nonetheless appears to carry

the gravity of his own authority.

Fauci usually caveats his remarks with a stream of noncommittal auxiliary verbs – the disease “could,” “might,” or “may” behave as his latest prognostication asserts. But the press runs with a bold headline anyway, declaring that Fauci has spoken and his word is final...at least until it is not. That’s when Fauci modifies his prior position without even the slightest scrutiny from an adoring press corps, and proceeds as if his newer pronouncement has been his position all along. The flip-flop is then complete and broadcast by the same press as the new gospel, even if it directly contradicts the fair doctor’s own advice given only weeks or days prior.

Consider one of the first examples of Fauci’s commentary on Covid-19, given to CNN on January 24, 2020 – the day after the Wuhan region of China went into draconian lockdown. Asked about the Chinese government’s decision, Fauci declared “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.”

This assessment was no casual political preference, but rather reflected Fauci’s own judgment from past pandemics. He continued: “[h]istorically when you shut things down it doesn’t have a major effect.” Indeed, this was Fauci’s own position during the 2014 Ebola outbreak. A recently resurfaced interview on NBC shows Fauci warning against “draconian” quarantine measures for Ebola, and chastising several state governors for enacting hasty emergency restrictions to contain an outbreak in the United States without considering the unintended consequences.

By mid-March 2020, less than two months after he disavowed the use of lockdowns in major US cities such as New York and Los Angeles, Fauci executed a flip-flop and repositioned himself as the U.S. government’s primary architect of our

historically unprecedented lockdown response. “If you look at the curves of outbreaks, they go big peaks, and then come down. What we need to do is flatten that down,” he told the press on March 11. On March 16, Fauci, along with the rest of the Trump administration’s coronavirus task force, threw their weight behind the now-discredited Imperial College Model of Neil Ferguson, igniting a wave of draconian shelter-in-place ordinances in not only New York and Los Angeles but ultimately 43 of 50 states.

“But the evidence on lockdowns changed!” comes the predictable cry of those who instinctively defend Fauci through every twist and turn in his messaging. Except it didn’t. Prior to March 2020, a substantial body of epidemiological literature strongly condemned lockdowns – both for their ineffectiveness and their extremely high social and economic costs. The only change that happened between January and March was political; namely that technocratic modelers such as Ferguson realized that fear and alarm over the coronavirus could be used to brush aside civil liberties and democratic norms in favor of a society-wide quarantine modeled on the Chinese response in Wuhan. Neil Ferguson openly boasted as much in a December 2020 interview, recalling the political sea change of those confused and panicked days from the previous March.

Among those who embraced this rapid political shift toward lockdowns was none other than Fauci. Indeed on February 17, 2020 the infectious disease administrator told USA Today that the risk from the coronavirus in the United States was “just minuscule.” Barely three weeks later Fauci would call for a nationwide lockdown, albeit for only two weeks.

For Fauci, that quickly became a month. Then two months. Then denunciations of states that reopened “too early.” Then testimony praising New York for remaining closed and providing a “model”

Covid response despite boasting one of the highest per-capita death rates in the entire world. Then a push to reimpose stricter lockdowns in the fall. Per his latest prognostication, offered almost exactly 1 year to the day after he dismissed Covid-19 as a “minuscule” threat to the United States, we may return to normal by early 2022. And just like that, “two weeks to flatten the curve” became two years.

In recounting this history, it is important to be mindful that high-uncertainty events such as a novel virus and pandemic are unavoidably difficult to predict. But that acknowledged challenge is no excuse for figures like Fauci, who not only offer their prognostications on the whim of the moment but often do so on an entirely speculative basis, fully knowing that it will see credulous repetition in the press as an authoritative pronouncement.

Fauci’s greater fault is not that he errs, although he does err frequently, but rather the hubris of the moment through which he speaks even as he curiously shelters his pronouncements in caveats intended to permit a future pivot. Yet when that pivot occurs and Fauci adopts a completely different or even contradictory position in light of new political circumstances, he advances it with further hubristic pretensions before an obsequious gaggle of journalists, as if the new stance had always been his position.

We’ve now seen such pivots on countless occasions, including some that entailed willful duplicity. Consider Fauci’s pronouncements against mask wearing in March 2020 on 60 Minutes. By July, Fauci had not only reversed to the opposite position – he essentially conceded that he deceived the public back in March in order to allegedly prevent a run on masks that might cause a hospital shortage.

In effect, Fauci told what he considered to be a “noble lie” in the name of coaxing the public into a position he desired them to follow, rather than serving as a reliable source of scientific information.

It's a pattern he has repeated many times, most recently when he moved the target vaccination rate goalposts from 70% to 90% in a self-admitted deception intended to "nudge" the public toward his new position. That duplicity earned him praise though when he excused it as an effort to counter vaccine misinformation.

Even beyond these intentional manipulations though, Fauci's commentary displays a stunning level of inconsistency and contradiction. Long after masking supplanted his initial advice against masking, Fauci shifted yet again to double-masking, then backtracked on this advice a few days later, then re-embraced the practice a few days after that in conjunction with a new CDC recommendation. More recently, he's taken to contradicting himself on whether to expect the sharp peaks and declines in case numbers we've recently seen in the US and around the world. Yet throughout, Fauci's reputation as a steady and measured source of sage wisdom and medical authority remains largely intact before the public's eye.

Why? I'll posit that it's the product of a skilled political operative with four decades of honing his abilities to execute politically motivated pivots amid disease uncertainty.

Note the recurring characteristics of his public communications that have become hallmarks of Fauci's style. Whether it's the coronavirus of 2020-21 or the AIDS crisis of 1983, he routinely stakes out public positions that rely upon unwarranted speculation about scientific matters in the absence of evidence. His scientific statements carry an air of authority, and are certainly repeated as such by an adoring press – including in ways that mislead the public and even cause harm to our ability to address and combat an emerging disease. Yet if one reads his statements carefully, they also contain enough weasel words – "might," "may," "could" – to facilitate a convenient political pivot at

a later date, shirking all responsibility for the harm caused in the process. And in the instances where a complete contradiction occurs, he takes refuge in duplicity for a "noble" purpose, which the press is all too happy to excuse away.

But missteps by powerful and trusted public health officials often lead to genuine harms. Indeed, it's no small irony that Fauci's initial response to AIDS triggered a wave of panicked fear that quickly morphed into the social ostracization of the disease's victims. It's not difficult to see similar patterns at play in the rise of a moralizing coronajustice ideology that treats all of society as a potential disease vector, and even valorizes social derision of those who contract Covid-19. While Fauci is not the only factor in the politicization of either disease, his vacillating commentary has often served to inflame these and other social ills, and usually with few or no professional repercussions to himself. Quite the opposite – the more he's been wrong, the higher his stature has grown. The more he's played politics in the name of doing science, the higher levels of political power he has attained.

If you want to see an end to the lockdown madness, the ongoing destruction of human lives and livelihoods, and the unprecedented government failures that have come to characterize our daily routines for the last year, the lessons of this administrator's performance should be obvious. It's time to stop listening to Fauci, and time to stop treating his wildly inconsistent political posturing as if it carries any scientific authority.

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School Closure: A Careful Review of the Evidence

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Abstract: *based on the existing reviewed evidence, the predominant finding is that children (particularly young children) are at very low risk of acquiring SARS-CoV-2 infection, and if they do become infected, are at very low risk of spreading it among themselves or to other children in the school setting, of spreading it to their teachers, or of spreading it to other adults or to their parents, or of taking it into the home setting; children typically become infected from the home setting/clusters and adults are typically the index case; children are at very low risk of severe illness or death from COVID-19 disease except in very rare circumstances; children do not drive SARS-CoV-2/COVID-19 as they do seasonal influenza; an age gradient as to susceptibility and transmission capacity exists whereby older children should not be treated the same as younger children in terms of ability to transmit e.g. a 6 year-old versus a 17 year-old (as such, public health measures would be different in an elementary school versus a high/secondary school); 'very low risk' can also be considered 'very rare' (not zero risk, but negligible, very rare); we argue that masking and social distancing for young children is unsound policy and not needed and if social distancing is to be used, that 3-feet is suitable over 6-feet and will address the space limitations in schools; we argue that we are well past the point where we must replace hysteria and fear with knowledge and fact. The schools must be immediately re-opened for in-person instruction as there is no reason to do otherwise.*

Where do we begin with the devastating school closure policies due to COVID-19? How did we get here and why would our government leaders continue and toughen these irrational policies with no good reason? We have never previously implemented policies like school closures or masking of children for seasonal influenza which is much more deadly for children. Settled science shows that children do drive influenza into the home but do not drive COVID-19 into the home. Our policies make no sense whatsoever when we know children do not transmit COVID-19 and asymptomatic spread has been questioned. Children, if infected, just do not readily spread COVID-19 to others. We state at the outset that our children are suffering as a result of school closures (and lockdowns) as we shall demonstrate below. They are being abused with child and domestic abuse escalating as a result of these unsound societal restrictions. It is time that we as a society recognized the harms we're inflicting on our children in order to protect ourselves; the adults/parents. This could be the 1st time on record in western society where we have reversed positions with our kids and are asking them to suffer in order to protect us from an infectious disease no worse than annual influenza; we've made them into human shields in effect. Aside from the devastation it causes them, this alone is shameful, and would still be shameful even if children transmitted SARS CoV-2, which they don't. History will not look kindly upon us.

We are talking about extensive educational losses but more alarmingly, deaths of despair and suicide among our children that is already occurring, depression, and abuse of our children etc. As an

example, CNN's Lisa Selin Davis recently put out a very informative piece on the urgent need to pay close attention to our children during this pandemic as their mental health is at stake and has taken a hit. This impacts our poorest and minority children the most who will not be able to bear the toll and it is a travesty that it has been allowed to go on for so long. We argue that top US public health agencies such as the CDC continue to fail in its needed leadership role and there seems to be no end in sight. Recent school re-open guidance by the CDC raises even more uncertainty as the CNBC reports that the updated guidance has "notable shortcomings" and would keep 90% of schools closed to some extent, doctors stating "schools might not fully reopen for in-person learning for months even as they could do so safely sooner... "something we know one year out in this pandemic is that you can keep schools safe even if you have high rates of community transmission".

Dr. Bill Schaffner weighed in on this new CDC guidance and states "CDC should have focused more on ensuring that schools know what infection-prevention measures to implement and less on the level of community spread". CNN's Keilar also weighed in, referring to the Biden policy of school re-opening to be confusing. Keilar raised issue with the new CDC Director's recent statements by stating this "is why this is all very confusing for Americans, why it's confusing for parents and teachers, and certainly kids if they're paying attention." Keilar also remarked "It is the mantra of president Biden's COVID response team that science, not politics, will drive its policy in the pandemic. But is that what is leading the way when it comes to reopening schools?"

We call on the CDC to be declarative and to act, and now! Furthermore, why has the Teachers' unions been allowed so much power and using the power to damage the lives of our children to this

extent? The AFT, which can only be described as a classic shakedown, has demanded over \$120 billion dollars before they allow public schools (where most US children attend) to re-open, holding our children's education hostage. We call on leading agencies such as the CDC to take the best interests of the children who have been held hostage needlessly for way too long when the science has been clear for near one year now as to the limited risk. They talk about following the science but actions on school re-opening and many of the pandemic issues shows not so. The liberal democrat party professes to be the party of science and if so, then it is time to act on the science. Follow the science!

Maybe the CDC and others who remain 'unsure' on what to do should call Governor DeSantis of Florida for tips, for it seems that Governor DeSantis of Florida has got it right and is now reaping the benefits of allowing children to go back to school. 33 states have more cases of COVID-19 in children while many of them do not have in-person school instruction. Governor DeSantis stated in a recent presser in response to the release by CDC of guidance "what the CDC put out on a Friday afternoon quite frankly is a disgrace...there is no evidence to suggest that kids should do anything else but be in school...this has been clear for months and months and months...we followed the data... we looked at what happened in Europe in places like Sweden and it does not require another 100 billion dollars...the only reason, the only reason, one reason only it is not happening like in Florida... is because the Democratic party puts the interest of the unions and special interests ahead of the children...that is putting politics ahead of what's right for kids...if you follow that CDC guidance they will not go back in...it's a disgrace".

What is staggering is that the virus to which we are reacting has an infection mortality/fatality rate (IFR) roughly similar (or even lower) to seasonal

influenza. Research carried out by Stanford's esteemed John P.A. Ioannidis has shown that among persons <70 years of age across the world, IFR ranged from 0.00% to 0.57% with a median of 0.05% across the different global locations (with a corrected median of 0.04%). Ioannidis's research was followed up recently by a reported non-institutionalized IFR in the state of Indiana (persons aged > 12 years) of 0.12% (95% CI 0.09 to 0.19) when age 40-59/60 years (reported in the *Annals of Internal Medicine*), and an IFR when < 40 years old of 0.01% (95% CI 0.01 to 0.02). Persons 60 or older had an IFR of 1.71%. Just think about this; we closed schools and devastated our children for a pathogen that has an IFR no worse than that of influenza. Indeed, as we have already pointed out, influenza can actually lead to illness and death in children while this cannot be said for COVID-19 which spares children. In fact, perhaps one of the most powerful arguments to be made *against* the closure of schools during this pandemic is also the simplest explanation and needs no scientific referencing; merely common sense. If we do not close schools during the annual influenza season which is related to a disease that actually puts children at risk for illness and even death then why on earth would we close schools for a virus that spares children almost completely?

It is unfortunate that we were lied to in a very destructive manner when the government bureaucrats and their apparently clueless advisors and unscientific, illogical, and at times unhinged 'media' medical experts deceived the public by failing to explain in the beginning that everyone is not at 'equal risk' of severe outcome or death if infected with SARS-CoV-2. There is a distinct age-risk gradient. This is a key omission and that omission is critical to the unscientific, subversive promotion of hysteria and fear, leading those not familiar with actual data more agreeable to the

notion of nationwide lockdowns and in this case, closures of schools! You do not need to look very far to see how illogical and senseless the COVID response is by the politicized medical establishment, by their reaction and admonishment of early outpatient ambulatory sequenced drug treatment for high-risk COVID infected persons (McCullough, Risch, Zalenko, Fareed etc.), when they are at risk of hospitalization and death, while we have effective, safe, cheap, and available therapeutics at hand. The principles of medicine have been discarded when it comes to COVID-19.

It is a flat lie and messaging by the media and their incompetent television medical experts that there are crumbling health systems and inevitable severe consequences if anyone is infected with the COVID-19 virus. This type of deception and the resulting unfounded fear has been driven by the media "despite a thousandfold difference in risk between old and young". We suggest that this has always been known, and yet this disinformation was spread willfully happily by our leaders and the media. How else does one explain the omnipresence of case number and death count tables inserted into the television broadcasts from virtually every news outlet that simply fans the flames of fear? Yet, as per CBS news, under the Obama administration, "CDC abruptly advised states to stop testing for H1N1 flu (2009 swine flu pandemic), and stopped counting individual cases". There was no question by the media and media medical experts then. What changed to drive hysterics and mania with COVID-19? As a result of the COVID-19 mania and deceptions we have generated an atmosphere of fear in the public and gross distrust of our government officials and medical experts. It is as if the television medical experts are averse to data, do not read the data or science, do not understand the data or are intentionally blind to it. They exhibit a pedantic thinking with no glimpse of 'balance'

and common sense. At a time when the public is starving for honesty, clarity, and leadership from our experts these acts are unconscionable.

Indeed, the public still does not understand this critically important distinction that we are NOT all equally at risk of illness or death if infected with COVID-19 virus. Children have nearly zero risk of severe illness or death. The vast majority of persons who are infected go on to recover with no or very minimal mild symptoms. The public is still cowering in the corner, stunned in place and cannot move out of fear, going for runs in the forest with no one 10 miles around, in open air, with wind blowing across their faces *yet wearing masks*. The sad reality is that our governments have deceived us to the extent that we cannot think clearly anymore and are inanely moving about, unsure what is coming next or what to do. With this deception, they were able to shutter our economies, our schools, and our lives.

Perhaps our government leaderships, their respective COVID-19 Task Forces, ‘television’ medical experts, and agencies such as the CDC and NIH, were for many months ignorant of the harms of actions such as shuttering of schools, or had deluded themselves. But even way back in April/May 2020, one year ago, this information was evident. Knowing the harm rendered to our children through isolation from their peers by closing schools they acted and intentionally inflicted severe physical and emotional consequences. They must have known that there were indications that COVID-19 may be increasing child and domestic abuse. They had to know that one of the most important bulwarks protecting children from abuse are the schools. Teachers are the first line observers of abuse and mistreatment of children under their protection by their mandated reporting status when they observe mistreatment and abuse of children. By closing schools our public health officials intentionally severed a key avenue for interdicting abuse

of children who were homebound. We suggest that it is highly unlikely that remote teaching (online) could be a substitute defensive line for our children. It is clear that none of this mattered to our policy makers.

We even had strong evidence (August publication) emerging from a SARS-CoV-2 positive child in a cluster in the French Alps who visited three (3) different schools while symptomatic and did not spread the virus to anyone, even though more than 100 people had been exposed. This was a very compelling study that was not covered by the media or medical experts. Indeed, we can see (as will be shown below) that there was robust evidence available very early on in this pandemic that children were not the drivers of transmission! Yet that knowledge did not stop our governments, their often seemingly clueless advisors and ‘media hungry’ medical experts (we call them team ‘Armageddon’) from continuing to recommend (in several cases demand) school closures regardless of the availability of readily accessible data. The body of accumulated data and evidence was intentionally disregarded with respect to recommending and implementing the closure of schools. Even the CDC reported in their piece on Transmission of SARS-CoV-2 in K-12 schools, that “Based on the data available, in-person learning in schools has not been associated with substantial community transmission”.

We cannot disregard the canard of ‘asymptomatic spread’ as it is at the heart of the COVID-19 restrictions and what got us into this disastrous mess in the first place. Take for instance that we started with ‘*15 days to slow the spread*’ and now are one year into never-ending madness as governments continue restrictions without revisiting the data or conclusions. We were indeed scared into submission by this alleged ‘*asymptomatic*’ transmission and were told we must close schools, that

business must be shut down, we must perform mass testing of asymptomatic people and all must wear masks even walking in the woods with no one for 10 miles around. This has continued without pause despite a seminal study published in NATURE that could not find one case of asymptomatic spread across 10 million persons (no positive tests among close contacts of the asymptomatic cases studied). You would think the media would be all over this study to help drive high-level scientific debate with ‘media’ medical experts demanding rescission of all restrictions on asymptomatic people. You would expect those experts to insist we be unshackled from perpetual house arrest, but alas all we hear are crickets. We can find no definitive evidence surrounding ‘asymptomatic’ spread by children. Was this claim of ‘asymptomatic’ transmission overblown? Was it a lie?

We wish to raise the issue, and this is our opinion, that face masks and social distancing for children (for example children 12 years and younger), especially young children within the school setting, is absurd and illogical when we have had evidence for nearly a year (which we will provide in more detail below) that children do not readily acquire the infection, do not readily spread it to other children, to adults or their parents, they do not take COVID-19 home, nor do they get severely ill or die if infected, except in very rare circumstances. This is not a belief, this is the actual evidence. Why would you mask children when they do not spread the virus and are very likely to be materially harmed by it? What is the value of these measures in comparison to the risks? It is clear that masks and distancing are unnecessary for children and we urge that this policy be thought through carefully, given each action carries benefits as well as harms. We can list several harms from mask use but can find very negligible, if any, benefits in masks and distancing for children in the school

setting. If masking and distancing is the rule, we are not advocating that these guidelines not be adhered to, however, we have serious concerns with the value of these mitigations in children and question these policies based on the science.

In this regards, Dr. Emily Oster also raises the vexing issue of the ‘arbitrarily set’ 6 feet social distancing rule as it limits the ability of schools to be fully opened as they often lack the physical space to accomplish this, and thus re-opening is made much more difficult or impossible. The 6 feet rule has no scientific evidence to substantiate its use. We must remove these artificial obstacles and we must get our children — ‘all’ of them — back into the school setting for full-day instruction. Experts such as Harvard’s Dr. Joseph G. Allen are arguing that 3 feet is more than enough and we firmly agree if there is to be distancing in the school. Six feet “limit the number of students attending in person due to space constraints”. Though we again argue that we see no merit of any distancing for low-risk children as described above, based on the transmission risk.

What do we know about children and risk of transmission in schools? We knew quite early in 2020 that there was a lack of evidence of transmission of SARS-CoV-2 to the home or into the school settings, with accumulated evidence of no pediatric transmission. We also knew soon after the pandemic began that children were not fueling spread and in fact were at very negligible risk for acquiring the virus or spreading it to other children or adults. Yes, government health agencies like the CDC knew for nearly a year that children are far less likely to be the key drivers to transmit the virus to other children, or to adults, or their teachers. The evidence was available that children were far less likely to spread infection to their class friends or teachers – and was ignored.

These medical experts have continuously exhibited extreme academic sloppiness and

cognitive dissonance to anything contrary to prevailing group think on COVID-19. They failed to understand that school closures are an extreme ‘exceptional’ measure and what we knew about COVID-19 did not support this draconian step. It appears that our government leaders, their so-called ‘scientific’ advisors, and team ‘Armageddon’ have been making decisions based on assumptions, speculation, failed models and superstition rather than science.

There are tremendous harms that come from school closures, business and societal lockdowns. These policies have been devastating and have hollowed out portions of our society. There is no other way to say this: Societal lockdowns have caused extensive and crippling economic, social, and emotional destruction. Stanford’s Dr. John Ioannidis stated “major consequences on the economy, society and mental health have already occurred. I hope they are reversible, and this depends to a large extent on whether we can avoid prolonging the draconian lockdowns and manage to deal with COVID-19 in a smart, precision-risk targeted approach, rather than blindly shutting down everything”. Dr. Ioannidis has always been prescient on COVID-19 and we are indeed experiencing some of the economic disasters, civil strife, discord, and tears at our social fabric he warned about. What a complete mess our government leaders made for us! Yet a year into this fiasco all we have heard is promises of more government-caused devastation to come.

Focusing on school closures, there never was and currently is no good reason to keep schools closed. None! Zero! Not for one more day. The CDC recently stated in a January 2021 JAMA publication “the preponderance of available evidence from the fall school semester has been reassuring insofar as the type of rapid spread that was frequently observed in congregate living facilities

or high-density worksites has not been reported in education settings in schools.” APPLAUSE now. Can you hear it, the roaring applause? Why did the CDC take so long to make these comments? Did the data suddenly change? While we welcome this about-face, we point out that the delay fed into the school closure hysteria, which has come at grave cost to our children. The CDC and all medical experts should be in the media today calling for immediate re-opening of all schools as the science and data is now ‘clear’ to them and ‘available’, and we ‘now know’ that schools should be open and in fact should have never been closed. This is not so and if this is the intent, if this is the message the CDC or any medical expert is trying to send out, then this is disingenuous to the public for we have been saying this for more than over 6 months.

Yes, we could understand that the initial knee-jerk reaction to close schools was driven by the reasonable and judicious expectation in terms of how prior respiratory viral outbreaks would be transmitted, with children playing a large role in the transmission chain. This is so for seasonal influenza as an example, whereby children drive infection home (and as we shall point out below, there have never been school lockdowns during periods of seasonal influenza). However, it became quickly apparent soon after the COVID pandemic began in the early months of 2020 that a key role for children in the transmission chain was just not there. The evidence was conclusive on this. We who are not even part of the CDC cadre of experts knew this for many months (near one year) and we have been clamoring for the CDC to step up and provide declarative guidance on school re-openings. We now have a positive statement above, albeit long overdue given the strong evidence that was publicly available since the start of the pandemic. Where were you, CDC? Why the intransigence for so long? Is this about the science or something else? Some

have called this ‘politicized’ Lysenkoised science. Is this true? Have we served political interest on the backs of our children? I would hope not and cast no aspersions. ‘We are following the science’, ‘we are following the science’ they say, ‘lets follow the science’ they say, but truth and in fact, these non-sensical media medical experts are not following the science.

A recent interview between the new CDC Director, Dr. Walensky and Jake Tapper of CNN was very enlightening with regards to school re-openings and the confusion at hand. It revealed governing and leadership within a political environment and highlights the challenges the prior CDC Director Redfield faced under the Trump administration. There is no simple answer when the players around you ensconce each issue in a political ‘gotcha’ shroud. The CDC Directors mean well, but dark forces pull at them. In the interview there was a clear inability to explain how schools can be re-opened by using the science, given that prevailing politics forces you often to take positions that do not accord with the science. Tapper’s key intimation was that we have taken the safety steps yet we are still not opening the schools. I applaud him in this exchange and it was a difficult exchange for the CDC Director, who by the looks and sounds of it, wants to do the right thing but is caught up now in the politics of school re-opening. We cannot fault the new Director for she is now swimming in the murky DC swamp infested with politicized medical experts. This is no easy position for her given the unreasonableness and seeming rabidity of the Teachers’ unions. We are counting on the Director to stand up to the unions and all negative ‘nefarious’ forces tugging at her, and fight ONLY for the best outcome for children.

In a similar light to underscore the politics of COVID-19 and schools, the CDC’s new Director Rochelle Walensky stated in early February 2021

that teacher vaccinations are not a pre-requisite for schools to re-open. She seems to signal recognition and urgency for school re-openings and this is indeed very positive. The Trump administration’s prior CDC Director Redfield also called for schools to remain open despite confusing messaging from the reporting agency and the good news is that the new Director appears to be leading on this point as well. However, the Biden administration followed this up by asserting that the goal was to re-open schools one day per week. The reasoning behind opening schools only one day per week is completely opaque to the writers. If this is proven true and if it was not confusing enough on its own, the White House’s press secretary Ms. Psaki followed the President with her own assertion that, as a parent, she would find a one day per week school re-opening unacceptable. Ms. Psaki also indicated that there are as yet no clear plans yet for when the Biden administration will re-open high schools. President Biden on February 16th then responded that there was “a mistake in the communication” as to school re-opening within the first 100 days. Understanding the logic and where the current administration is regarding school re-opening is akin to asking Sisyphus to take his boulder and scale Hadrian’s wall.

Having said that children do not transmit SARS-CoV-2, we recognize and appreciate that this might represent somewhat of an overstatement since the transmission and infection risks are not zero. But the risks are so low as to be virtually negligible, while the damage caused on our children is potentially immense when it comes to closure of schools! We feel that we must reiterate that the CDC and NIH knew about this evidence very early on. Yet if you turned on the daily news you would be completely ignorant of this information because the only messages being sent out on a 24/7 basis by often hysterical, frenetic, and we would say

nonsensical medical experts is one that calls for closure of all schools in order to protect us against spread (particularly to the teachers we presume). Surely the media and medical experts know that what they are stating is factually incorrect based on the fact-based knowledge that there is at most an extremely low risk that children will become seriously ill from SARS-CoV-2 or spread the virus to others.

Do those espousing school closures not see or understand the data reported in the scientific literature? Our governments appear to have colluded with unions to close schools and keep them closed based on irrational, unthinking, nonsensical, unscientific policies similar to societal lockdowns (that even work to increase transmission risk in families and households). These actions have caused known (not theoretical) and almost immeasurable harms to our children given the losses that accrue. Let us not forget that these harms are not limited to current negative effects but long-term damage that is yet to be realized although it can be predicted and is nearly-certain to occur. School closures will cause our children to suffer education deficits and huge losses in future income. Charities for children have already warned that the devastation caused by the societal restrictions and in this case, school closures (as well as the associated business/societal closures and lockdowns) will last for years, and some believe the impact will continue for decades. It has been projected that for some children, the devastating COVID closure impacts will be lifelong, and especially on our minority children.

What exactly did the government health agencies know for some time now? The government health agencies knew or ought to have known for some time now that children are far less likely to be the key drivers to transmit the virus to other children, or to adults, or their teachers. Yes, the evidence was available that children were far less likely

to spread infection to their classroom friends or to their teachers – and intentionally ignored. The CDC’s own published data showed just how low the risk of hospitalization and death was for children 0 to 4 years old and also those 5 to as old as 17 years. Children are far less likely to take the virus home compared to seasonal influenza (and to repeat ourselves, schools are not locked down every year during the annual influenza season). The CDC and in fact all government health agencies knew this. We know this near conclusively based on evidence that accumulated since last year within the public domain, scientific research, and medical/clinical domains. But how did the US’s top health agencies handle the evidence that severe illness and deaths are extremely rare in children? Were they declarative in their guidance? No; they instead treated our children as little *Typhoid Marys* who would inevitably kill their teachers, mothers and grandmothers if not confined to their homes. Why have our children been locked out of school for nearly one year despite the overwhelming evidence of little to no risk of spread or illness to them, or teachers? The facts are that transmission in schools is extremely rare. Simply put school environments cannot be considered super-spreaders.

Why does this substantially reduced risk in children exist? We are not yet entirely sure at the moment but preliminary research points to less concentration or expression of ACE2 receptor proteins on the surface of the nasal epithelium in children (4-9 years old). Some also suggest that the immune system of children may be more trained and ‘tuned’ up from regular viral infections (lymphocyte count) as well as may have a more heightened innate immune system/response. Some also suggest fewer underlying medical conditions. This is good news as COVID-19 spares our children unlike seasonal influenza or other pathogens but this knowledge seems to have evaded the scrutiny of our leaders!

To appreciate the challenges we face by being dependent on guidance from health officials, just look at the repeated sparring between Senator Rand Paul and Dr. Anthony Fauci of the NIAID whereby the senator has been ongoingly pilloried by the media for challenging Dr. Fauci who has seemingly changed statements on numerous COVID issues. Dr. Fauci has repeatedly changed positions on a range of COVID-19 related points and particularly on the issue of school closures. This being said, we understand that as scientific information evolves (and it should never be static!) some recommendations from various advisors would have to be changed in order to represent newer revelations. However, insofar as school closings are concerned, we do not believe that changes in advice related to this issue have occurred due to changes in relevant data, which as we note above were quite available for all to see very early on in this pandemic. In any event, Senator Paul is on record as saying the following to Dr. Fauci: "I don't think you are the end all on school closures ...". Dr. Fauci replied: "We don't know everything about this virus, and we really ought to be very careful, particularly when it comes to children." We reiterate that Dr. Fauci was aware or ought to have been aware of the clear and extensive global COVID data relating to the very low risk in children and the school setting. The discourse with Dr. Fauci on COVID has become strained and Senator Marco Rubio recently stated that Dr. Fauci has lied about mask use and level of vaccination needed for herd immunity. The recent piece by Ponnuru perhaps captures the landscape best "The question Fauci's record raises is not just whether he is a truth-teller or a liar. It is whether something in the field of public health militates against blunt honesty: whether, that is, it conditions its experts to think of most people as objects of manipulation rather than fellow adults".

Consider the utter devastation and chaos the

Teachers unions in the US are visiting upon our children. After months of discourse the Teachers Union continue to demand more money yet remain resistant to opening the in-person schooling. Meanwhile, parents are struggling with the pandemic, home schooling and children are failing while these unions and their members just do not seem to care, placing good teachers in an untenable position. Similar events are taking place in Canada, where there are more than troublesome and questionable relationships between teachers' unions and COVID Task Force/advisory members which would appear to most rational observers to represent serious conflicts of interest on both sides. In this case there is evidence that a teachers' union retained a task force member purely so that the member could argue in favour of ongoing school lockdowns despite evidence showing that this was not appropriate. Recognizing this, one must conclude that the unions seem to have little to no regard for the lives and well-being of our children and are seeking to exact a toll on the backs of our children for political and financial gain. The reality is that the teachers in the US are a young (median age of approximately 41 years) population and thus are generally at very low risk of severe illness or death from COVID, based on evidence to date on the at-risk groups. There is low in-person risk. Teachers are very low risk of severe illness and those who have underlying conditions or are elderly have the option of the remote model. The UK experience/data bears this out, as well as Ontario. School mitigation and safety procedures are in order but children should not be prejudiced and used as political pawns as they have been since the start of this pandemic.

Sadly it's the poorer, impoverished children and those of limited means who lack the infrastructure and resources (WIFI, internet, tablets, home tutors, pod learning etc.) of the affluent who lose the most due to these ill-conceived actions by all players in

this school re-opening crisis. Some experts believe that losses due to closed schools may be life-long. Reports from the UK suggest that “just 10% of teachers report that all their students have adequate access to a device for remote learning”. Schools are supposed to be standards of excellence in education, breeding critical thinking in our children. What does this demand for conformity to unscientific data teach our children: to be mediocre and automatons to serve rather than think and reason?

The stark reality is that many children – and particularly those less advantaged – have their main needs met in the school setting, including vaccines, nutrition, eye tests, glasses and hearing tests. There has already been a dramatic decline in childhood vaccines for vaccine-preventable illnesses. Importantly, schools often function as a protective system or watchdog for children who are sexually or physically abused and this visibility declines with school closures. “In addition, children are being denied opportunities for social and emotional development that come with play, exercise, sports and socialization” and as the Virginia State School Superintendent aptly stated, “*This situation is going to be like what is often called the summer slide [in student achievement], but on steroids.*”

As if the impact of school closures on our children is not enough, we also state that the lockdowns are acting in negative synergy as regards their wellbeing. Lockdowns have cost jobs (in some cases leading to complete loss of family income). Parents who are forced to stay at home due to lockdowns and as a direct outcome of the attendant financial stressors are very angry and bitter, leading to tangible escalations in the stress and pressure in the home. This, along with ineffective and dysfunctional remote learning programs, has led to a situation where even if parents were able to help their children with online education they are emotionally incapable of so doing. Tragically these

circumstances have caused parents to react by lashing out at each other and in relation to the issues being discussed here, their children. “Children’s Aid workers in Ottawa are sounding the alarm over an increase in infants being treated in hospital for head injuries in the last year — a worrying trend that has also been observed in other parts of the country.” It has been estimated that approximately 30% of the US workforce depends on preschools and schools in order to resume their jobs, and this underscores the tremendous strain school closures have on the overall economy and careers (principally for women who should not have to retard or lose their careers in this situation when the evidence is and has been declarative on the safety of school re-opening).

There are even reports that children are being taken to the ER with parents stating that they think they may have killed their child who is unresponsive, exhibiting broken bones. The avoidance of hospital ERs during these lockdown periods likely results in heavy under-reporting of the true burden of abuse to children (and adults, particularly females). These policies have had crushing consequences thereby leading to terrific impact on the family unit itself! The sheltering-in-place and the closure of vital family foundations combined with a lack of social support are driving escalations of family domestic violence. In fact, since the COVID lockdowns were initiated in Great Britain as an example, it has been reported that incidence of abusive head trauma in children has risen by almost 1500%! Similar child abuse and catastrophic head trauma in babies that is linked to the COVID pandemic has been reported in Canada.

The costs of school closures and lockdowns in the US and worldwide are staggering and children bear a disproportionate burden. There is no simple way to put this other than that these COVID restrictions result in crushing harms on our societies.

BROOKINGS estimates are that there will be a 3% loss in lifetime earnings for those whose schooling is sidelined. “Some modeling suggests that the loss of learning during the extraordinary systemic crisis of World War II still had negative impact on former students’ lives some 40 years later”. We affirm, based on the historical facts referenced above, that similar negative impacts will result due to our inexplicable reactions to COVID-19 in the future lives of our children.

The fact is that 1 in 5 children living in the US do so in poverty. Poverty disproportionately impacts African American, Latino, and American Indian/Alaska Native children. The sad reality is that the US educational system has often reinforced inequities by their provision of insufficient and inequitable funding systems. “School districts serving low-income children have more run-down school facilities, fewer curricular offerings, and less-experienced teachers”. We argue that the constraints imposed because of COVID cause these already existing hurdles to become even more formidable and insurmountable. The evidence shows that as schools engage in distance learning there is “wide variability in access to quality educational instruction, digital technology, and internet access”.

What data do we have about risk of severe illness or death? We know that children 0-10 years or so have a near zero risk of severe illness or death from COVID-19 (with a very small risk of spreading COVID virus in schools, spreading to adults, or taking it home). The CDC gave us a glimpse into just how low the risk of death was in children when they reported that of the first 68,998 U.S. deaths from COVID-19, only 12 (0.017%) were in children under age 14. At that time (May 2020), the death total among children less than 18 and *without* an underlying medical condition was one. Ten of the 16,469 confirmed deaths in New York City occurred in persons less than 18 years old.

To put this into perspective, CDC data suggested that approximately 600 children died of seasonal influenza in the 2017 to 2018 season. A pediatric study published in JAMA reported that “Our data indicate that children are at far greater risk of critical illness from influenza than from COVID-19.” To put COVID deaths into further perspective, “on average, 12,175 children 0 to 19 years of age died each year in the United States from an unintentional injury”. If we looked only at accidental drowning, approximately 400 children aged 1-4 years old die each year from drowning... From 2005-2014, there were an average of 3,536 fatal unintentional drownings (non-boating related)”.

We also knew that persons 0-19 years of age have an approximate 99.997 percent likelihood of survival from COVID-19, those 20-49 have roughly a 99.98 percent probability of survival, and those 50-69/70 years an approximate 99.5 percent risk of survival. These were the CDC’s own findings! COVID is far less deadly for younger people/children than the annual flu and more deadly for older people than the flu; we must not make light of the devastation this disease can visit upon elderly and frail persons. CDC also reports that their current best estimates of infection fatality ratios are 0-19 years 0.00003, 20-49 years 0.0002, 50-69 years 0.005, and 70+ years 0.054.

We continue to argue that this remains a largely geriatric pandemic and there is absolutely no reason to quarantine those up to 70 years old, meaning that there are no rational arguments that can possibly be made to close schools. Readily accessible data show there is near 100% probability of survival from COVID for those 70 and under. This is why children, the youngest and healthiest among us should be ‘allowed’ to become infected naturally and harmlessly, as part of normal day-to-day living, and spread the virus among themselves just as is done every year for annual influenza. The Authors in

this study published in Nature state: *“key potential impacts of cross-reactive T cell memory are already incorporated into epidemiological models based on data of transmission dynamics, particularly with regard to their implications for herd immunity.”* As part of natural living a spread within the youth creates the level of herd immunity. *This is not heresy; it merely represents normal life.* To reiterate the concepts underlying the development of natural infection and herd immunity is *not heresy*. In fact this represents classic biology and modern public health medicine! Yet for reasons that are beyond logic the notions underpinning herd immunity are being touted as a dangerous policy despite the fact that herd immunity has protected us from millions of viruses for tens of thousands of years. We have always intended for those at lowest risk in a society, the younger, healthy, ‘well’, infants, children, teenagers, young adults, middle-aged and older who are healthy and with no medical conditions, whether in good health or reasonably healthy, to take reasonable precautions, to live life and be exposed ‘naturally and ‘harmlessly’.

Those in the low to no risk categories must live reasonably normal lives with sensible common-sense precautions (while doubling and tripling down with strong protections of the high-risk persons and vulnerable elderly); they can become a case ‘naturally’ as they are at almost zero risk of subsequent illness or death. With personal responsibility, sensible mitigation, hand-washing and staying at home if unwell, along with prepared hospitals, this approach could have helped bring the pandemic to an end much more rapidly as noted above. We also hold that immunity developed from a natural infection is likely much more robust and stable than anything that could be developed from a vaccine. In following this optimal approach, we will actually protect the high risk amongst us.

There are strategies to minimize risk even more. For instance, instead of having children sit at school desks, isolated from one another by plexiglass, we need to take into account the actual science underlying the spread of COVID virus (and probably other viral diseases). In this regard the orofecal spread of COVID has been clearly elucidated as a major contributor to non-respiratory transmission of COVID. Indeed, a recent open-evidence review brief by Oxford research (Jefferson, Brassey, Heneghan) and its publication in CEBM, reveals the growing acknowledgement that COVID’s SARS-CoV-2 virus can infect and be shed from the gastrointestinal (GI) tract of humans. This may impact mitigation strategies in the school setting beyond those for respiratory transmission and warrants urgent study. We submit that insuring that people, including of course students, wash their hands after visiting the washroom could have far greater benefits insofar as prevention of disease spread than masking, social distancing, and physical isolation of children by enclosing them in plexiglass desk surrounds.

Where are we?

Where are we really at present? What are the troubling components of how we got here to these devastating and unscientific, baseless school lockdowns? The reality is as Atlas states “never have schools subjected children to such an unhealthy, uncomfortable and anti-educational environment, so science cannot precisely define the total harm it will cause”. To reiterate the current pandemic reaction is not merely a reflection of an issue that can or should rely solely on ‘the science’; the latter being completely undefined. What areas of science do we limit our examination to? Cell biology? Physiology? Virology? Socioeconomics? Public Health? Psychosocial studies? In this regard we suggest that the science must include all and more

than the fields noted above. Yet it would appear that the sole focus of the current mitigating efforts rely on science that seems to be restricted largely to virology with some focus on pathophysiology of SARS-CoV-2 infection without considering the wide array of fields of scientific thought and inquiry that are available. This is what has led us to the current disastrous situation in which we find ourselves.

The argument made above fits perfectly with the sage words of Dr. DA Henderson and Dr. Thomas Inglesby who helped eradicate small-pox “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”.

Sadly this omen has come to pass and we in 2020-2021 are well into one year of the pandemic and, by all accounts, our government leaders have been catastrophic failures with crushing lockdown and school closure policies. They in fact continue to harden restrictions despite evidence that doing so has destroyed businesses and lives. There is no good reason for this.

Evidence on children risk and school closures?

After nearly one year why did they do this to our children? Why have governments kept schools closed for so long? We argue there was no basis in science or fact. In fact, there is substantial evidence and indications that the school closures had absolutely no merit based on the science that has existed since April/May/June of 2020. What is going on here? Probably one of the smartest people waxing lucidly on the tragedies of the

COVID societal restrictions is Alex Berenson (author of ‘Unreported Truths About COVID-19 and Lockdowns’). At much risk to his personal and professional existence he has gone on record time and again showing how the science underpins re-opening of schools for many months now, with a rightful excoriation of Teachers unions.

This brings us to the actual evidence. Do we have any? Is there any on risk to children and COVID spread in schools, to adults, to the home? Well, it turns out we have tons of evidence and while limited here by space, we will provide just a sample using roughly 50 studies/reports (actual reports, systematic reviews, and research studies) to help support our core thesis of why schools must be re-opened immediately. This op-ed is littered throughout with additional supporting evidence and citations.

We shall now focus more closely on the scientific evidence as it relates to school closure for those who wish to actually read the research that has been done in this area. This review of evidence is not exhaustive but we feel strongly that we have included the main studies and reporting in this area that could provide an overall but clearer understanding of the risk of transmission as it relates to children. It will shed light importantly on the fact that there was and continues to be no need for school closures.

We have evidence from Switzerland, Canada, the Netherlands, France, Iceland, UK, Australia, Germany, Singapore, Greece, and Ireland that the infection rate in children is very low, that spread from child to child is uncommon, that spread from child to adult/parent is uncommon, that cases in children typically comes from a household transmission/cluster by droplet spread, and if infected, children have no to mild symptoms with the risk for hospitalization, severe illness, or death being very low.

For example, Heavey out of Ireland looked at secondary transmission of COVID in children (March 2020). Researchers looked at children and adults in a school setting and identified 6 cases (3 children, 3 adults of which 2 were teachers) and their 1,155 contacts (924 child contacts and 101 adult contacts identified). Researchers reported no evidence of secondary transmission in the school environment. Specifically, they stated there is “no case of onward transmission to other children or adults within the school...In the case of children, no onward transmission was detected at all. Furthermore, no onward transmission from the three identified adult cases to children was identified”.

Additionally, The Atlantic’s Thompson on January 28th 2021 pointed to a study out of Singapore involving 3 COVID-19 clusters, finding that “children are not the primary drivers” of COVID outbreaks and that “the risk of SARS-CoV-2 transmission among children in schools, especially preschools, is likely to be low.”

A Norwegian study looked at 200 primary-school children aged 5 to 13 and who had COVID-19 (testing all contacts twice within their quarantine), found that there were no instances of secondary spread, further dispelling the notion that children play a primary role in spreading within the school setting.

A very comprehensive systematic review by Ludvigsson published in *Acta Paediatrica*, studied 47 full-texts and reported “children accounted for a small fraction of COVID-19 cases...children may have lower levels than adults, partly because they often have fewer symptoms, and this should decrease the transmission risk...household transmission studies showed that children were rarely the index case and case studies suggested that children with COVID-19 seldom caused outbreaks...children are unlikely to be the main drivers of the pandemic”.

A very comprehensive review out of Canada on the role of daycare and schools in transmission

of COVID-19, conducted by the National Collaborating Centre for Methods and Tools out of McMaster University by Dobbins et al., found that i) Children are not a major source of transmission of COVID-19 ii) Analyses of infection clusters revealed that for children who were infected, transmission was traced back to community and home settings or adults, rather than amongst children within daycares or schools; children did not spread among themselves iii) Within household clusters, adults were much more likely to be the index case than children iv) Prevalence of COVID-19 infection in children in daycare and school settings was lower than the prevalence of COVID-19 in adults working in daycare and school settings.

Duke University researchers (CIDRAP) examined 35 North Carolina school districts with in-person teaching and found that there were no instances of child-to-adult spread in schools.

A recent CDC report on *Transmission of SARS-CoV-2 in K-12 schools*, found that “Based on the data available, in-person learning in schools has not been associated with substantial community transmission”.

Based on a high-quality McMaster University (Brighter World) review, researchers found that in children under 10 years of age “Transmission was traced back to community and home settings or adults, rather than among children within daycares or schools, even in jurisdictions where schools remained open or have since reopened...The bottom line thus far is that children under 10 years of age are unlikely to drive outbreaks of COVID-19 in daycares and schools and that, to date, adults were much more likely to be the transmitter of infection than children.”

A BMJ scoping review study evaluated the role of children in the transmission of COVID-19 virus and included 14 studies. It was found that children are not transmitters to a greater extent than adults.

Nonetheless it does appear that in this study it was concluded that children can spread disease. We do not argue with this, but point the reader to the rarity of this type of spread.

The British Columbia Center for Disease Control (BCCDC) issued a full report in September 2020 on the impact of school closures on children and found that i) children comprise a small proportion of diagnosed COVID-19 cases, have less severe illness, and mortality is rare ii) children do not appear to be a major source of SARS-CoV-2 transmission in households or schools, a finding which has been consistent globally iii) there are important differences between how influenza and SARS-CoV-2 are transmitted. School closures may be less effective as a prevention measure for COVID-19 iv) school closures can have severe and unintended consequences for children and youth v) school closures contributes to greater family stress, especially for female caregivers, while families balance child care and home learning with employment demands vi) family violence may be on the rise during the COVID pandemic, while the closure of schools and childcare centres may create a gap in the safety net for children who are at risk of abuse and neglect.

A NEJM publication by Lu looked at SARS-CoV-2 transmission in children in China and found that of 171 with confirmed infection (February/March 2020), when compared to infected adults “most infected children appear to have a milder clinical course”.

A LANCET prospective cohort study looking at transmission in the Australian education setting (15 schools and ten ECEC settings had children (n=12) or adults (n=15) attend while infectious, with 1448 contacts monitored), found that SARS-CoV-2 transmission rates were low in NSW educational settings during the first COVID-19 epidemic wave, and that children and teachers did not contribute

significantly to COVID-19 transmission when attending educational settings in person.

An Irish study examined secondary transmission from children in school and found no paediatric transmission. This supported the understanding that children do not drive transmission of COVID-19 virus.

A Journal of Medical Virology publication of a Greek study of the transmission dynamics of SARS-CoV-2 within families with children (n=23 clusters, 109 household members, 66 adults, 43 children), found that “transmission of infection occurred from an adult to a child in 19 clusters and/or from an adult to another adult in 12 clusters. There was no evidence of child-to-adult or child-to-child transmission”. Children “do not appear to transmit infection to others”.

Research out of Germany looking at spread of SARS-CoV-2 in children aged 0 to 19 years in childcare facilities and schools after their reopening in May 2020 found that child-to-child transmission in schools/childcare facilities appeared to be very uncommon.

A PEDIATRICS journal report of 11 North Carolina school districts in the initial 9 weeks of in-person instructions found very limited (rare) within-school secondary transmission of SARS-CoV-2.

A recent CDC report on COVID-19 Cases and Transmission in 17 K–12 Schools — Wood County, Wisconsin, August 31–November 29, 2020, found that in-school transmission was very low. In fact, and this is a crucially important finding, the incidence of COVID-19 incidence was lower in schools than in the community!

A European Centre for Disease Prevention and Control report (December 2020 that included findings from 17 country-level surveys) stated that rates of infection among teachers and non-teachers were generally similar, showing that schools were not associated with acceleration of community

transmission.

A SCIENCE publication (by Snape) addressing COVID-19 in children and young persons reported that the existing evidence indicates that educational settings play a very limited role at most in the spread of COVID virus when mitigation measures are in place, “in marked contrast to other respiratory viruses”.

A BMJ publication by Swann reported on a prospective cohort study about the clinical features of children and young people admitted to hospital with laboratory confirmed SARS-CoV-2 in the UK. They found that among 651 children and young people (19 and under) admitted to 138 hospitals, the children and young persons had less severe acute COVID-19 than adults (6 died (0.9%) and they had grave underlying comorbid conditions).

A CDC report on hospitalization and death in children, found that when compared to persons 18 to 29 years old, children 0 to 4 years had a 4x lower rate of hospitalization and a 9x lower rate of death. Children 5 to 17 years old had a 9x lower rate of hospitalization and a 16x lower rate of death.

A pre-print study examined family clusters of COVID-19 to assess the role of children in the chain of transmission (clusters from China, Singapore, the USA, South Korea and Vietnam n=31 household transmission clusters). Researchers found that only 3 (9.7%) children could be considered as the index case. They concluded that children play a negligible role in the transmission of COVID-19, this bearing on non-pharmaceutical interventions such as school closures. In fact, relative to the H5N1 epidemic where children were often the index case in 54% of household clusters, there were no school closures nor, might we add, were there any other measures taken such as lockdowns and the like which would have taken a great toll on the fabric of society in general. This accentuates even more the sheer fallacy related to decisions made to close schools

during the COVID-19 pandemic.

A Clinical Infectious Diseases publication reported on a retrospective study that calculated the secondary attack rates of COVID-19 amongst 392 household contacts of 105 SARS-CoV-2 RT-PCR positive index cases hospitalised in China. The secondary attack rate was 4% for children relative to 21% for the adult household contacts. Researchers concluded there are far lower attack rates in children and that symptomatic patients are at higher risk of spreading the virus than asymptomatic persons.

Insights for Education produced a report which analyzed school reopening dates and coronavirus trends from February through the end of September 2020 across 191 countries. “There is no consistent pattern,” stated Dr. Randa Grob-Zakhary, who is the leader of the organization.

The World Health Organization (WHO) reported that i) there were few outbreaks reported in schools since early 2020 ii) in school outbreaks, it was more likely that virus was introduced by adult personnel iii) in most infections or COVID-19 cases reported in children, infection was acquired at home iv) studies suggest that children < 10 years are less susceptible and less infectious than older ones.

A Yale University study published in PEDIATRICS journal, looking at childcare and whether it was associated with the transmission of COVID-19, followed up 57,000 childcare workers in all 50 US states, including Washington DC and Puerto Rico. They did this for the first 3 months of the pandemic and for the study, approximately 50% continued caring for the very young children while the other 50% remained at home. “No differences in COVID-19 outcomes were observed between workers who continued to provide in-person care for young children and those who did not”. This indicates that child care providers do not experience any greater risk from their work. Given the usually close proximity interactions that occur between

childcare givers with children, versus the generally more distant interactions between teachers and their students (i.e. the children), this finding underscores even more the prospect that teachers will develop COVID-19 from their students and vice versa.

Dr. Rainu Kaushal of Weill Cornell Medicine states that “Children under the age of 10 generally are at quite low risk of acquiring symptomatic disease...and they rarely transmit it either”.

A BMJ publication by Munro examined the issue of transmission by children and reported that children are not COVID-19 super spreaders and that it is way past time to go back to school.

A Clinical Infectious Diseases report provided study details on a cluster of COVID-19 in the French Alps, February 2020. Of importance, one (1) nine year-old pediatric case visited three different schools and a ski-class while symptomatic (). There was a large number of contacts of the pediatric case (n=112) and researchers reported that the child did not transmit SARS CoV-2 or COVID-19 disease despite these close interactions!

The Royal College of Pediatrics and Child Health investigation reported that i) infection with SARS-CoV-2 appears to take a milder course in children than in adults: most infected children present with mild symptoms or are asymptomatic ii) very few (c. 1%) develop severe or life threatening disease iii) secondary attack rates in children have generally been shown to be lower than in adults, suggesting that they have a reduced susceptibility to infection iv) deaths in children due to COVID-19 have been extremely rare: mortality seems to be consistent at around 0.01-0.1% (similar to the incidence seen every year with seasonal influenza) v) overall evidence suggests that children may be less likely to acquire the disease vi) their role in transmitting the virus is limited vii) children were unlikely to be the index case viii) SARS-CoV-2 is mainly spread between adults and from adult family

members to children.

An Australian study in New South Wales looked at the close contacts (a proportion of 863 contacts) of 9 children and 9 teachers and found no indications that any of the children actually infected a teacher.

Insights for Education also reported on the IDSA’s update (October 14th 2020) on safe school re-openings, where the IDSA indicated that “The data so far are not indicating that schools are a super-spreader site” (Dr. Preeti Malani).

A report by the European Centre for Disease Prevention and Control (ECDC), Stockholm, 2020, concluded that i) investigations of cases identified in school settings suggest that child to child transmission in schools is uncommon and not the primary cause of SARS-CoV-2 infection in children in any case ii) very few significant outbreaks of COVID-19 in schools have been documented and based on the foregoing, it can be surmised that in most cases the outbreaks were probably related to adult index cases.

A report out of the Netherlands indicate that SARS-CoV-2 is transmitted principally between adults and from adults in a family to children.

A report by Public Health England on SARS-CoV-2 infection and transmission in educational settings found that in their examination, “SARS-CoV-2 infections and outbreaks were uncommon across all educational settings. Staff members had an increased risk of SARS-CoV-2 infections compared to students in any educational setting, and the majority of cases linked to outbreaks were in staff”. And as suggested above, the staff acquired their infections from the general population in all likelihood and not from the school sites.

An Emerging Infectious Diseases publication reported on an analysis of all children <19 years of age (n=94, median age 6 years, range 2 months to 11 years) with COVID-19 and their

uninfected guardians who were isolated together in 7 hospitals in South Korea. Researchers reported no SARS-CoV-2 transmission from children to guardians in isolation settings.

A publication in PEDIATRICS journal by Lee that focused on COVID-19 disease transmission and children, concluded that “Almost 6 months into the pandemic, accumulating evidence and collective experience argue that children, particularly school-aged children, are far less important drivers of SARS-CoV-2 transmission than adults. Therefore, serious consideration should be paid toward strategies that allow schools to remain open, even during periods of COVID-19 spread”.

An Emerging Infectious Diseases publication looking at contact tracing in South Korea found that “household transmission was lowest when the index case-patient was 0–9 years of age”.

A South Korean study looking at the role of children in household transmission of SARS-CoV-2 found that the secondary attack rate (SAR) from children to household members was very low and estimated to be only 0.5%.

An Indian study in the Journal of Public Health looking at household secondary attack rates (SAR) (72 pediatric index cases having 287 household contacts were included in the study) found the SAR to be approximately 1.7%.

In The Pediatric Infectious Disease Journal, in a study looking at 203 SARS-CoV-2 infected children (median age 11 years, range 6 days to 18.4 years) in terms of in-family transmission, researchers reported just one instance of child-to-adult transmission. It cannot be overstated that this transmission occurred in a household setting thus showing just how minor is the transmissibility from child to adult. Clearly households are a setting in which there would be much closer physical interactions between the children and adults in comparison to that which might take place in a school!

In the Journal of the Pediatric Infectious Diseases Society, a single center US retrospective study of infection patterns in household contacts of children with laboratory confirmed SARS-CoV-2 infection in an urban setting, found no child-to-adult transmission.

A Clinical Infectious Diseases publication reported in a meta-analysis of the role of children in SARS-CoV-2 in household transmission clusters (n=213 from 12 countries). Researchers calculated that the SAR in pediatric household contacts was lower than found in adult household contacts, RR 0.62; 95% CI 0.42 to 0.91).

A review by Li published in Journal of Global Health that examined the role of children in transmission (n=16 studies for the narrative review), found that “children may be less frequently infected or infect others...prolonged faecal shedding observed in studies highlights the potentially increased risk of faeco-oral transmission in children”. And in this regard, the latter finding has great implications for school environments where so far, most mitigation efforts focus on mask use, social distancing and the use of physical barriers between the desks of children. Given the type of transmission mechanism for children discussed in this study, the mitigation approaches noted above (apart from social distancing perhaps) would have little to no effect on the transmission of SARS CoV-2.

In a meta-analysis of 40 studies (medRxiv pre-print publication by Madewell) looking at household secondary attack rate (SAR), they found that “household SARs were significantly higher from symptomatic index cases than asymptomatic index cases...to adult contacts than children contacts”.

A Clinical Infectious Diseases publication looking at transmission risks in educational settings in Singapore reported that they “could not detect SARS-CoV-2 transmission despite screening of

symptomatic and asymptomatic children. The data suggest that children are not the primary drivers of SARS-CoV-2 transmission in schools”. This important finding also illustrates the fallacy behind the drive to screen all children coming into school for the presence of SARS CoV-2 mRNA or mRNA fragments.

A PEDIATRICS publication by Posfay-Barbe looking at COVID in children (n=40) in Switzerland and the dynamics of infection in families, found that “in 79% of households, > adult family member was suspected or confirmed for COVID-19 before symptom onset in the study child, confirming that children are infected mainly inside familial clusters”.

The National Academies of Science, Engineering, and Medicine (NASEM) has stated “evidence to date suggests that children and youth (aged 18 and younger) are at low risk of serious, long-term consequences or death as a result of contracting COVID-19”.

We would be remiss if we did not accentuate that the school setting for many children especially less advantaged children presents as their principal route out of crushing poverty and for many, it is the only ‘daily’ safety from the dangers of a chaotic, disordered, and at times threatening home life. School closure and shift to on-line learning is a catastrophic mess and a real threat. In a February 2021 BMJ publication, Lewis et al. cogently outlined how closing schools is not evidence based and harms children and this is supported by a very recent systematic review which shows that when the lowest risk of bias studies are examined, school closures have no obvious or distinct effect on SARS-CoV-2 transmission.

Conclusion

Why have these school closures gone on for so long? Why has the public, the parents, the children

and teachers been so badly deceived as to risk? Were decisions made based on evidence or other factors? Who is at fault here? What was the reason for this very flawed policy, as it surely is not based on available research data or even common sense. This is tantamount to sabotage of our children by government officials, Teachers’ unions, seemingly unskilled medical experts and public health agencies, the latter charged with the health and well-being of our societies. Why have the CDC and other US health agencies such as the NIH been so slow to react to the science that was readily available so soon after the onset of the pandemic (e.g. the strong evidence from Norway, Ireland, Singapore, North Carolina etc.) and thus guide optimal and rational policy decisions based on this clear prior accumulated science (Washington Post piece September 2020, The Atlantic, October 2020)? Why have they dropped the ball on our children? What is very troubling is that decision-makers know that the children most impacted by these closures are often in minority groups, in many instances from poor inner-city areas, least able to withstand the deficits. This is not just a safety issue, but a health equity issue.

We contend that the evidence of very low risk if any, to children (and teachers) especially with safe re-openings, was always there. And the CDC is only now, in January/February 2021, racing to any open podium and microphone it can find to tell us it’s time to re-open schools and it can be done safely. Yet this is not new data the CDC is stumbling upon for the first time; they have always known this. Any medical expert or agency implying otherwise that this is new science and ‘we now understand the data’ or ‘the data is now available’ is being flat out duplicitous. The CDC always knew it was safe to re-open schools for many months now (almost a year). They, like those around the globe, had the publicly available published pediatric-children data since mid-2020 which has been consistent and clear:

There is very low risk to children and that given the other serious and negative effects on our children related to school closures the schools should not have been closed in the first place. We understand that during the very early phases of the pandemic there was a paucity of any information regarding SARS CoV-2 and so perhaps the initial lockdowns can be understood and definitely forgiven. But this cannot be said of the ongoing closures.

It is very evident to populations that school closure policies have been extraordinarily harmful to our children and they will bear the catastrophic effects for decades to come. This is even more impactful for our vulnerable minority children. There have been and will continue to be overwhelming harms due to these actions and this policy in particular has injured our children.

We knew it then and do now as to school closures and the risk, based on what we learnt about societal lockdowns in COVID and just how ineffective and devastating lockdowns are (e.g. Jutland Denmark, Chaudhry's country level analysis, German evidence, UK evidence, New Zealand evidence, European evidence, Lipsitch's evidence, evidence from Ioannidis, and evidence from American Institute for Economic Research evidence (AIER). Policy makers knew of the harms but imposed and continue to impose catastrophic lockdowns. It is way past time to end these school closures, societal lockdowns, and unscientific mask mandates as they have a very limited benefit but are causing serious harm with long term consequences, especially among those least able to withstand them!

We point out that the impact of school closures has not been mitigated by so-called distance learning. We know that the remote learning models have in large part failed causing severe damage to our children's education. Matthew Snape who is a pediatric researcher at the University of Oxford stated "There is clear evidence that shutting

schools harms students directly, in terms of both their education and their mental and social health." We should take this warning seriously! Dr. Craig Wax also states it clearly: We cannot allow school closures to further damage our children and the fabric of society".

To close, we must admit that the public health communication about COVID-19 disease has been dreadful from the prior Administration and now this one. The facts are clear and the public demands far better decision-making. We call on the new Administration to remedy these failures and we suggest that they should start with immediate public health education and messaging to the teachers about their very low risk and that of the children. "Teachers also benefit from in-person school teaching. They benefit from more effective teaching, direct attention and interaction, immediate feedback and non-verbal communication, increased job satisfaction and security, and a host of other benefits." The COVID-19 survival rate is approximately 99.995% in children and teens and it is this that must be messaged.

If we were teachers today, between the misinformation and recommendations supplied by some unions and the mess and fear created by the inept, illogical and nonsensical 'television' medical experts who seek mainly to sow fear and hysteria, as to the risk to children as well as others in the school setting, then we too would not want to go back to in-person instruction.

We are well past the point where we must replace hysteria and fear with knowledge and fact. The schools must be immediately re-opened for in-person instruction.

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Government Schools: More Bureaucracy, Lower Performance, and Higher Costs

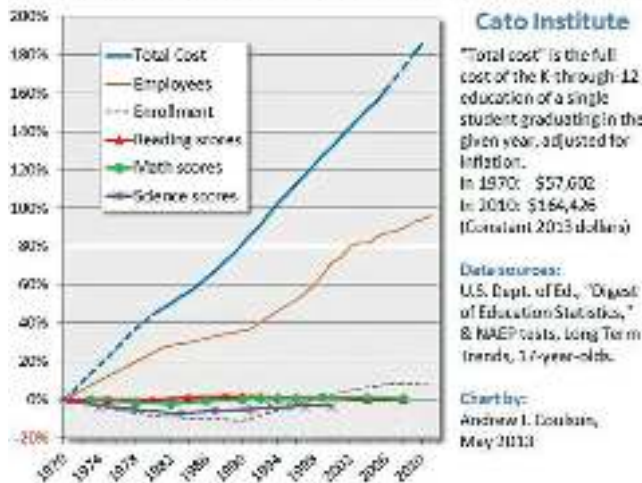
DANIEL J. MITCHELL

Contributor

Whenever I'm asked to give an example of a powerful and persuasive visual, I always have an easy answer.

The late Andrew Coulson created a very compelling chart showing that huge increases in money and staff for government schools have not led to improvements in educational outcomes.

Trends in American Public Schooling Since 1970



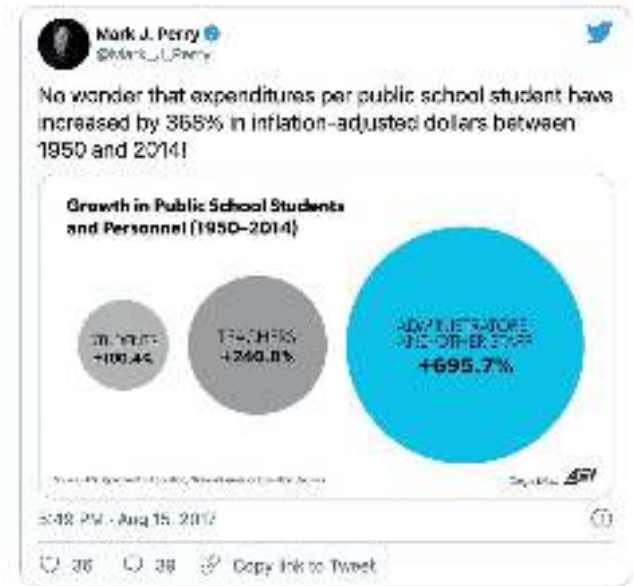
All rational people who look at that image surely will understand that we're doing something wrong.

And if they review the academic evidence on government spending and educational results, they'll definitely know we're doing something wrong.

The international data, by the way, tells the same story. Which is especially disheartening since Americans taxpayers spend much more on education than their counterparts in other developed nations.

Let's further investigate this issue.

I came across a 2017 tweet from Mark Perry that gives us another way of looking at the numbers.



He reviewed 64 years of data and found that government spending on education soared by 368 percent. And that's after adjusting for inflation.

We got more teachers with all that money, but the main outcome was a massive expansion in the number of education administrators and other bureaucrats.

Additional Money Isn't Being Used for Classroom Instruction

The numbers seem to get worse every year. In a recent article for Education Next, Ira Stoll uses two different data sets to document the growth of bureaucracy.

Here is some of the data he got from the Department of Labor.

"Are schools really spending more on administration than they used to? The short answer

is yes. ...information to corroborate the idea of skyrocketing administrative spending may be obtained from a different source: the U.S. Bureau of Labor Statistics. ...The category of “education administrators, kindergarten through secondary” in May 2019 included 271,020 people earning a mean annual wage of \$100,340. In 1999, there were 186,220 people in this category, earning a mean annual wage of \$65,480. That is 45.5 percent growth in the number of administrators. ...The math works out to nearly three \$100,000-a-year administrators for every school.”

Here’s his table based on numbers from the Department of Education.

School Year	School District Administrative Staff	Principals and Assistant Principals	Teachers
Fall 2000	97,270	141,702	2,941,461
Fall 2017	130,158	165,155	3,149,750
Percentage Increase (17-year total)	34.5 percent	17.6 percent	7.7 percent

In each case, we see bureaucrats have been the biggest winners. There are a lot more of them than there used to be, and they enjoy lavish compensation packages.

Cory DeAngelis of Reason summarized Stoll’s findings in a pair of tweets.



Frederick Hess of the American Enterprise Institute explains that all this additional funding and additional bureaucracy is not yielding worthwhile results.

“...the U.S. spends more than \$700 billion on K–12 education a year, or about \$14,000 per student. That’s 39 percent more than the average OECD nation. And many big-city districts spend considerably more, with per-pupil outlays of more than \$20,000 per year in places such as Washington, D.C., and Boston. ...But it’s not clear that we’re spending all of this money in effective ways. For instance, ...the ranks of non-instructional staff have grown more than twice as fast as student enrollment over the past 30 years. ...in public bureaucracies, new dollars often

double as a convenient excuse to avoid hard choices.”

pressure rewards the best teachers as part of a system that focuses on better results for students.

The Moral of the Story

February 18, 2021

I don't need to write anything because this article in National Review by Cameron Hilditch has a very apt summary.

“American taxpayers have been hoodwinked by the whole idea of “public schools.” ... We've been putting more and more money into the system for decades without reaping more returns for the nation's children. ... schools are advertised to taxpayers as institutions that serve every child in the nation. In reality, they serve the interests of no one other than the small group of Americans who work in these schools as teachers and administrators. ... Since the teachers unions can shield their own avarice with claims of “public service” to children, they can manipulate the actual public into thinking that more money, job security, or political power for themselves is in everyone's interest instead of their own. ... a look at graduation rates, test scores, and graduate employability calls this into question.”

While this column has mostly focused on the ever-expanding number of administrators and other education bureaucrats, as well as their lavish salaries, it's worth noting that compensation for teachers also has been going up.

The real problem is not teacher pay. Some deserve more pay, some deserve less pay, and some deserve to be fired, but we can't separate the wheat from the chaff because teacher unions and local politicians have created an inefficient system that delivers mediocrity.

We need school choice so that competitive

Will the Truth on COVID Restrictions Really Prevail?

SCOTT W. ATLAS

Contributor

The consequences of the SARS2 coronavirus pandemic and its management have been enormous. Over 400,000 American deaths have been attributed to the virus; more will certainly follow. Even after almost a year, the pandemic still paralyzes our country. Despite all efforts, there has been an undeniable failure to stop cases from rapidly escalating and preventing hospitalizations and death.

Here's the reality — almost all states and major cities, with a handful of exceptions, have implemented severe restrictions for many months, including closures of businesses and in-person school, mobility restrictions and curfews, quarantines, limits on group gatherings, and mask mandates dating back to at least the summer. These measures did not significantly change the typical pattern or damage from the SARS2 virus. President Biden openly admitted as much in his speech to the nation on Jan. 22, when he said “there is nothing we can do to change the trajectory of the pandemic in the next several months.” Instead of rethinking the results of implemented policies, many want to blame those who opposed lockdowns and mandates for the failure of the very lockdowns and mandates that were widely implemented.

Ironically, all new policies will coincide with a decrease in cases, because that decrease is already evident across the United States. Hospitalizations in every age group, by CDC data, as well as deaths, have begun to decline. Confirming that trend is the marked drop in symptomatic COVID-19 patients coming to emergency rooms, down 40% from its peak almost a month ago to become lower than that seen before Thanksgiving. Despite that reality, is there any doubt how most of the American media

will portray this in their analysis of the administration's “First 100 Days”?

And let's be clear about behavior — social mobility tracking of Americans and data from Gallup, YouGov, the COVID-19 Consortium, and the CDC have shown significant reductions of movement as well as a consistently high percentage of mask wearing since the late summer similar to Western European countries and approaching that in Asia.

America has an internal comparison. Florida, a large, diverse, highly populated state, stands out as having one of the highest percentages of vulnerable elderly in the entire nation, one of only two states with more than 20% over 65 years of age. Florida widely opened schools and businesses months ago, discarded most mobility restrictions, and ended mandates. Florida did not eliminate cases, hospitalizations, or deaths, but Florida has outperformed many states during the recent surge, including those with warm climates, like California, that implemented longstanding lockdowns. Florida's deaths per capita has also beaten half the country as well as the national average. Even if Floridians on their own behaved similarly to people under mandates, why is that not a subject of open discussion and highlighted by the media?

Separate from their limited value in containing the virus — efficacy that has often been “grossly exaggerated” in published papers — lockdown policies have been extraordinarily harmful. The harms to children of closing in-person schooling are dramatic, including poor learning, school dropouts, social isolation, and suicidal ideation, most of which are far worse for lower income groups. A recent study confirms that up to 78%

of cancers were never detected due to missed screening over three months. If one extrapolates to the entire country, where about 150,000 new cancers are diagnosed per month, three-fourths to over a million new cases over nine months will have gone undetected. That health disaster adds to missed critical surgeries, delayed presentations of pediatric illnesses, heart attack and stroke patients too afraid to call emergency services, and others all well documented.

Beyond hospital care, CDC reported four-fold increases in depression, three-fold increases in anxiety symptoms, and a doubling of suicidal ideation, particularly among young adults after the first few months of lockdowns, echoing the AMA reports of drug overdoses and suicides. Domestic abuse and child abuse have been skyrocketing due to the isolation and specifically to the loss of jobs, particularly in the strictest lockdowns. Given that many in-person schools have been closed, hundreds of thousands of abuse cases are never reported, since schools are the number one agency where abuse is noticed. Finally, the unemployment “shock” from lockdowns, according to a new NBER study, will generate a 3% increase in mortality rate and a 0.5% drop in life expectancy over the next 15 years, disproportionately affecting African Americans and women. That translates into what they called a “staggering” 890,000 additional U.S. deaths from the lockdowns.

We know we have not yet seen the full extent of the damage from lockdowns, because it will last for decades. Perhaps that is why lockdowns were not recommended in previous pandemic analyses, even for infections with far higher death rates.

To determine the best path forward, shouldn't policymakers objectively consider both the data and the totality of impact of policies to date? That's the importance of health policy experts with a broader scope of expertise than that of epidemiologists and basic scientists. That necessarily means admitting

that social lockdowns and significant restrictions on individuals are deadly and extraordinarily harmful, especially on the working class and poor.

Optimistically, we are seeing the light at the end of the long tunnel with the rollout of vaccines, now at 1.5 million per day. On the other hand, using logic that would put “Alice in Wonderland's” Mad Hatter to shame, the new vaccines have been more frequently administered first to healthier, younger people instead of those at risk to die. Few states at the time of this writing have administered most of their vaccinations to people over 65; many have given more than 80% to low-risk age groups. And why is the fact that tens of millions already have biological protection after being infected with the virus — so they should not be immediate priorities — not even acknowledged?

Just as in Galileo's time, another problem is the “vested academic interests.” Many universities have overtly intimidated views contrary to their own, seemingly for political motives, leaving many afraid to speak up. Perhaps university mottos like Harvard's “truth,” Stanford's “the winds of freedom blow,” and Yale's “light and truth” need revision. Social media has piled on with a heavy hand to eliminate discussion of conflicting evidence. Without permitting, indeed encouraging, open debate and admission of errors, we might never solve any future crisis.

America is now a country where differing interpretations of science in order to seek the truth is the new anathema. I fear that “the science” has been seriously damaged, and many have simply become fatigued by the arguments. That is even worse, because fatigue will allow fallacy to triumph over truth. Perhaps Harvard Medical School Professor Martin Kulldorff was correct when he lamented, “After 300 years, the Age of Enlightenment has ended.”

February 11, 2021

The Banking System and the Evolution of Money

ALEXANDER WILLIAM SALTER

Senior Fellow, Sound Money Project

The most important institution for governing supply of money in a free market economy is the network of organizations and laws that we call the banking system. Banking was not consciously intended as an institution for governing the money supply. Instead it was the product of entrepreneurial merchants trying to make a profit. But as is often the case, the pursuit of profit had enormous unintended consequences. In this case, those consequences were highly beneficial.

Banking, in essence, is borrowing short and lending long. We call a “bank” any organization that takes deposits, loans out a fraction of those deposits, and earns profits on the returns on its asset portfolio minus payments to depositors. While some commenters on money and banking discuss “100% reserve banking,” strictly speaking, this isn’t banking. Banking means fractional reserve banking, because banking is financial intermediation: linking up the suppliers of capital (e.g. households) with the demanders of capital (e.g. businesses), which requires loaning out deposits. (One exception is a form of banking that perfectly matches up time deposits with loans. This technically qualifies as both 100% reserves and genuine banking, but is sufficiently technical that it’s best relegated to more specialized discussions.)

Fractional reserve banking creates money. In the ordinary course of business, a bank that takes deposits and loans them out expands the money supply. If I take \$100 in deposits from you and loan out \$90, I have \$100 in deposits on the liabilities side of my balance sheet, and \$90 in loans plus \$10 in reserves on the asset side. Because people treat bank liabilities as money, both the depositor and the

borrower behave as if they possess the economy’s generally acceptable medium of exchange, in the face value of the amount held. I, the banker, have expanded the money supply by \$90 on this round of loans. Of course, the process doesn’t finish here: some of that \$90 will find its way back into bank deposits, and a fraction of that will be loaned out. Then the process starts again. This may appear dangerous, but the vast majority of the time, it isn’t. Depositors rarely show up all at once to demand redemption of their deposits. In the meantime, it’s a good thing that the bank can put idle capital to work, financing productive investments. (Occasionally, depositors do all show up at once. Things can get tricky then, but tricky does not necessarily mean destructive. We’ll talk more about bank runs later.)

How did banking arise? Most of the money we use today is some form of a bank liability (e.g., checking accounts), rather than the narrowest measure of money (in the United States, Federal Reserve notes, as well as reserves held by depository institutions at the Federal Reserve). And once upon a time, money was gold or silver, not green pieces of paper. So how did we transition from a pure system of commodity money to a banking system, where the liabilities of banks created by financial intermediation became “just as good” as hard money?

As it turns out, many (if not most) of the activities that we know as banking reached their mature form in the Italian city-states during the Renaissance. Banking and finance are much older than we think! However, the most illustrative process for understanding the rise of banking took place in Northwestern Europe. Although it happened

later, and thus should not be taken as the canonical narrative regarding the development of banking, it's very useful to follow this process because it helps us understand the relationship between money, bank liabilities, and the banking system itself.

Suppose you're an English merchant. In the course of trading you've acquired many gold and silver coins. In fact, you've acquired so many that it's too much of a hassle to keep all of them. These things are costly to store, after all, and there's always the risk that someone may try to steal them. So what do you do? The answer is, you deposit them with the local goldsmith. Goldsmiths were metal workers who also sometimes stored gold and silver (ore and coins) for others. For a small deposit fee, the merchant could leave his coins and pick them up at his pleasure. The goldsmith would give the merchant a deposit slip or some other record denoting the amount deposited, and the merchant would present this to pick up his coins when he needed them.

Eventually, goldsmiths realized that merchants weren't coming around very often to pick up their coins. Gold and silver could sit still for a long time. The goldsmiths, alert to profit opportunities, expanded their operations: they began lending out the gold and silver they took as deposits. Of course, they would charge interest to borrowers for the privilege of using someone else's capital. This was clearly good for borrowers: they had access to funds that were previously denied to them. And it was good for goldsmiths: they got the interest payments. But aren't the merchant-depositors getting fleeced? The answer is no, because they no longer paid deposit fees. In fact, they get paid, in the form of interest. The goldsmith has become a financial middle man, i.e., a banker. He borrows deposits from merchants, and lends those deposits to other businessmen who can use the capital for productive purposes. Everybody wins.

It's important to emphasize that this process was not secret. Depositors definitely understood what was happening; there was no way for them to get paid, rather than paying, for their deposits otherwise. Nobody got the wool pulled over them in the transition from currency warehousing to genuine banking. As is often the case with commercial innovation, the institutional change was welfare-enhancing for all parties involved.

With the rise of banking, it was a relatively short journey from hard money to bank liabilities forming the standard circulating medium of exchange. Instead of actual gold or silver coins, people frequently carried bank notes denominated in gold or silver, redeemable by a specific bank. So long as the bank was trustworthy—it kept enough precautionary reserves to satisfy redemption demands, and didn't use deposits to finance overly risky investments—bank liabilities were treated as good as the asset they represented, and were much easier to carry and trade with besides.

Because there were multiple banks in a given commercial area, there were multiple kinds of bank liabilities. A gold-redeemable note drawn on the Bank of Alex may not be the same thing as a redeemable note drawn on the Bank of Will, even if they have the same face value. It all depends on how sound the banks are. This presents a potential informational problem. How do merchants evaluate the relative soundness of banks' liabilities? Also, when banks come to acquire each other's liabilities in the ordinary course of trade, how do they settle accounts among themselves? Enter one of the most important institutions in the banking system: the clearinghouse.

Originally banks would send agents to each other to clear their liabilities. Representatives of the Bank of Alex and the Bank of Will would meet at regular intervals and square their books. If the Bank of Alex had more of the Bank of Will's notes

than the Bank of Will had of Bank of Alex's notes, then the Bank of Will would clear the difference by transferring gold or silver. However, this bilateral process is unwieldy if there are more than a few banks in the area. Banks soon arrived at a process of *multilateral* clearing: representatives would meet at a specific place at a specific time, and clear liabilities against each other all at once. This was so effective that it became regularized: the multilateral clearing arrangement became permanent, becoming the institution of the clearinghouse.

Eventually clearinghouses performed a number of incredibly useful functions, besides just clearing liabilities. They created voluntary quality standards, such as minimal capital ratios, and made adhering to those standards a requirement for becoming and remaining a member of the clearinghouse. They monitored bank notes and kept an eye out for forgeries. And in financially precarious times, they facilitated emergency loans from banks with excess liquidity to banks that needed liquidity. They also occasionally created their own liabilities, usually amidst financial panics, and used those liabilities to increase the capitalization of the banking system, until operations returned to normal. Remember when we mentioned bank runs earlier? The negative effects of bank runs on the financial and economic system could be significantly blunted by a reputable and effective clearinghouse.

The evolution of banking and its attendant institutions frequently resulted in a stable and efficient system for allocating capital to its highest-valued uses, and hence fueling economic growth. Have you noticed an entity that we *haven't* mentioned as a part of this story? That's right; we haven't talked about government. The simple reason is, while government could (and often did!) mess up this process by imposing counterproductive restrictions, it was not necessary to create a healthy financial system. So long as banks (and related organizations,

such as insurance providers) were subject to the general laws of property, contract, and torts, as well as general requirements for the formation of partnerships and corporations, the banking system had all the legal infrastructure it needed. Additional statutory regulation was not only unnecessary; it was often harmful. It's a myth that banking and finance, if left to themselves, naturally result in an excess of cowboy capitalism that veers between unsustainable booms and painful busts. Such institutional failures occur because of too much government interference, not too little.

Now that we have a good idea about how the banking system works, we're ready to explore just how governments often impeded this process. Unfortunately, this isn't only due to well-intended public servants enacting policies with bad unforeseen consequences. Instead, many of the public policies that shackle the financial sector are *designed* to do so, because they help governments accomplish some other political objective. Engaging these political considerations, and how they impinge on banking and finance, is critical if we want to understand the history of monetary institutions, especially in the United States.

February 18, 2021

The Danger of the Administrative State

ETHAN YANG

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Lockdowns should have shown every American just how tyrannical and unreasonable our leaders can be. There are elected leaders like Governor Cuomo who have acted as outright tyrants, alienating everyone, even those in his own party. Then there are the unelected bureaucrats who wave away our liberties with the stroke of a pen from the secrecy of their massive offices with technocratic efficiency. This is all of course a sudden and dramatic curtailing of our freedoms. I would not be surprised that with this much public attention, some sort of effort will be made to roll back much of what has been done. Although lockdowns are certainly an existential threat to our long-term freedoms and system of liberal democracy, there has been another specter out there that many experts have been sounding the alarm on for decades. The growth of the administrative state.

The chilling narrative about the growth of the administrative state, which is essentially the regulatory apparatus of the executive branch, is usually confined to specialist professions. The ever-present danger of a slowly expanding and unaccountable apparatus of bureaucrats that threatens to sap the life out of American society and drown it in a sea of paperwork is typically a concern that only keeps policy wonks and lawyers up at night. Although many lawyers probably celebrate this dystopian vision because they benefit from the compliance fees. The regulatory state not only threatens to make society that much slower and dreary with its excessive onslaught of regulation but it also makes us poorer. Robert Samuelson writes for the Washington Post that

“No one really knows by how much, but “there is ample evidence that regulation has expanded and that this expansion has limited economic growth,” as Ted Gayer and Philip Wallach of the Brookings Institution recently wrote. One study estimates that regulation has shaved 0.8 percent off the U.S. annual growth rate, which — if confirmed by other studies — would be huge.”

The regulatory state refers to organizations such as the Environmental Protection Agency, the Centers for Disease Control, the Federal Trade Commission, the Department of Education, the Department of Justice, the Internal Revenue Service, and all the other three-letter agencies in Washington, DC. If you would like to see how long the list of agencies is, take a look at the Federal Register, to which there are 455. That number is absolutely mind-boggling and you don’t need a fancy degree in political science like I have to say that society can function without their oversight. A paper by Peter Strauss at Columbia Law School notes that there are currently over 2 million civilians employed in the federal government alone. He notes that for context,

“The first Congress to meet once the Constitution was ratified created a Post Office and Departments of War, Navy, Foreign Affairs, and Treasury, each in unique ways suited to its responsibilities; this new government employed few civil servants to manage all its affairs. The first serious count of federal

civilian employees, in 1816, reported that they numbered 4,837.”

The drastic expansion of the administrative state has come at a cost to not only our liberty, which is slowly being eroded by a sea of paperwork and regulations, but it also undermines our democracy. According to Article 1 of the Constitution, the legislative branch or Congress is supposed to be the primary law-making body of our government. That is because if there are bad laws or laws society doesn't like, we can hold people accountable. However, more and more power has been shifted to the executive branch because of the growth of the administrative state. Even the judicial system is losing power to the administrative state after the establishment of a legal doctrine known as Chevron Deference, which binds the court system to defer to the administrative agency's interpretation of a rule, not the Constitutional interpretation of a sitting judge. It shouldn't be too hard to assume that the interpretation will probably favor the ambitions of the agency, not the integrity of the Constitution. These issues and more form the basis of legal scholar Richard Epstein's assertion that the administrative state is not congruent with rule of law in this country.

The worst part about all of this is that society continues to tell itself that those in the administrative state are simply humble public servants. Although I'm sure many of them are, the hard reality is that at the end of the day it's a source of income and advancement for bureaucrats just like jobs in the private sector are for everyone else. This is the basic insight of Public Choice Theory, which is the common-sense realization that government agents are not angels, they are humans and follow human nature. That means that although many government agents may think they are serving the country, they are also limited by their own capabilities as humans

as well as their desires. This is demonstrated by a phenomenon known as the Washington Monument Syndrome, which refers to how when a government agency is threatened with a budget cut or hiring freeze, they shun fiscal restraint in order to protect their own self-interests. The Washington Monument Syndrome gets its name because when the National Park Service was faced with budget cuts, instead of streamlining its finances like a normal private company they protested by shutting down the Washington Monument rather than taking sensible steps to cut costs. In the private sector there is a natural check on how much workers can demand, such as the threat of going out of business. In the public sector there are no such restraints. This is part of the reason why the bureaucracy simply grows and grows and grows, taking our freedom as well as our treasure as it does.

Finally, there is the dark fact that there are ambitious people in the administrative state who want to make a name for themselves at the expense of their fellow countryman. If there aren't any problems to solve, hotshot regulators are trying to move up the food chain by creating problems to solve by either targeting innocent private actors or trying to pump up their resumes with unnecessary sanctions. This problem is well known when it comes to the criminal justice system, as prosecutors leverage plea bargains to increase their incarceration statistics regardless of the guilt of the defendant and without ever having to take a case to trial, which is a constitutional right. However, this system of perverse incentives to simply rack up wins at the expense of society is present in the regulatory state as well as agencies bringing the government's boot down on businesses just trying to provide a good service.

I had a personal experience with this dynamic when I interned at a law firm providing pro bono services to private entities that were being pursued

by trigger-happy regulators. The case I worked on was FTC vs D-Link Systems, which was settled finding no liability for any violations. The FTC in this case levied a claim that D-Link Systems was engaging in deceptive practices. However, upon investigation there were no rules that they violated, nor were there any widespread complaints from consumers to be found. The FTC was essentially going out of its way and leveraging vague rules to pursue a responsible corporation likely in the name of career advancement. That is because there are no rewards for doing nothing, even though that's what the government should be doing when its citizens are being responsible. Sadly, not every private business has the resources to fight back against overzealous government regulators. Even worse, there is little being done to check the powers of the administrative state. In fact, many elected politicians simply see it as a way to shift blame away from themselves.

Key Takeaway

If lockdowns were a sudden and brutal assault on our liberties, the rise of the administrative state would be the silent killer. It keeps itself away from the public spotlight, only raising alarms for the communities it directly affects and policy wonks who enjoy ranting about taxes and federal codes all day. To the average person, the administrative state is not a problem until it is. Every year it grows and grows with little incentive to care for the trouble it has caused for the rest of American society. It is the true embodiment of the leviathan illustrated by Hobbes. Although there is certainly a time and place for regulatory agencies, today they have so greatly outgrown their bounds to the point they are becoming an unelected judge, jury, and executioner. What was a handful of executive agencies at the beginning of the republic has now become an expansive list of alphabet soup abbreviations, some

with their own SWAT teams and court systems. The administrative state not only saps our treasure and stifles our creativity but it drains our spirit. If left unchecked it will surely turn this country of ambitious innovators and entrepreneurs into one of paper pushers and clerks.

February 27, 2021

Life After Burma: The Saga of Bo Bo Nge

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One of my favorite entrepreneurial immigrant stories in the Berkshires where I live in western Massachusetts is the saga of Bo Bo Nge.

A Myanmar national, Bo Bo was at Rangoon University in 1988 when protests broke out against the first Army usurpation of the government after an election had given it to the opposition led by Aung San Suu Kyi. Kyi was the oldest daughter of Aung San, who had been founder of the Myanmar Armed Forces and father of the Myanmar nation, before he was assassinated in 1947.

Thousands of protestors were killed, and Bo Bo went into hiding until his mother and brother were threatened with imprisonment if he didn't surrender to authorities.

After 4-1/2 years in prison, he migrated north, to Inle Lake in Shan State province, where he discovered that the seaweed could be sold as a delicacy in South Korea. He launched a flourishing taro export business and met his future wife, who had a shop underneath the pagoda there.

When the government intervened in his business, Bo Bo fled to the United States. Ending up in Great Barrington, he rose from washing dishes at Bizen Restaurant to win economics and math degrees and then to teaching at Bard College. He also performed valuable research work for the late Lawrence Pratt at American Investment Services (AIS), an independent subsidiary of the American Institute for Economic Research (AIER). Bo Bo ended up with a PhD from London University. In 2015, he took over as Deputy Governor of Myanmar's Central Bank.

There he led a valiant program of reforms in league with the democratic Administration of Suu Kyi, finally in office. He helped reduce the

government deficit by 50 percent, pioneered a system of smart phone retail payments, and supported a special economic zone at Thilawa. In five years, the Myanmar GDP rose from \$1.8 billion to \$10.5 billion.

When Suu Kyi won her reelection early this year in a landslide, Myanmar's generals had had enough. They reassumed power and on February 1 dispatched five soldiers to arrest Bo Bo at his home in Myanmar's new capital Naypyidaw.

On Euromoney, Eric Ellis in Yangon commented, "It's a circular firing squad around here."

On February 4 in an address at the State Department, President Biden commendably demanded that the Burmese military release all detainees. Afflicted with heart disease, Bo Bo should be among the first.

Bo Bo's arrest, however, poses a new test for the populist theories of people like Trump advisor Peter Navarro and his unexpected tariff-loving followers in the Biden Administration who think a trade gap is a trade gouge. Just last week Biden's Deputy U.S. Trade Representative Dennis Shea excoriated the European Union for inflicting a \$178 billion goods trade deficit on the United States.

People like Shea and Navarro might even understand the indignation of Myanmar's patriotic generals at the globalist excesses of the Suu Kyi's Administration.

Just joking, but the American mainstream media increasingly imply that democracy goes too far when it sells out a society and its jobs to globalist foreigners.

Like Myanmar's generals, they all agree that trade and jobs represent a zero-sum game and a

trade gap is a national loss. Foreigners who sell you goods at cheaper prices are taking your jobs.

For decades after World War II, Myanmar, nee Burma, thrived as one of the world's most isolated economies. An emerald land, it became a triumphant precursor and example of the possible promise for America of a "green new deal."

With 53 million people and among the world's richest trove of natural resources, replete with oil, natural gas, timber, and rubies, it became famous for keeping them all in the ground. There they remained safe from foreign depredations and safe for the world's environment. Emissions of CO2 or other "pollutant chemicals" were blissfully undetectable. Myanmar posed little or no threat to the global climate.

The chief renown of the country was the unfathomable geography of Rudyard Kipling's on "the road to Mandalay, where the flying fishes play, and the dawn comes up like thunder out of China 'cross the Bay.'"

Then the glamorous Suu Kyi took over in 2015 under her National League for Democracy. Although she relinquished defense, homeland security, and 25 percent of parliamentary seats to the military, she retained control of banking and economic policy.

She called in Bo Bo and globalism held sway. Her regime allowed the licensure of 17 foreign banks in the country, a 33 per cent surge of \$5.5 billion in foreign direct investment, and a fivefold increase in Myanmar GDP. The U.S. trade gap with Myanmar rose to \$474 million in 2020.

Shrewd minds in Washington took notice and alarm. Bo Bo was becoming a menace to American jobs!

Just kidding. Circular firing squads are no fun, whether in Myanmar or in the U.S.

As my "Man on the Margin" Mike Kendall writes:

"If an individual desires to trade a unique product that is self-funded, sweated over, and brought to creation, for another product anywhere in the world, why should that trade be prevented?"

"What is the advantage in having the terms of that trade made uneconomical by onerous, arbitrary tariffs enacted for the benefit of perceived national policy? How does an individual, a potential trade partner, or an economy as a whole benefit?"

"The collection of individuals comprise a nation's economy. Henry Hazlitt wrote in *Economics in One Lesson* that 'What is harmful or disastrous to an individual must be equally harmful or disastrous to the collection of individuals that make up a nation.'"

Free Bo Bo! Free the world economy from zero sum generalists.

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