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BUSINESS CONDITIONS MONTHLY

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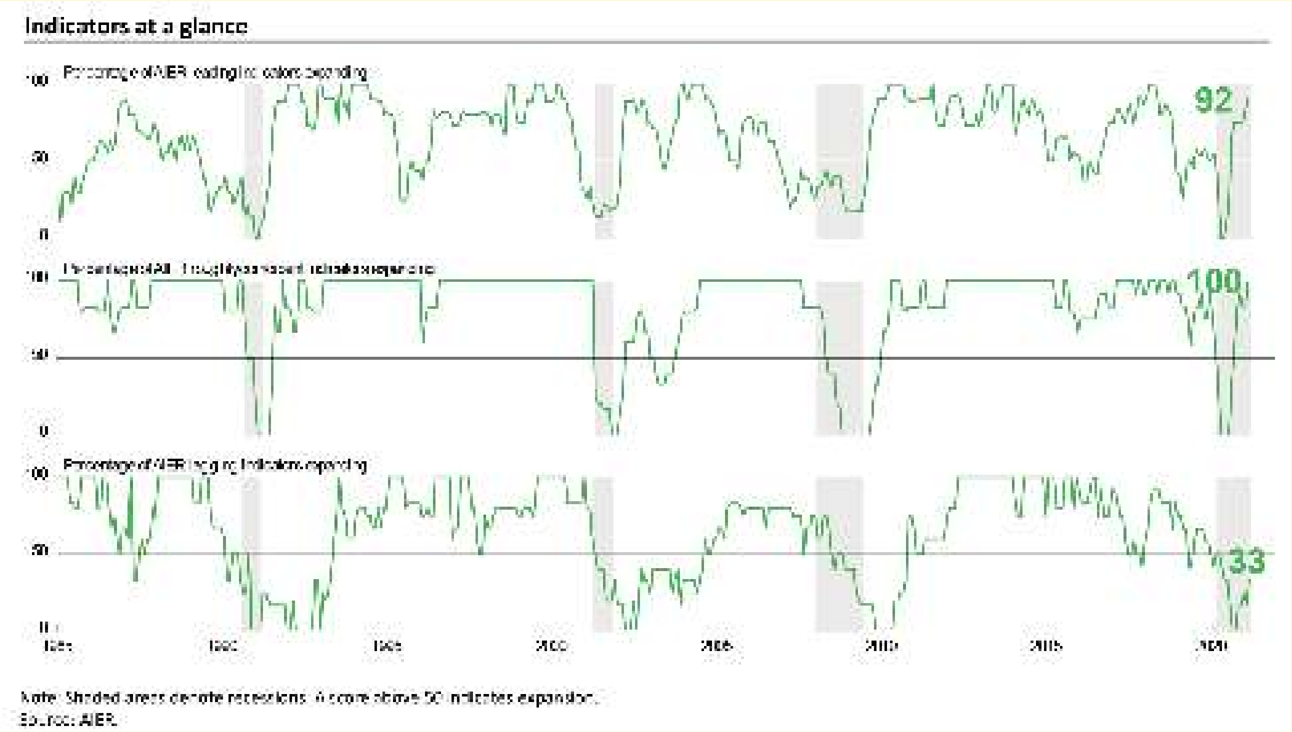
AIER Leading Indicators Index Hits Highest Level Since 2018



Summary

AIER's Leading Indicators Index posted another gain in March, hitting the highest level since June 2018. The Leading Indicators index came in at 92 following an 83 reading in February and four consecutive months at 75 from October 2020 through January 2021. The March result marks the seventh consecutive month above the neutral 50 level. The Roughly Coincident Indicators index rose to a perfect 100 reading in March after four months between 83 and 92 while the Lagging Indicators Index rose to a still weak 33, up from 17 last month (see chart). The results indicate economic growth broadened again in March and suggest continued economic expansion in the months ahead.

Economic data over the past month showed a significant improvement, particularly in the labor market. The distribution of vaccines is a very positive development and is resulting in the cessation of restrictive government lockdown policies. As restrictions are eased, economic activity increases. While there are still risks associated with the spread of COVID-19 (especially as the virus mutates) and the potential for renewed government lockdowns, for now, economic activity is increasing, and the overall economic outlook is improving significantly.

Leading Indicators index hits the highest level since June 2018

The AIER Leading Indicators index rose to 92 in March, the highest level since June 2018. The March result is the seventh month in a row above the neutral 50 threshold. The results indicate that favorable trends have broadened among the 12 leading indicators and suggest continued overall economic expansion. In total, 11 of the 12 leading indicators were in a positive trend in March, with just one, the treasury yield spread, trending unfavorably, and none trending flat or neutral. The University of Michigan index of consumer expectations indicator was the lone change for the month, improving from a down trend in February to a positive trend in March (see below for more details on consumer sentiment).

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. While government policies restricting consumers and businesses continue to distort economic activity, they are slowly being removed with the widening distribution of vaccines. However, mutations in the virus that causes Covid-19 could lead to a resurgence of the disease, causing renewed lockdown policies and threatening future growth. Despite the risk, economic activity is strengthening, and the overall economic outlook is improving significantly.

The Roughly Coincident Indicators index rose to a perfect 100 reading in March as all six individual indicators are now trending higher. The perfect result follows four months of readings in the 83 to 92 range and is the first perfect result since December 2018. The improvement came from the consumer confidence for the present situation indicator, changing from a negative trend in February to a positive trend in March.

AIER's Lagging Indicators index rose to 33 in March following a 17 reading in February. While the March result is the highest level since July 2020, it is still well below the neutral 50 threshold. Just one indicator changed trend in the latest month: the composite short-term interest rate indicator, improving from an unfavorable trend to a favorable trend. Overall, four indicators were trending lower, two indicators were trending higher, and none were in a neutral trend.

Vaccinations and Stimulus Boost Consumer Sentiment

The final March results from the University of Michigan Surveys of Consumers show overall consumer sentiment rose in March, hitting the highest level in a year. Ongoing distribution of vaccines as well as expectations for stimulus were the primary drivers.

Overall consumer sentiment increased to 84.9 in March, up from 76.8 in February, a 10.5 percent rise and the highest since a reading of 89.1 in March 2020. From a year ago, the index is still down 4.7 percent. The sub-indexes both gained in March with the expectations component leading the move higher.

The current-economic-conditions index rose to 93.0 from 86.2 in February. That is a 7.9 percent gain and leaves the index with a 10.3 percent decrease from March 2020. The second sub-index — that of consumer expectations, one of the AIER leading indicators — jumped 9.0 points or 12.7 percent for the month to 79.7 and is now equal to the March 2020 result.

However, all three indexes are still below the pre-pandemic levels, with the Current Economic Conditions index 17.3 percent below its 2018-2019 average and the Index of Consumer Expectations 8.7 percent below the recent average. Combined, the overall index sits 12.7 percent below the pre-pandemic average.

According to the report, "Consumer sentiment continued to rise in late March, reaching its highest level in a year due to the third disbursement of relief checks and better than anticipated vaccination progress."

However, the report goes on to add, "As prospects for obtaining vaccination have grown, so too has people's impatience with isolation, as those concerns were voiced by nearly one-third of consumers in March, the highest level in the past year."

With regard to the economic outlook, the report adds, "The majority of consumers reported hearing of recent gains in the national economy, mainly net job gains. The data clearly point toward robust increases in consumer spending. The ultimate strength and duration of the spending surge will depend on the rate of draw-downs in savings since consumers anticipate a slower pace of income growth. Despite the vast decline in precautionary motives sparked by the easing of pandemic fears, those precautionary motives will not completely disappear."

Light-Vehicle Sales Jumped in March

Sales of light vehicles totaled 17.7 million at an annual rate in March, well above the 15.8 million pace in February and the fastest pace since October 2017. Unit sales plunged in March and April to 11.4 million and 8.7 million annual rates, respectively. The pace of sales in April was the lowest on record since this data series began in 1976 and follows a run of 72 months in the 16 to 18 million range from March 2014 through February 2020.

Breaking down sales by origin of assembly, sales of domestic vehicles jumped to 13.5 million units versus 11.9 million in February, a gain of 13.1 percent, while imports rose to 4.3 million versus 3.8 million in February, a rise of 11.1 percent. The domestic share came in at 76.0 percent in March versus 75.7 in February.

Breaking down by size of vehicle, March light-truck sales totaled 13.9 million at an annual rate versus a 12.3 million rate in February, a gain of 12.5 percent. Car sales were 3.9 million at an annual rate versus 3.4 million in February, a rise of 13.1 percent.

The light-truck share stood at 78.2 percent for March, completely dominating the car share of 21.8 percent. The dominant share of light-trucks continues a long-term trend. As recently as February 2013, the split between cars and light-trucks (SUVs and pick-up trucks) was about even, with both segments selling about 7.8 million at an annual rate.

Household Net Worth Hits A Record

Despite the pandemic, restrictive government policies, and the worst economic contraction in history, household net worth rose again in the fourth quarter to a new record. Household net worth rose to $130.155 trillion, up 5.6 percent from the previous record of $123.229 trillion in the third quarter, and 10.1 percent from $118.220 trillion at the end of 2019. Total assets rose to $147.2 trillion while total household liabilities increased 1.8 percent or $297.3 billion, to $17.057 trillion.

Total assets consisted of $104.6 trillion of financial assets and $42.6 trillion of nonfinancial assets. The gain in total assets was due to a 6.3 percent increase in financial assets which contributed $6.2 trillion to the increase in net worth. Within financial assets, equities led with a 14.1 percent rise. Nonfinancial assets rose 2.5 percent, contributing $1.0 trillion to net worth. Within nonfinancial assets, real estate led with a 2.6 percent rise.

The change in total liabilities was led by a $148.9 billion, or 1.4 percent, increase in mortgage debt to $10.9 trillion, while consumer credit increased $44.5 billion or 1.1 percent to $4.2 trillion.

Household Debt Service Remains Low

Two key measures suggest that household balance sheets are generally healthy. As of the fourth quarter, the financial obligations ratio (monthly payments for financial obligations as a share of disposable personal income) was 14.71 percent, up from 14.32 percent in the third quarter. Like many economic statistics, these numbers have been heavily distorted by the pandemic, lockdowns, and government payments. Excluding the government transfer payments, financial obligations would be 18.9 percent, down from 19.0 percent in the third quarter. Both measures remain well below their 40-year average through the end of 2019).

Household debt service (a narrower measure that includes just minimum monthly debt payments) came in at 9.7 percent for the fourth quarter, up from 9.2 percent. Excluding the government transfer payments, debt service comes in at 12.1 percent. Both of these measures are also well below their 40-year average.

These data show that despite the damage done to the economy by the government lockdowns, in aggregate, household balance sheets are relatively strong. However, across the various cohorts of households, financial health varies widely. Some households have been severely impacted by lockdowns, particularly small business owners and low-wage workers in retail, travel, hospitality, and food services industries.

Initial Claims Rise but the trend in claims is lower

Initial claims for regular state unemployment insurance totaled 719,000 for the week ending March 27, up 61,000 from the previous week's downwardly revised tally of 658,000, the lowest of the pandemic. Despite the uptick, the outlook for jobs and the economy has been improving as government restrictions on consumers and businesses continue to be lifted.

The four-week average fell 10,500 to 719,000, the lowest level since March 14. While the four-week average remains in the 700,000 to 900,000 range, there is a clear trend lower and it is likely to continue trending lower as the combination of vaccine distribution and easing government restrictions on consumers and businesses slowly push the economy closer to normal operation. However, significant damage has been done by the lockdowns and full recovery may be several quarters away.

Broad Strength in the Labor Market in March

U.S. nonfarm payrolls added 916,000 jobs in March after a gain of 468,000 in February and 233,000 in January. The two prior months had net upward revisions of 156,000. The March gain brings the three-month gain to 1.617 million and the eleven-month post-plunge recovery to 13.959 million but is still far from offsetting the 22.362 million loss in March and April of 2020, leaving nonfarm payrolls 8.403 million below the February 2020 peak.

Private payrolls posted an impressive 780,000 jobs gain in March after a 558,000 gain in February and a 122,000 gain in January. The two prior months had a net upward revision of 125,000. The March gain brings the three-month gain to 1.46 million and the eleven-month recovery to 14.172 million versus a loss of 21.353 million in March and April of 2020, leaving private payrolls 7.181 million below the February 2020 peak.

Overall breadth of gains for March were impressive with every major private category showing a rise except for one. Within the 780,000 gain in private payrolls, private services added 597,000 while goods-producing industries gained 183,000. For private service-producing industries, the gains were led by a 280,000 surge in leisure and hospitality (following a gain of 384,000 in February), a 66,000 rise in business and professional services, a 64,000 increase in education services, a 48,000 rise in transportation services, and a 36,000 gain in health care and social assistance. The one category to show a drop was information services, down 2,000 for the month.

Within the 183,000 gain in goods-producing industries, construction surged, adding 110,000 jobs, durable-goods manufacturing increased by 30,000, nondurable-goods manufacturing rose by 23,000, and mining and logging industries gained 20,000 jobs.

The total number of officially unemployed fell to 9.710 million in March, a drop of 262,000 from February. The unemployment rate fell to 6.0 percent while the underemployed rate, referred to as the U-6 rate, fell to 10.7 percent in March. In February 2020, the unemployment rate was 3.5 percent while the underemployment rate was 7.0 percent.

The participation rate rose in March, coming in at 61.5 percent versus a participation rate of 63.3 percent in February 2020. The employment-to-population ratio, one of AIER's Roughly Coincident indicators came in at 57.8 for March, above the 57.6 ratio in February 2021 but well below the 61.1 percent in February.

Job Openings Rates Hit Record Highs

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 7.367 million in February, up from 7.099 million in January. The number of open positions in the private sector increased to 6.732 million in February, the highest level since January 2019. Private-sector openings are well above the low of 3.996 million in April 2020 at the height of government-imposed lockdowns. The private-sector job-openings rate, openings divided by the sum of jobs and openings, was 5.2 percent, up from 5.0 percent in January and a new record high.

The industries with the largest number of openings were education and health care (1.565 million), professional and business services (1.390 million), and trade, transportation, and utilities (1.364 million). The highest openings rates were in professional and business services (6.3 percent), education and health care (6.3 percent), and leisure and hospitality (6.3 percent).

Outlook growing stronger

The U.S economy showed significant progress last month, particularly for labor and consumer measures, as it continues to recover from the draconian lockdowns that began in 2020. The AIER Leading Indicators index hit its highest level since June 2018 and indicates growth broadened among the 12 individual leading indicators. The result suggests continued expansion in coming months.

The distribution of vaccines is a very positive development and is leading to sharply less government restrictions and increasing economic activity. Risks remain, however. Virus mutations could result in a reacceleration of the spread of Covid-19 and spark new government restrictions on consumers and businesses. In the meantime, declining government restrictions are boosting current economic activity and the outlook for future growth.

CAPITAL MARKET PERFORMANCE

(Percent change)

	March	Latest 3M	Latest 12M	Calendar Year 2020	2019	2018	Annualized 3-year	5-year	10-year
Equity Markets									
S&P 1500	4.2	6.5	56.1	15.8	28.3	-6.3	14.5	14.0	11.5
S&P 500 - total return	4.4	6.2	56.4	18.4	31.5	-4.4	16.8	16.3	13.9
S&P 500 - price only	4.2	5.8	53.7	16.3	28.9	-6.2	14.6	14.0	11.6
S&P 400	4.5	13.1	80.8	11.8	24.1	-12.5	11.6	12.5	10.2
Russell 2000	0.9	12.4	92.6	18.4	23.7	-12.2	13.2	14.8	10.2
Dow Jones Global Large-Cap Index	2.4	3.6	49.4	14.7	23.8	-10.4	10.5	13.5	7.0
Dow Jones Global Large-Cap ex-U.S. Index	0.5	2.7	44.9	8.6	18.2	-15.7	4.5	9.5	2.3
STOXX Europe 600 Index	6.1	7.7	34.2	-4.0	23.2	-13.2	5.0	4.9	4.5
Bond Markets									
iShares 20-plus Year Treasury Bond ETF	-5.4	-14.1	-17.9	16.4	11.5	-4.2	5.5	0.7	3.6
iShares AAA - A Corporate Bond Fund	-1.6	-5.0	0.5	7.1	9.1	-5.2	2.7	1.1	NA
Commodity Markets									
Gold	-1.3	-10.2	5.8	24.8	18.7	-1.7	8.8	6.7	1.7
Silver	-10.1	-9.4	72.0	46.6	16.7	-6.3	13.8	9.0	-1.5
Refinitiv CoreCommodities CRB total return Index	2.9	10.2	52.0	-9.3	11.8	-10.7	-0.5	2.6	-5.6

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

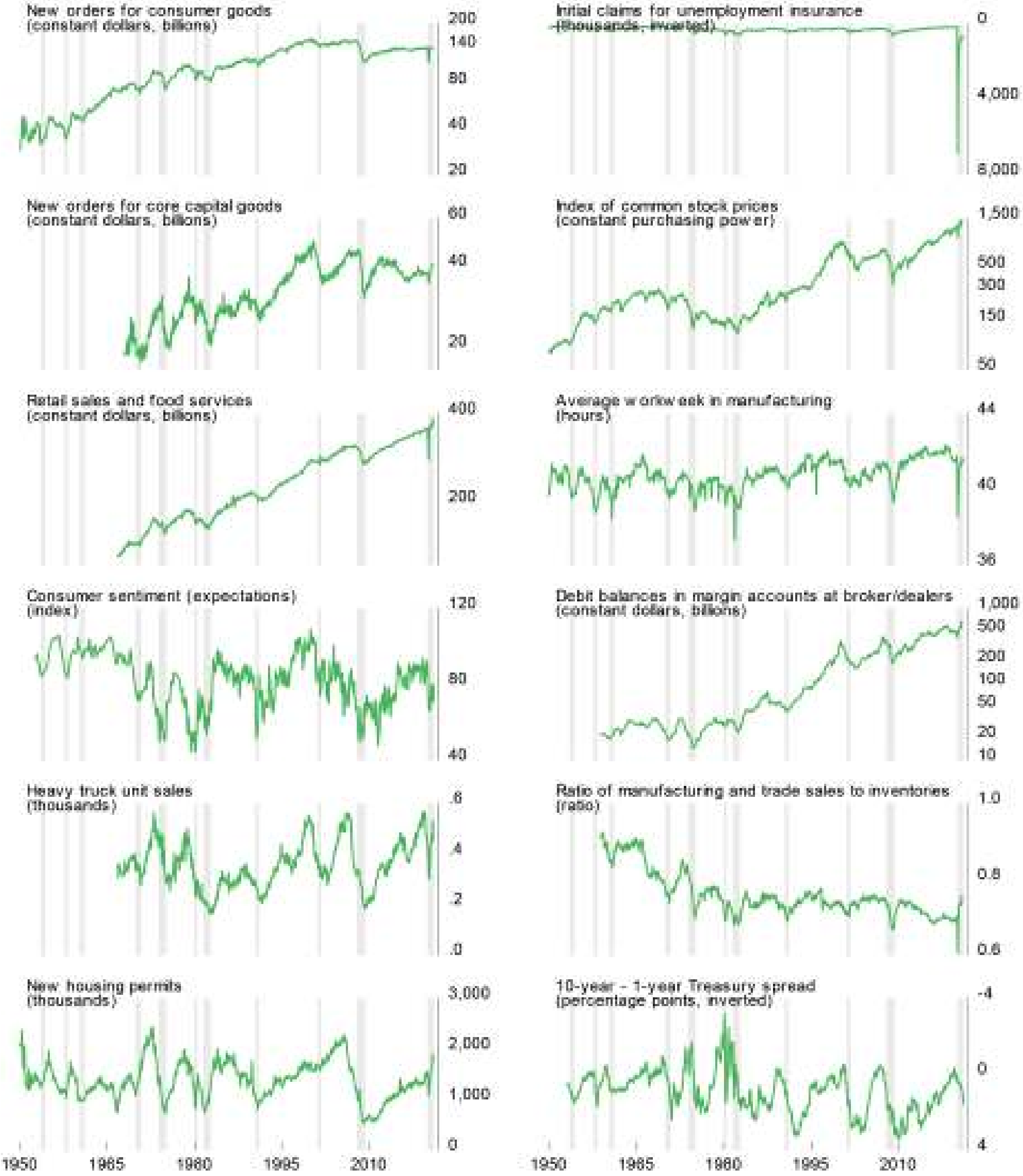
CONSUMER FINANCE RATES

(Percent)

	March	Latest 3M	Latest 12M	Average for Year 2020	2019	2018	Average over Period 3-year	5-year	10-year
30-yr. fixed mortgage	2.8	2.7	3.0	3.1	3.9	4.5	3.8	3.6	3.9
15 yr. fixed mortgage	2.2	2.2	2.5	2.6	3.4	4.0	3.5	3.2	3.2
5-yr. adjustable mortgage	2.8	2.8	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

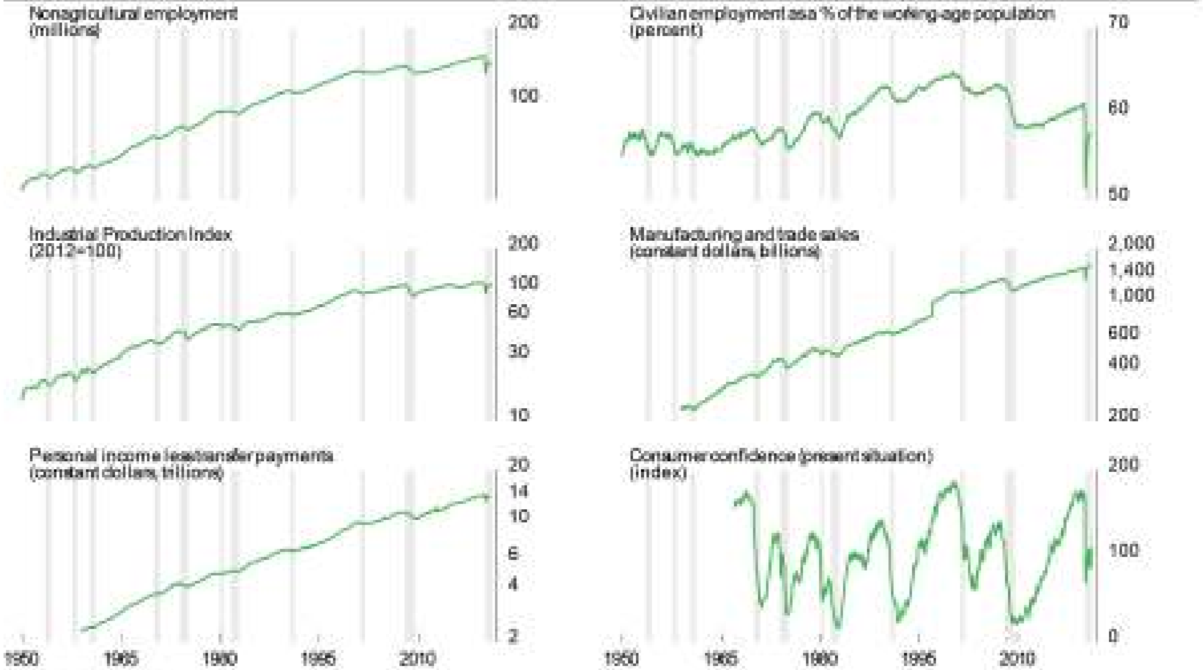
Sources: Bankrate, Federal Reserve.

LEADING INDICATORS (1950-2021)



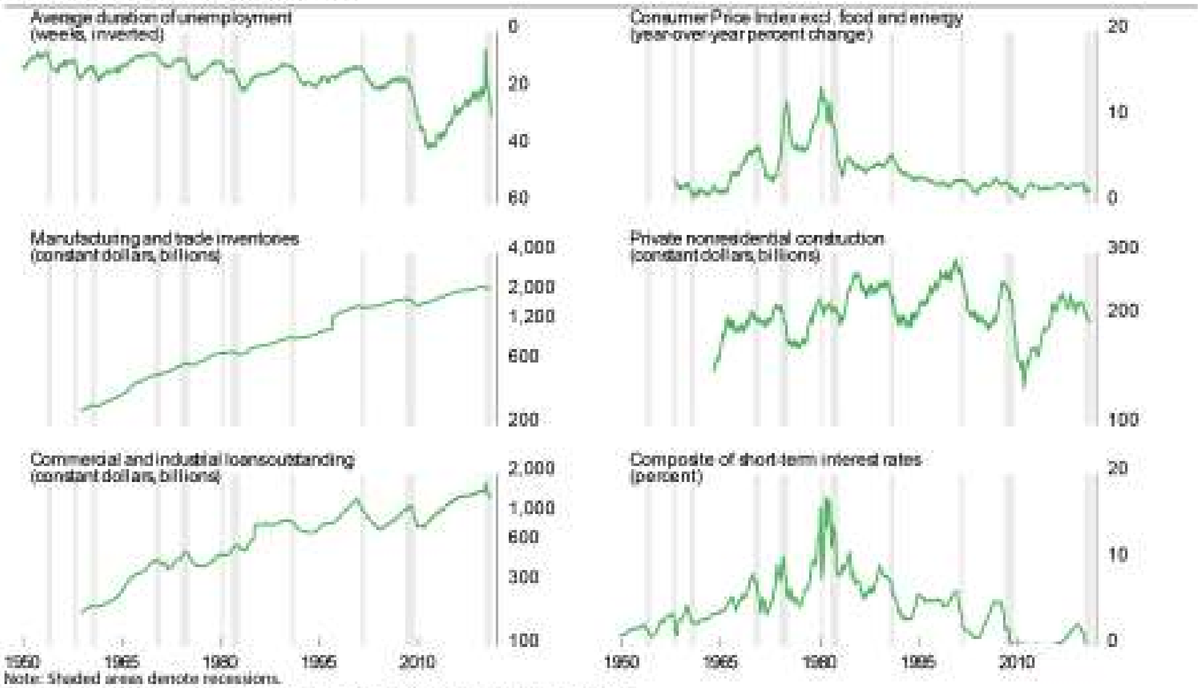
Note: Shaded areas denote recessions.
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The conference Board, Census Bureau, Department of Labor, Federal Reserve, Institute for Supply Management, Standard & Poor's, AIER (Refinitiv).

ROUGHLY COINCIDENT INDICATORS (1950-2021)



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, AIER (Refinitiv).

LAGGING INDICATORS (1950-2021)



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, AIER (Refinitiv).

CDC vs. Common Sense

PAUL E. ALEXANDER
Contributor

The death of Common Sense begins with the words initiated by the morass of Bureaucracy couched in safety and security. Indeed, and according to past President Ronald Reagan, the most frightening words to hear in the English language are para 'We're here from the government and we're here to help you!' The underpinnings of such beginnings appear benign and with benign neglect the malignancy storms through, metastasizing arboreally through the veins of the entire system. The world is seeing such a death these days.

We argue that the real virus is 'fear' and 'fear' stops people from thinking clearly. Governments and bureaucrats and their expert advisors are depending on people not thinking clearly, and are providing knee-jerk reactions to every facet of the pandemic which only drives fear unnecessarily. We also point out that the fuel for this fear rests on the reliance of our leadership on wholly unreliable PCR testing for SARS-CoV-2. In effect this has led to a fear-based *PCRdemic* that has not only paralyzed society but has led to massive societal disruption and unnecessary suffering and death.

The CDC has again revealed itself to be a nonautonomous entity grifting on the illogic of pseudoscience with its recent guidance regarding Covid-19 vaccines and travel as well as how vaccinated people can safely visit others. This once glorified agency has stooped to issue conflicting and at times illogical and frankly misleading guidance on Covid which can confuse not only the public, but healthcare providers and policy makers alike. It is troubling that the reports and guidance being produced by the CDC are at times contradictory and very confusing and make no sense. We focus first on the foremost and most disturbing issues of the day: The current guidance follows in step with Dr. Anthony Fauci's suggestions when he opined that children will be vaccinated in early 2022.

How could Dr. Fauci, who we assume reads the science and understands the science, make this statement when he knows that 1) children were not included in any of the Covid-19 vaccine research studies and as such, the results cannot be extrapolated to them and 2); these actions are even more perplexing particularly if one is 'following the science,' which in this case simply does not exist? It needs to be reemphasized that the risk for the development of serious SARS-CoV-2 infection in children is infinitesimally small in the first place (risk is in the range of 0.002%). They are also at very low risk of transmitting virus to other children, to adults, to their teachers, or of taking it home. We know there are exceptions as there are for any infectious pathogen, yet these exceptions remain exceedingly rare. This is not heresy and is a fact, based on undisputed science. This recommendation made by Dr. Fauci does not consider the long-term risks to children, especially given their low probability of infection and even lower probability of illness from the virus. Inserting the potential of harm where little to no risk exists is tantamount to gross malpractice in our opinion.

We must look at these issues as a risk management question and balance (trade-off) the benefits versus the harms of alternative courses of action. We have to balance the risk and the reward and make our decision based on how the balance settles out. These concepts are mainstays of public health policy and science and yet do not seem to play a meaningful role in the development of the CDC's and Dr. Fauci's guidelines. In fact, we find it exceedingly difficult to justify the administration of an *experimental* vaccine into any population cohort that has virtually no disease risk. This comes into very sharp focus when it is also understood that until long-term data are available post-vaccination, why would we even consider the administration of an experimental vaccine to children? This is a vaccine that might potentially have longer-term harms that are as yet unrecognized. This philosophy is no different than that applied to any new pharmacological agent, and especially so for still-experimental vaccines. Remember, these Covid vaccines are under emergency use authorization (EUA) and are decidedly still experimental. There is known risk (albeit low) to the healthiest of persons when they take into the body any drug, any vaccine, any substance and as such, this also applies to our children. Thus far there has been no evidence or science in support of such a theoretical enterprise, only innuendos. Today Dr. Fauci cannot point to any science, evidence, or data that could support the provision of SARS-CoV-2 vaccination of children in 2022. None!

Since children do travel (usually with their parents of course), and in light of the far-reaching implications of the advice given by the CDC in relation to travel we are compelled to address several concerns that have arisen in our opinion. In regard to the travel guidance that has emerged due to the introduction of the new experimental vaccines, we think that the CDC guidance, suggesting that fully vaccinated people avoid traveling is contrary to common sense, so much so that one can say the guidance is irrational and absurd on its face. Even the airline industry feels the blow from such unempirical and irrational guidance. The above article states, "The CDC Director Rochelle Walensky said Monday that the agency's advice on travel remains the same for both vaccinated and unvaccinated Americans: Don't do it." What facts, we ask, did she use to support this contention? Where is the evidence? She reiterated further, "We are really trying to restrain travel at this current period of time, and we're hopeful that our next set of guidance will have more science around what vaccinated people can do, perhaps travel being among them." Given the precarious state of the travel industry at this time, further advice, particularly sound advice, must not be delayed anymore.

The CDC guidance suggesting that fully vaccinated people should still avoid traveling is contrary to common sense; so much so that it is impossible to understand the merit relating to this recommendation. If a person has had a Covid infection and has been fully vaccinated, then one is immune from future illness. Adaptive Immunity and immune memory are central (B cell antibodies, CD4+ T cells and CD8+ T cells) to clearing the viral pathogens from the human body. This adaptation is acquired through exposure/infection (far more robust and protective over a longer-term based on the immunological data thus far available). Vaccinations also induce similar responses but since only specific and targeted portions of the epitopes are used in the manufacturing of the vaccine, the viral escape mechanism and selection pressures on the virus may help in the mutation process. This is why we also suggest that those with naturally occurring immunity and who therefore won't have 'monospecific' antibodies are probably more fully protected than those who have only received the vaccines that focus on the spike protein. In any event we must recognize and appreciate that vaccines also provide for the development of a functional immune response to SARS-CoV-2. Hence there is no reason why vaccinated persons or those who developed natural immunity due to prior SARS-CoV-2 infection should not be free to travel.

CNN Medical Analyst, ER physician, Milken Institute School of Public Health at the George Washington University Visiting Professor and former Baltimore Health Commissioner Dr. Leana Wen opined that the guidance defies and challenges common sense and logic. We applaud her bravery in calling this out! Sadly, she will most certainly be slandered by the media and others for her temerity in making such comments. Oddly, even as little as 3 years ago such comments would have been considered as being mainstream. And even if the ideas were not mainstream, veering from the party line would not be considered heresy! Prior to more recent changes in our methods of discourse, respectful, if intense, argumentation might follow, but this is unfortunately no longer the case. In any case, her comments reflect previously accepted knowledge and practices in public health science. Along these lines, we argue that if the vaccine is as effective as it has been purported to be and especially in reducing likelihood of being a carrier, then fully vaccinated individuals "should be able to travel, should be encouraged to travel." After all, what was the point in developing vaccines in the 1st place if not to return to normalcy?

Wen then explained what is so very illogical with the CDC's vaccine-travel guidance is that the CDC on the one hand is indicating that if someone is knowingly exposed to another with Covid-19, and they are vaccinated fully, then they do not need to get a test or even quarantine. However, the CDC also recently stated that "If you're sitting on a plane, you're not necessarily sitting next to people with COVID-19, you're wearing a mask, ideally; you're keeping distanced. And so, it just doesn't make sense that you can't travel." We agree fully with the contention by Wen and argue that people have been isolated for one year now and it is devastating. Isolation ravages people, especially our elderly who desperately want to see their families. We say that if someone is fully vaccinated, and they take reasonable safety precautions and especially so by strongly protecting our elderly, we should, and in fact must allow people to travel. As such, we reiterate that the guidance by the CDC makes very little common sense. Dr. Marty Makary also stated, para "To tell people who have been vaccinated that they cannot travel…to tell vaccinated people they can only be with vaccinated people…is a problem… the CDC was wrong on testing, they were wrong on masks, they were wrong on schools…this hurts our messaging…get out there, be active…guidance like this by the CDC hurts public health credibility… you don't need to wait for 2 weeks after the 2nd dose, look, 4 weeks after the 1st dose, you have 94% protection based on NEJM article."

We also argue our core thesis that the flurry of travel and visitation vaccine-related guidance by the CDC has in effect subversively driven the concept of the need for mass vaccination accompanied by vaccine immunity passports. In fact, our suspicions comport with what was said previously by Dr Wen. Dr. Wen may have let the cat out of the bag in this statement: "And that's one of those incentives that we can give as a way for restoring freedoms that you are now able to travel and go visit your loved ones and go to museums and cultural institutions once you're fully vaccinated." So, the government will give us back our freedom if we get vaccinated? Our Founders would be aghast! Dr. Makary also highlighted this mass vaccination agenda by the CDC when he weighed in on the CDC's comment indicating that vaccinated people can get together with vaccinated people, in essence, telling us that once we all get vaccinated, life pretty much can get back to some semblance of normal. Apart from being wholly irrational, this is an infringement of our Freedoms and Liberties! Is the reticence by the CDC to come out and fully explain to the public that the reason why they are calling for masks and no travel etc. is because the vaccines have not been as effective and do not appear to give sterilizing immunity with effective neutralizing antibodies? In other words, is the public being asked to continue masking and locking down and not travelling (as if we were still living in March 2020) even if vaccinated because the vaccines are not optimally effective? Then why force the people to take the vaccines in the first place? Is this miscommunication, just ignorance of facts or both that drive the CDC to continue to make such dubious statements?

Similarly, and in terms of the visitation with others once vaccinated, we find that the CDC guidance is confusing and specious. Dr. Makary said, "I think they're overly restrictive…but to tell vaccinated people they can only be with other vaccinated people and let down their guard then, or only be with a low-risk individual from one household, people need to get out there." Makary went on to state, 'CDC COVID-19 guidelines were an abuse of power'…' they have exercised that power because they could…the CDC guidelines were flawed and filled with dogma…if they were applied to the airline industry, every plane will be grounded.'

We agree fully with Dr. Makary and think that it is imperative to allow visitation once people are fully vaccinated with the safety steps of good hygiene and where applicable, a face mask (we shall not comment on the effectiveness or lack thereof) as well as following other steps such as maintaining social distancing, or meeting outdoors or in a room with good ventilation. These are reasonable suggestions. We believe strongly that visitations amongst family members and friends must happen now, once people have been either vaccinated or have developed and recovered from Covid-19. The elderly and the infirm and those most at risk should receive the vaccination first so that they are allowed to resume some normalcy of life and the freedom to see their loved ones to prevent further psychological harm to them. But even in this case, we do not really understand the longer-term or even shorter-term side-effects of vaccinations on the frail elderly and so we make this suggestion with caution. Yet, the very elderly we seek to protect have been decimated by the lockdowns and travel and visitation restrictions that have been imposed more or less arbitrarily.

Reports suggest that the restrictions from visitations and normal routines have accelerated the aging process along with accelerated cognitive decline. There have also been several reports showing that since the implementation of (largely draconian) lockdown measures, there have been increases in other problems in elderly patients including increased incidence of falls due to declining strength and loss of ability to adequately ambulate. The aging process escalates dramatically. Dementia is escalating as the rhyme and rhythm of daily life is lost for our precious elderly and there is a sense of hopelessness and depression with the isolation from restricting loved ones, especially in nursing homes, long-term care facilities, assisted living facilities and similar congregated settings. Isolation forces people into despondency and prolonged loneliness is devastating *and it kills!*

Do you think we overstate the probability that initiating the use of Covid vaccine immunity passports is not a possibility? Vaccine Immunity Passports harken back to the yesteryears of tumult and chaos of Wars that we feel are contrary to the open society we exist in. Some nations are marching ahead with these "passports" contrary to the natural rights of humanity in general, and Canada seems to be leading the pack in terms of how much oppression and punitive draconian steps it can implement on its population in response to Covid-19. Canada's Health Minister Patty Hajdu (a graphic designer with no health experience) indicated officially that Canada is discussing the issue of a Covid-19 vaccine passport with other G7 countries, stating that "Canada is engaging in "very live" conversations on requiring proof of vaccination in order to travel internationally." We are very concerned by this evolving situation and argue that this represents further confirmation that the CDC has tacitly and 'silently' signalled this in their recent vaccine-related travel and visitation guidance. We have many concerns about the unscientific, and unsound decisions and edicts being imposed on populations. Along these lines we point out that Ontario has become the first Canadian province to prioritize pregnancy in vaccination, despite our understanding that very limited data exist to support this recommendation (despite what you might hear from vaccine manufacturers)! The duration of follow up and the sample size and events needed to support the decision to vaccinate pregnant women are not available, or are at least so thin as to be completely unreliable. Thus we argue that this recommendation is not evidence-based and is certainly not reflective of the now infamous statement 'We're following the science!' We are very concerned by this particular decision in Ontario and conclude that this could be very dangerous to pregnant women given the existing evidence of potential risks. We even have reports now of risks when pregnant women have been vaccinated with Covid vaccines. Regardless, the decision to vaccinate pregnant women without actual supportive data is a gargantuan departure from the requirements for RCT-based data in relation to the use of safe and effective medications to prevent hospitalization and death. Why are similar data not necessary in order to substantiate the recommendation to inoculate pregnant females?

Perhaps no exchange exemplifies the insanity and absurdity now prevalent when medical experts like Dr. Fauci speak. John Berman of CNN asked Dr. Fauci, "What's the science behind not saying it's safe for people who have been vaccinated – received two doses, to travel?" Dr. Fauci replied para "There is no science, you just have to trust his "judgement call…when you don't have the data and you don't have the actual evidence, you've got to make a judgment call."

It seems that Dr. Fauci operates in a world of supposition and speculation and assumptions. Dr. Fauci should know better and that this is NOT science! Dr. Fauci wants us to trust his judgement? This is incomprehensible, particularly when the evidence shows that he has been flat wrong concerning everything from the lockdowns, masks, and school closures with regard to the pandemic. Time and again when we analyze his statements there is no data to back them up and they have led to catastrophic outcomes for the population (e.g. lockdown effects).

People must understand that CDC guidance is just that, 'guidance.' Guidance is not law and police enforcement of guidance alerts cannot be undertaken by the state! And we must emphasize that this concept also applies to the recent travel restrictions and visitation guidelines (post-vaccination). Where are the guidelines insofar as naturally acquired immunity is concerned? Why are the guidelines not based on data? How is the CDC developing guidelines in the absence of scientific support for these guidelines?

To close, the entire Covid-19 pandemic response in Western nations and perhaps the entire world, has led to disastrous outcomes. We argue that most have taken the lead from Western nations like the UK, US, and Canada. It has been a complete disaster and the irony is that we had strong reasonable pandemic plans in place prior to the advance of SARS-CoV-2 that for inexplicable reasons were shelved by the WHO, with no apparent or at least scientifically defensible rationale. As an example, we argue that after constant lockdown, by the time Australia emerges, they will likely discover as other nations did, that all they have done is delayed the inevitable, and while at it, destroying people's lives, their economies, and eviscerating civil liberties and law. We also feel that ad hoc remarks made by 'media' medical experts and authorities promoting fear is reprehensible, and we suggest a more science-based approach, with rational and validated evidence, that educates the public and will yield more benefit to a healthier free, and compliant society. The currency of credit is lost with illogical and haphazard statements when borne without relevant facts. Our governmental agencies are bestowed with certain powers to safeguard the lives of individuals and not to harass and subjugate them to the whims of a few narrow field "experts" who have no idea about the well-being of the society as a whole. We are allowing government agencies and inept government bureaucrats and technocrats to destroy our lives and futures. Stopping Covid 'at all costs' will destroy us societally and globally!

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– March 13, 2021

Why Is Everyone in Texas Not Dying?

JEFFREY A. TUCKER
Editorial Director

I'm sitting at a bar in Texas, surrounded by maskless people, looking at folks on the streets walking around like life is normal, talking with nice and friendly faces, feeling like things in the world are more-or-less normal. Cases and deaths attributed to Covid are, like everywhere else, falling dramatically.

If you pay attention only to the media fear campaigns, you would find this confusing. More than two weeks ago, the governor of Texas completely reversed his devastating lockdown policies and repealed all his emergency powers, along with the egregious attacks on rights and liberties.

There was something very un-Texan about those lockdowns. My hotel room is festooned with pictures of cowboys on horses waving guns in the air, along with other depictions of rugged individualism facing down the elements. It's a caricature but Texans embrace it. Then a new virus came along – as if that had never happened before in Texas – and the new Zoom class took the opposite path, not freedom but imposition and control.

After nearly a year of nonsense, on March 2, 2021, the governor finally said enough is enough and repealed it all. Towns and cities can still engage in Covid-related mischief but at least they are no longer getting cover from the governor's office.

At that moment, a friend remarked to me that this would be the test we have been waiting for. A complete repeal of restrictions would lead to mass death, they said. Would it? Did the lockdowns really control the virus? We would soon find out, he theorized.

I knew better. The "test" of whether and to what extent lockdowns control the virus or "suppress outbreaks" (in Anthony Fauci's words) has been tried all over the world. Every serious empirical examination has shown that the answer is no.

The US has many examples of open states that have generally had better performance in managing the disease than those states that are closed. Georgia already opened on April 24, 2020. South Dakota never shut down. South Carolina opened in May. Florida ended all restrictions in September. In every case, the press howled about the coming slaughter that did not happen. Yes, each open state experienced a seasonality wave in winter but so did the lockdown states.

So it was in Texas. Thanks to this Twitter thread, and some of my own googling, we have a nice archive of predictions about what would happen if Texas opened.

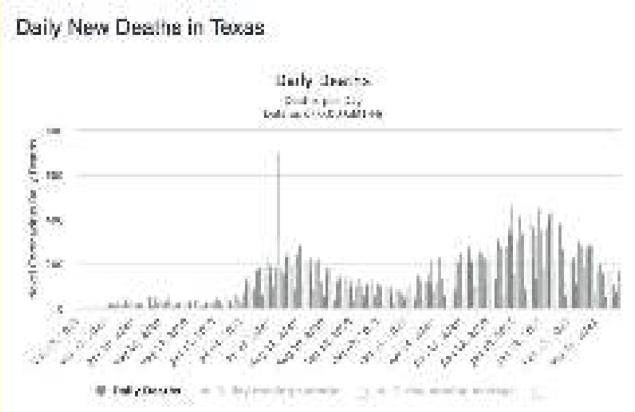
- California Governor Gavin Newsom said that opening Texas was "absolutely reckless."
- Gregg Popovich, head coach of the NBA San Antonio Spurs, said opening was "ridiculous" and "ignorant."
- CNN quoted an ICU nurse saying "I'm scared of what this is going to look like."
- Vanity Fair went over the top with this headline: "Republican Governors Celebrate COVID Anniversary With Bold Plan to Kill Another 500,000 Americans."
- There was the inevitable Dr. Fauci: "It just is inexplicable why you would want to pull back now."
- Robert Francis "Beto" O'Rourke of Texas revealed himself to be a full-blown lockdowner:

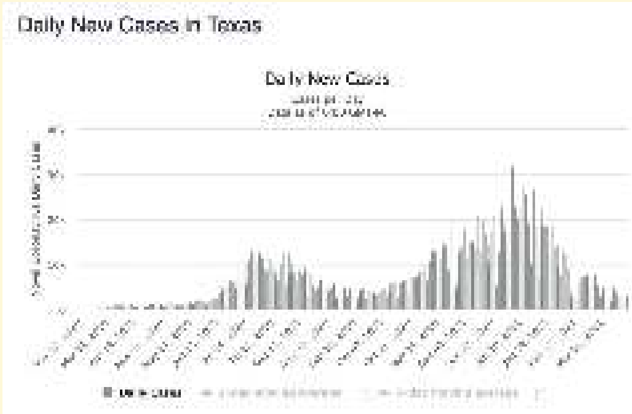
It's a "big mistake," he said. "It's hard to escape the conclusion that it's also a cult of death." He accused the governor of "sacrificing the lives of our fellow Texans … for political gain."

- James Hamblin, a doctor and writer for the *Atlantic*, said in a Tweet liked by 20K people: "Ending precautions now is like entering the last miles of a marathon and taking off your shoes and eating several hot dogs."
- Bestselling author Kurt Eichenwald flipped out: "Goddamn. Texas already has FIVE variants that have turned up: Britain, South Africa, Brazil, New York & CA. The NY and CA variants could weaken vaccine effectiveness. And now idiot @GregAbbott_TX throws open the state." He further called the government "murderous."
- Epidemiologist Whitney Robinson wrote: "I feel genuinely sad. There are people who are going to get sick and die bc of avoidable infections they get in the next few weeks. It's demoralizing."
- Pundit Bill Kristol (I had no idea that he was a lockdowner) wrote: "Gov. Abbott is going to be responsible for more avoidable COVID hospitalizations and deaths than all the undocumented immigrants coming across the Texas border put together."
- Health pundit Bob Wachter said the decision to open was "unforgivable."
- Virus guru Michael Osterholm told CNN: "We're walking into the mouth of the monster. We simply are."
- Joe Biden famously said that the Texas decision to open reflected "Neanderthal thinking."
- Nutritionist Eric Feigl-Ding said that the decision makes him want to "vomit so bad."
- The chairman of the state's Democratic Party said: "What Abbott is doing is extraordinarily dangerous. This will kill Texans. Our country's infectious-disease specialists have warned that we should not put our guard down, even as we make progress towards vaccinations. Abbott doesn't care."
- Other state Democrats said in a letter that the decision was "premature and harmful."
- The CDC's Rochelle Walensky didn't mince words: "Please hear me clearly: At this level of cases with variants spreading, we stand to completely lose the hard-earned ground we have gained. I am really worried about reports that more states are rolling back the exact public health measures we have recommended to protect people from COVID-19."

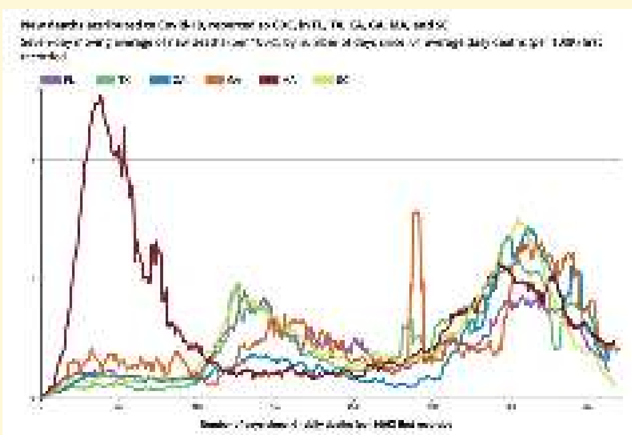
There are probably hundreds more such warnings, predictions, and demands, all stated with absolute certainty that basic social and market functioning is a terrible idea. The lockdown lobby was out in full force. And yet what do we see now more than two weeks out (and arguably the lockdowns died on March 2, when the government announced the decision)?

Here are the data.





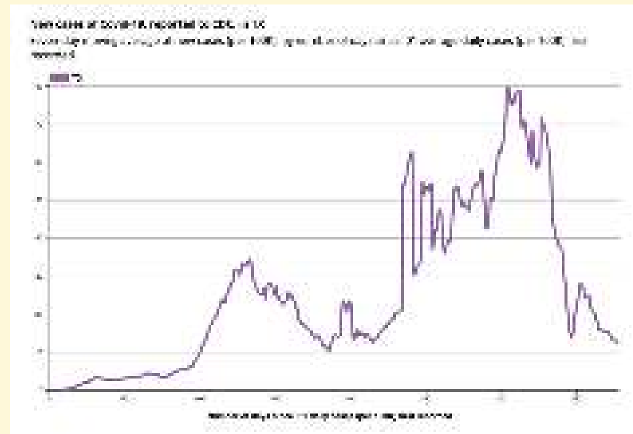
The CDC has a very helpful tool that allows anyone to compare open vs closed states. The results are devastating for those who believe that lockdowns are the way to control a virus. In this chart we compare closed states Massachusetts and California with open states Georgia, Florida, Texas, and South Carolina.



What can we conclude from such a visualization? It suggests that the lockdowns have had no statistically observable effect on the virus trajectory and resulting severe outcomes. The open states have generally performed better, perhaps not because they are open but simply for reasons of demographics and seasonality. The closed states seem not to have achieved anything in terms of mitigation.

On the other hand, the lockdowns destroyed industries, schools, churches, liberties and lives, demoralizing the population and robbing people of essential rights. All in the name of safety from a virus that did its work in any case.

As for Texas, the results so far are in.



I'm making no predictions about the future path of the virus in Texas. Indeed for a full year, AIER has been careful about not trying to outguess this virus, which has its own ways, some predictable and some mysterious. The experience has, or should have, humbled everyone. Political arrangements seem to have no power to control it, much less finally suppress it. The belief that it was possible to control people in order to control a virus produced a calamity unprecedented in modern times.

What's striking about all the above predictions of infections and deaths is not just that they were all wrong. It's the arrogance and confidence behind each of them. After a full year and directly observing the inability of "nonpharmaceutical interventions" to manage the pathogen, the experts are still wedded to their beloved lockdowns, unable or unwilling to look at the data and learn anything from them.

The concept of lockdowns stemmed from a faulty premise: that you can separate humans, like rats in cages, and therefore control and even eradicate the virus. After a year, we unequivocally know this not to be true, something that the best and wisest epidemiologists knew all along. Essential workers still must work; they must go home to their families, many in crowded living conditions. Lockdowns do not eliminate the virus, they merely shift the burden onto the working class.

Now we can see the failure in black, white, and full color, daily appearing on our screens courtesy of the CDC. Has that shaken the pro-lockdown pundit class? Not that much. What an amazing testament to the stubbornness of elite opinion and its bias against basic freedoms. They might all echo the words of Groucho Marx: “Who are you going to believe, me or your own eyes?”

– March 26, 2021

The Right to Work and Occupational Licensing

JACK NICASTRO (Research Intern), AMELIA JANASKIE (Research Associate), ETHAN YANG (Editorial Assistant)

Covid-19 and the lockdowns that followed should have been a rude wake-up call that we are losing our appreciation for the power of economic freedom. Our government deciding who can and cannot work was a blatant attack on economic and personal freedom at the most intimate level. This contempt for the right to earn a living, however, has been a growing issue well before Covid-19. Our government has been deciding who can and cannot work for decades through the advent of occupational licenses, which legally bar individuals from offering a professional service without first passing through artificially-imposed barriers to entry. The public interest law firm Institute for Justice writes,

> "All Americans deserve the opportunity to earn an honest living. Yet occupational licenses, which are essentially permission slips from the government, routinely stand in the way of honest enterprise. Without these licenses, workers can face stiff fines or even risk jail time."

A person is not truly free if they are unable to provide a professional service to another consenting individual, provided they are not harming others. However, occupational licenses are a direct prohibition on an individual's right to perform a service for a living. This is also a very recent innovation as the Reason Foundation reports,

> "The percentage of the workforce that must obtain a license to work has grown from about 4.5 percent during the 1950s to over 20 percent today."

The astronomical growth of the occupational licensing regime doesn't just cover high knowledge professions like medicine and law, but virtually everything imaginable from hedge trimming to hair cutting. Reason writes,

> "More than 1,000 occupations are currently regulated by the states. Children even need the government's permission to run makeshift lemonade stands during their summer vacations."

The growth of such a regime has come at the cost of people's ability to make a living with their unique talents. That is because often, such laws are made to protect incumbent businesses from competition by legally requiring new entrants to the market to pass a series of requirements that are costly both in time and money. The Institute for Justice writes,

> "The requirements for licensure, though, can be an enormous burden and often force entrepreneurs to waste their valuable time and money to become licensed. Additionally, these burdens too often have no connection at all to public health or safety. Instead, they are imposed simply to protect established businesses from economic competition."

It is one thing to require doctors to attend medical school, it's another thing to mandate that hairdressers and florists pass hundreds of hours of formal training before they can legally solicit a client. Reason highlights an example of how outrageous and malicious licensure laws are when they tell the story of a talented florist struggling to obtain a license in Louisiana:

> "The licensing exam emphasizes such subjective criteria as whether flowers have been "picked properly," arrangements have the "proper focal point," or flowers are "spaced correctly." No wonder the passage rate is less than 50 percent. So despite her proven talent, Shamille has been forced to forego floral work and find a job elsewhere."

Such licensure laws not only crush the ability of individuals to make a living, but also hurt the community as a whole to the benefit of well-connected interests and their friends in the government. A report from the Brookings Institution explains that, although licenses are advertised to increase public safety and service quality,

> "[b]y limiting access to many occupations, licensing imposes substantial costs: consumers pay higher prices, economic opportunity is reduced for unlicensed workers, and even those who successfully obtain licenses must pay upfront costs and face limited geographic mobility. In addition, licensing often prescribes and constrains the ways in which work is structured, limiting innovation and economic growth."

The claim that these economic costs are justified by improved quality and safety is a dubious one at best. In fact, Reason documents multiple studies finding that increased regulation of professions in the 1970s and 1980s most often produced no change in quality and is almost always coupled by an increase in the price of the service provided.

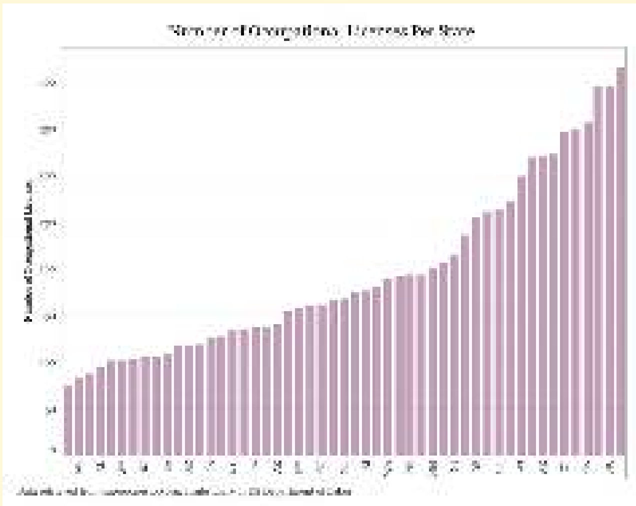
A Closer Look

Aside from these disturbing anecdotes, there are ways to easily quantify the cost that occupational licensing imposes on those seeking them. For the purposes of our analysis, we will be investigating how many hours, days, weeks, months, or *years* certain licenses require – opportunity cost – as well as the upfront price of taking the required examination or application fee – accounting cost.

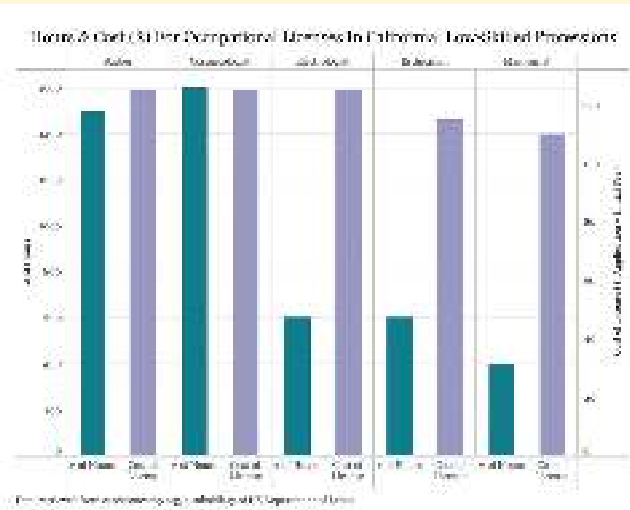
To set the stage, occupational licensing is an aspect of law which is handled on a state-by-state basis. As the Brookings Institute explains:

> "Typically, licenses are required by state governments…The U.S. licensure system takes a variety of forms throughout the country, but typically a state regulatory board… will process license applications, handle renewals, and oversee compliance with licensing rules, among other activities."

Below is a graph compiled on the number of occupational licenses on a state-by-state basis, ranked in ascending order, with data from CareerOneStop, sponsored by the U.S. Department of Labor.



As the most populous as well as the fourth most licensed state in the country, we have chosen to inspect the opportunity and accounting costs of licensing in California. Two sets of jobs are provided: one set of low-skilled occupations; the other of high-skilled ones. In the low-skilled set, we highlight the licensing costs faced by manicurists, electrologists, estheticians, barbers, and cosmetologists. In the high-skilled set, we include lawyers, registered nurses, optometrists, physicians, and psychologists.

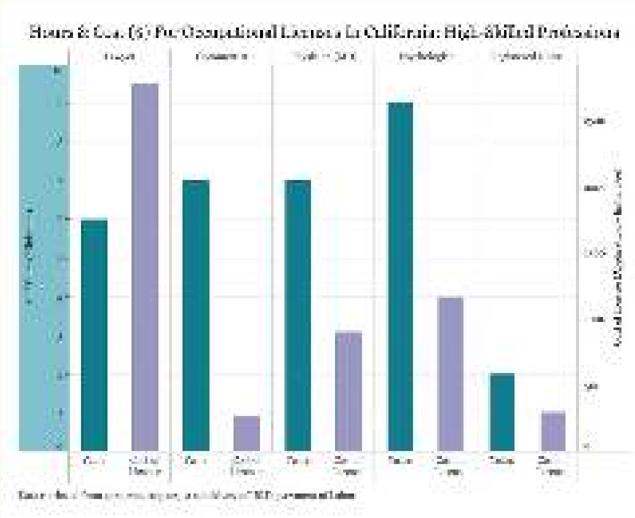


All along the spectrum of licensed professions, from high-skilled to low-skilled, the investment of time and money in obtaining legal permission to work is dizzying to consider. Even for manicurists, the low-skilled occupation with the lowest barriers to entry, one must accumulate 400 hours – the equivalent to 10 weeks of standard 9-5PM workdays – of unpaid apprenticeship and invest $110 before being able to legally bill for their services. While 10 weeks of unpaid labor might not seem like that big of a deal to a college student, for those in the bottom two quintiles of wage earners, i.e. most of those applying for a manicurist's license, not working for 10 weeks and having to pay $110 can be financially impossible. According to Deloitte and research compiled by the Bureau of Labor Statistics, the bottom two quintiles of consumers in 2017 had *negative* savings, making unpaid labor and paying over one hundred dollars well nigh impossible.

Considering that this is the grim reality faced by those aspiring manicurists, the hurdles and hoops other beauticians must jump through to get their licenses only gets more difficult. Given these data, it is not surprising that a Reason Foundation study found that

> "Licensing decreases the rate of job growth by an average of 20 percent." The same study also found that the "cost of licensing regulations is estimated at between $34.8 billion and $41.7 billion per year," meaning that the deadweight loss of complying with regulations is roughly equivalent to Armenia's 2020 GDP of $40,788, as estimated by the International Monetary Fund.

While many intuit the blatant, undisguised regulation capture in the beauty fields, others believe that, while regulations may be unjustifiable in fields that do not involve life or death decision-making, they must be applied to high-risk fields. Whether consciously or not, most of us buy into the idea that to exist in a world where unlicensed physicians are commonplace would be uncertain, chaotic, and even dangerous. Provided this pervasive attitude, the subsequent graph detailing the time and financial investment required to become a trained medical professional or lawyer will be less shocking, prima facie, than the lower-skilled occupations.



The cost does not include an undergraduate and graduate education which could reach into six-figure levels when considered. For these high-skilled occupations, the investment of time is measured in years rather than hundreds of hours, and the cost of test-taking and licensing fees measures easily above the $125 of the sample low-skilled jobs, climbing well into the thousands. While extensive training, vetting, and ratings of professionals in these high stakes fields are crucial to consumer protection – certainly much more so than with the low-skilled jobs listed – the imposition of attending an undergraduate program before proceeding to graduate school to study the skills relevant to the vocation is artificial, expensive, and unnecessary.

Mandatory Licenses Do Not Improve Safety

According to an article by the *The Regulatory Review*, a publication associated with the University of Pennsylvania, an Obama Administration report found that although there may be reason to believe that licenses may improve safety in specific professions,

> "[a]ccording to the federal report, however, studies on licensing requirements have found that licensing does not actually improve public health and safety. In its survey of twelve studies, the report identified only two that found that stricter licensing requirements increased the quality of services."

The report also found that state licensing regimes reduce labor mobility and could become problematic as the prevalence of telework increases. Furthermore, these licensing regimes disproportionately exclude certain populations from the workforce such as those convicted of felonies, who would be well-served by meaningful employment, and even immigrants who possess certification from their country of origin but not from their state of residence.

Medical professionals, for example, are generally only licensed to practice in a given state, even after their years and years of rigorous training, and must jump through more hoops to practice elsewhere. Such restrictions on work only serve to preserve the market power of well-connected businesses via the coercive arm of the state. The illegitimacy of such licensing laws was revealed when former Vice President Mike Pence issued a regulation in the early days of the pandemic on March 18th, permitting all medical professionals to practice anywhere in the United States in light of limited medical workers and the threat of the coronavirus:

> "With regard to medical personnel, at the President's direction, HHS is issuing a regulation today that will allow all doctors and medical professionals to practice across state lines to meet the needs of hospitals that may arise in adjoining areas."

Like many regulations that were lifted for emergency reasons during the age of Covid-19, restrictions on the ability of doctors to practice medicine across state lines without a license for each state was found to be unnecessary. When push comes to shove, it turns out a doctor can perform just as well in Connecticut as New York without extra certification. Go figure.

Society Can Do Without Mandatory Licenses

It is clear that many professions have not seen any noticeable increase in quality due to the advent of licenses and that such restrictions function primarily to reduce competition for established actors. Trimming hedges and styling hair for compensation without the prescribed training and certifications should not be an illegal act. The only people who benefit from this are the incumbent businesses that are protected from competition and disruptive innovation. Even highly sophisticated professions like law and medicine would be better off if such legal barriers were removed.

American legal scholar and attorney, Tim Sandefur, explains in his book *The Right to Earn a Living* that one of the biggest quality assurances is competition. The reason why you won't encounter an unqualified professional at hospitals and law firms is due mostly to their motivation to provide excellent service rather than legal barriers set by the government. Take a look at any large law firm. They predominantly employ graduates exclusively from the top law schools. Not only that, but they typically hire those with the highest GPAs and strong extracurricular leadership positions. Passing the bar is the least of the requirements to work at such firms. Competition and innovation from both employees and employers is what raises standards, not mandatory licenses and state intervention.

Quality certifications are good to have but they shouldn't be mandatory, especially if the cost of obtaining them is prohibitively expensive. Continuing with the example of the bar exam, passing is legally required to obtain a license to practice law. Although it is surely a good quality assurance test, it shouldn't be illegal for someone to voluntarily solicit services from someone who hasn't passed the bar. Skills come in all forms and perhaps some people can't translate their legal talents into a test like the bar exam. Some people simply can't afford a fully certified lawyer and they should have every right to solicit services from someone who isn't.

Furthermore, what constitutes the practice of law or other sophisticated professions is often nebulous on purpose to keep out competition of all sorts. Supreme Court Justice Neil Gorsuch writes in his book *A Republic If You Can Keep It,* that

> "[i]n recent years, lawyers have used these rules to combat competition from outsiders seeking to provide routine but arguably "legal" services at low or no cost to consumers."

He cites cases involving innovative firms like Quicken Family Lawyer and Legal Zoom which were both sued in Texas and South Carolina, respectively. Their crime was providing what can be interpreted as a legal service. That service was selling software that helped draft documents like wills and contracts. Such a service is clearly beneficial to society, especially to those who can't afford a lawyer to accomplish these necessary but relatively simple tasks.

Furthemore, the cost of going to law school is skyrocketing, much of which can be attributed to legal accreditation requirements. Justice Gorsuch notes that since the 1980s the cost of a private law degree has increased over 150% and a public degree over 420%, adjusted for inflation. Harvard Law School's estimated cost of attendance is just shy of

$100,000, $65,000 of that being for annual tuition, with three years being the average time it takes to receive a JD. That cost is relatively consistent among most elite law schools. Justice Gorsuch notes that the average tuition for an ABA accredited law school in the state of California is not much better at around $44,170 a year.

Again, not only are legally mandated certifications to work inflating the costs of important services, but they often keep it that way with little improvements to public safety. The legal profession is a clear example of a sector that certainly needs qualified workers. However, it is clear that mandatory requirements to even practice law in any form, whether it be complex corporate litigation or showing a family how to write a will, are not necessary. In fact they are clearly barriers to entry to the benefit of entrenched economic interests, at the expense of society.

You can apply the same level of analysis to any other complex profession such as medicine or accounting. All mandatory licenses do is take the power to offer and seek a service from the people to place it in the hands of the few. Even if someone is supposedly unqualified to offer a service, it is the right of the consumer to take that risk as it is likely they have no better option. If necessary, fraud and harm caused by incompetent or competent professionals can be punished via the criminal code.

Key Takeaways

Occupational licensing is one of those topics that may not seem like a big deal to the average person at first glance. Of course professionals should be qualified for their jobs and of course certifications provide a great way to ensure quality. The problem comes when the power to decide who can and who cannot work is given to a coercive authority. In the marketplace, bad actors are naturally corrected by competition and public scrutiny. This is especially true in our age of instant communication and crowd-sourced reviewing platforms such as Yelp. However, under our current occupational licensing regime, honest and hard working people are kept from offering a service to society by an arbitrary system that protects established businesses from competition. Such laws are built more so on fear-mongering than a true concern for public safety. Furthermore, such a system artificially suppresses those who have the skills but lack the resources to fulfill the expensive and demanding licensure requirements set by the state.

While the number of occupational licenses increases, we have seen little increase in public safety as a direct result and a massive increase in prices. There is nothing more Un-American and Anti-Capitalist than a system that ordains some with the right to earn a living and bars others from that same essential right. Rather than cultivating an environment where everyone can safely contribute, occupational licenses have made the economy a pay-to-play scheme that only serves well-connected interests.

– March 4, 2021

Lots of New Money, But Still-Low Inflation. What Gives?

RICHARD M. SALSMAN

Senior Fellow

Worries have intensified and spread lately about the prospects of higher U.S. inflation in the coming years. It's an important issue because higher inflation, even if it remains in the "single digits," erodes the value of financial assets (bills, bonds, and stocks) relative to tangibles (precious metals, other commodities, real estate). Double-digit inflation inflicts still worse harm, as it also sabotages economic growth and boosts the jobless rate (the "stagflation" combination of the 1970s).

Is there evidence today of forthcoming higher inflation in the U.S.? By some accounts, yes. U.S. inflation expectations today are worse than at any time since 2011 according to the "TIPS spread" (the difference between nominal Treasury note yields and the real yield on Treasury Inflation-Protected Securities). The spread has widened over the past year and is now 2.5% points. However, two other reliable market-based signals suggest inflation will stay low. The U.S. dollar has appreciated by 3% in foreign exchange this year, after depreciating by 7% in 2020; the $/gold price also is down, by 11% so far this year, after rising 28% in 2020. In short, predictive market prices are not signaling a materially higher inflation rate in the U.S.; as it is, the CPI rate itself has *decelerated* steadily over the past year, to only 1.4% (down from 2.5% over the prior-year period).

Of course, the Federal Reserve lately has massively increased bank reserves and the money supply in the process of recklessly monetizing a U.S. national debt that now totals $27 trillion (double its level of a decade ago). Bank reserves are now $3.4 trillion, *double* the level of a year ago (a magnitude not seen since the 2008-09 crisis). Significantly, most of these are excess reserves (beyond those required by the Fed), which means banks are *hoarding cash.* Indeed, they've been doing so since 2008-09. Likewise, the money supply (M-1) has increased substantially over the past year (+350%), to $18.4 trillion, although most of that occurred in 2Q2020. But the *demand* for money (cash balances) also has risen a lot, which means money's velocity (rate of speed in spending) has been plummeting. Whereas velocity is the multiple of nominal GDP to the money supply, money demand is the *inverse* (the multiple of money supply to nominal GDP, or the reciprocal of velocity). Fast-rising money demand (fast-declining velocity) signifies *hoarding*.

Banks, businesses, and households tend not to hoard money in good times, or when they have confidence in the credibility and predictability of policymakers; they hoard in *bad* times, when they *lack* sufficient confidence. That is precisely the case today, even if officials won't admit it.

We should always remember that the value of money (its purchasing power) is determined – like the value of other goods – by supply *and* demand, never by supply alone. Consider three separate occasions since the turn of the century (2001-02, 2008-09, and 2020-21) when faulty inflation forecasters failed to consider *both* factors. Yes, in each episode, out of sheer panic, the Fed massively increased reserves and money (supply), but banks, businesses, and households likewise massively increased their holdings of idle cash (demand for money). This helps explain why the dollar's value has not (yet) plunged despite these massive increases in Fed money creation.

Figure One illustrates the last two episodes of massive creation of bank reserves by the Fed. Notice how the banks mostly held onto those reserves, which far exceed the sums they are required (by the Fed) to hold against deposits. This must be part of any account of inflation remaining low. Of course, the Fed could claim prescience and insist that it created these reserves precisely because it foresaw the banks would need them badly and hold them dearly. That is just false. The Fed hoped to stem panic, spur lending, and "stimulate" the economy. Mere money creation cannot do that.

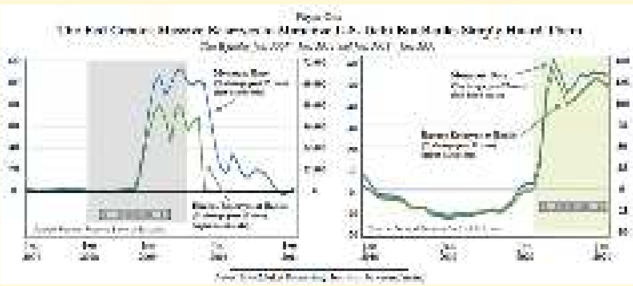
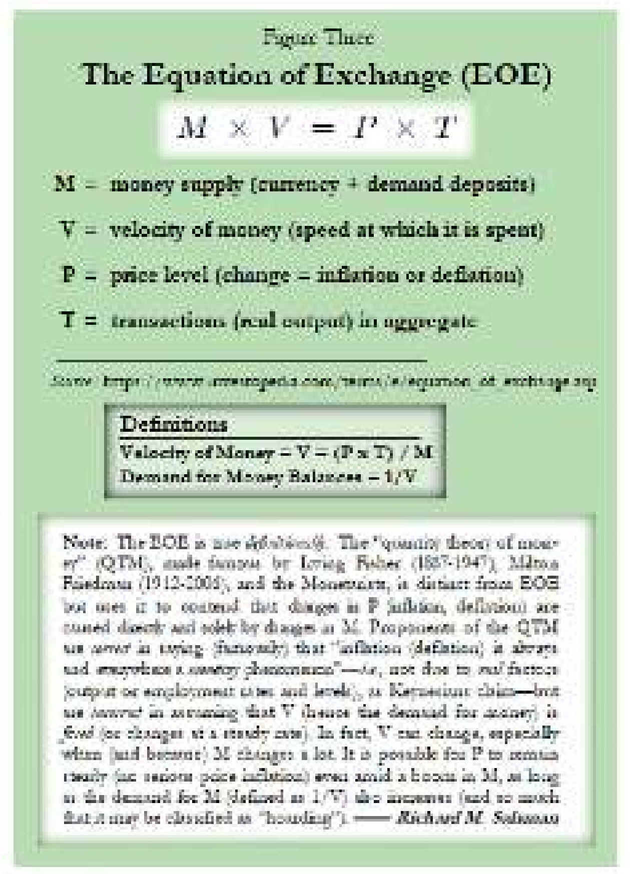


Figure Two illustrates the vast increases in both U.S. money supply *and* money demand over the past year, compared to other years since 2004. It also shows that the CPI inflation rate certainly has not skyrocketed – because *money demand* has risen roughly as much as *money supply*.

The laws of economics have not been repealed, although acolytes of "MMT" (Modern Monetary Theory) like to hope so; they want money and debt alone to *cheaply* fund stupendous increases in public spending – including a "universal basic income guarantee" and the "Green New Deal" – without their favored politicians suffering electoral fallout from much-hated tax-hiking schemes. The fans of MMT neglect the *demand* for money (and debt); the best-laid plans of mice-like men come to naught. A hoarding nation is rarely a prosperous one, and government can rarely secure real resources from a stagnant economy; it only risks hyperinflation and/or national insolvency.

Confusion and ambiguity concerning the relationship between money supply and money depreciation (inflation) can be traced to the influence of Nobel laureate Milton Friedman and the American monetarists. They were quite right (relative to Keynesians) to contend that "inflation is everywhere and always a *monetary* phenomenon" (i.e., not due to real factors, like the economic growth rate or jobless rate). But for decades monetarists also falsely asserted that the demand for money was nearly constant (or changed only negligibly) and thus that *money supply alone* (or substantially) determined inflation. In recent decades this one-eyed view of the determinants of money's value has led many economists and forecasters astray (especially the monetarists).

Again, the laws of economics have not been suspended; those laws *include* the law of *supply and demand*, which includes the supply and demand for *money*. Nor has the monetary "equation of exchange" become obsolete, as disciples of MMT also assume (for elaboration, see Figure Three).



I'll conclude with a longer-term view of the matter. I have mentioned already the three occasions since this century began when the Fed felt it necessary to massively increase bank reserves and the money supply (2001-02, 2008-09, and 2020-21). How does its policy over the last two decades contrast with its policy over the prior two decades (1980s and 1990s)?

In Table One I calculate compounded annual growth rates in money supply, money demand, the CPI, real output, and jobs over the past four decades. The money supply grew by only 5.0% p.a. in the last two decades of the 20th century, versus 15.0% p.a. over the first two decades of the 21st century. Yet inflation has been much *lower* over the last two decades (2.0% p.a.) than it was over prior two decades (3.6% p.a.). Why? Money demand has grown a lot since 2000 (+10.8% p.a.), whereas it declined (i.e., velocity quickened) in the two decades before 2000 (by -1.3% p.a.).

Observe also: the most robust economic growth rates occurred in the last two decades of the 20th century (3.0% p.a. for industrial production, +3.4% p.a. for real GDP), compared to growth of only 0.5% p.a. and 1.8% p.a. over the first two decades of the 21st century. Employment growth also was far better in the 1980s and 1990s (+1.9% p.a.) than in the past two decades (0.4% p.a.). You sure don't need more money to get more wealth; indeed, too much money *impedes* wealth creation.

As I explained two years ago, the mere production of money isn't the production of real wealth. Table One further confirms the point. The Fed and its MMT allies believe otherwise, of course, even though the more money and debt are created, the more economies stagnate. Ask Japan how that has worked – for many *decades*. Or ask Paul Krugman and the Keynesians, who've advised this policy for as many decades; just don't expect an honest answer from them, because the more prolonged the stagnation they cause, the more they demand still stronger versions of their policy.

Just because a reckless central bank foists tons of fake money on banks, businesses, and households does not mean any of them must spend it. Fiscal-monetary recklessness itself can signal private-sector actors not to part with safe, liquid assets. Eventually, of course, they may choose to flee the money *and* the debt, bringing higher inflation rates *and* higher interest rates. Meantime, the prudent observer must never neglect to consult the *demand* side of money.

– March 29, 2021

The CDC's Mask Mandate Study: Debunked

PAUL E. ALEXANDER
Contributor

The US Centers for Disease Control and Prevention (CDC) recently published a February 2021 MMWR report entitled "Decline in COVID-19 Hospitalization Growth Rates Associated with Statewide Mask Mandates — 10 States, March–October 2020." This report focused on 10 sites that had been included in the Covid-19 Associated Hospitalization Surveillance Network.

This CDC report described a decrease in hospitalization rates of growth of up to 5.6% in adults (18-65 years old) and attributed this to the use of masking and/or the introduction of mask mandates in the various sites. These rates were compared to those obtained from a 4-week period of time prior to the introduction of mask mandates. In so doing, and by way of regression analysis, the reduced rates of hospitalization were attributed to the introduction of statewide mask mandates.

Firstly, the initial publication by the CDC (February 5/February 12th, 2021) was plagued with important inaccuracies that were then fortunately addressed in an updated *erratum* (February 26th 2021). We applaud the CDC for taking the steps required to correct these errors. Reporting done by the CDC, which is generally considered as the premier public health agency in the US, must be of the highest quality, particularly since advice rendered by the CDC is also relied upon worldwide.

En face, CDC's conclusion on mandates might appear to make sense unless one is familiar with the scientific data pertaining to the ineffectiveness of masking for prevention of the spread of Covid-19 (e.g. references 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15) in which case the findings in fact contradict most of what is now known. The CDC's conclusion might have made more sense if the real-world evidence we have about mandates did not actually exist (e.g. references 1, 2, 3, 4).

Does the CDC really think that masks prevent the wearer from getting Covid, or from spreading it to others? The CDC admits that the scientific evidence is mixed, as their most recent report glosses over many unanswered scientific questions. But even if it were clear – or clear enough – as a scientific matter that masks properly used could reduce transmission, it is a leap to conclude that a governmental mandate to wear masks will do more good than harm, even as a strictly biological or epidemiological matter. Mask mandates may not be followed; masks worn as a result of a mandate may not be used properly; some mask practices like double masking can do harm, particularly to children; and even if a mask mandate results in some increased number of masks being worn and worn properly, the mandate and the associated publicity may reduce the public's attention to other more effective safeguards, such as meticulous hygiene practices.

Thus, it is not surprising that the CDC's own recent conclusion on the use of nonpharmaceutical measures such as face masks in pandemic influenza, warned that scientific "evidence from 14 randomized controlled trials of these measures did not support a substantial effect on transmission…" Moreover, in the WHO's 2019 guidance document on nonpharmaceutical public health measures in a pandemic, they reported as to face masks that "there is no evidence that this is effective in reducing transmission…" Similarly, in the fine print to a recent double-blind, double-masking simulation the CDC stated that "The findings of these simulations [supporting mask usage] should neither be generalized to the effectiveness …nor interpreted as being representative of the effectiveness of these masks when worn in real-world settings."

Just look at the data from Jonas F. Ludvigsson that is emerging from Sweden in children 16 years old and under when preschools and schools were kept open and there were no face masks though social distancing was fostered. The result was zero (0) deaths from COVID-19 in 1.95 million Swedish children across the study period. The number of infections was exceedingly low, the number of hospitalizations was exceedingly low, and there were no deaths in children with COVID-19, all this despite not wearing masks due to no schoolwide mask mandate. Is this merely a perfunctory and legally prudent warning by the CDC that "your mileage may vary?" Or is it more like a hot mutual fund telling you that "past performance is no guarantee of future results." What is the CDC really trying to say about face masks and why so much confusion?

We have reservations about the methodology employed and conclusions drawn in the CDC double mask study which we will address in a separate discussion but again their disclaimer as noted above: "The findings of these simulations should neither be generalized to the effectiveness … nor interpreted as being representative of the effectiveness of these masks when worn in real-world settings" seeds thoughts of doubt in relation to the value of this report. Why then, would the CDC even bother to publicize these findings? What is the public health impact? What is the benefit?

Moreover, the CDC even indicated in the double mask study that there are harms e.g. impediments to breathing, due to double masking. Indeed, the harms (e.g. reference 1, 2, 3, 4, 5, 6, 7, 8, 9, 10) are very real when face masks are used yet are often dismissed and not even discussed by the media medical establishment or government bureaucrats.

In relation to this, Dr. Anthony Fauci of the NIAID created appreciable confusion by initially suggesting and encouraging the use of double masks instead of one. Dr. Fauci then reversed his statements on the use of double masks. Dr. Fauci's advisories took on a form of double speak which has an appearance of randomness or worse, capriciousness. This can only distort the desperately needed advice by the public at large; unsound advice can be very damaging on several levels. This random form of advice-giving was not reflective of a single event. For example, while touting vaccines as the only way for society to emerge back to normal from the pandemic, Dr. Fauci is now advising that in fact, even with vaccinations, people should still not attend public gatherings and restaurants, and that such restrictions could be in place until end of 2021. While changes in advice are required when new data emerge, we hold that this was definitely not the case with respect to masking (or vaccination for that matter).

Below are the main scientific shortcomings or analytical ambiguities in the CDC's most recent MMWR report on mask mandates:

1. The CDC's main evidence, a regression study based on selected sites in ten states with masking mandates from March through October 2020, did not include the four-month period from November through February 2021 (which might have controlled for other possibly contributing factors such as sunlight and vitamin D) and did not appear to take into account the possible effects of such factors as school closures or changes in social distancing practices. We point out that during the period of March 22, 2020 to October 12, 2020 this is actually representative of the spring, summer and early fall seasons when outdoor activity increases. Of course,

this leads to more exposure to sunlight with the attendant generation of active vitamin D metabolites, while at the same time there are marked reductions in confinement within enclosed spaces which would necessarily reduce the opportunities for transmission of disease. A more stringent approach to the analyses, including the use of *all* available data (i.e. not excluding a full 4-month period of time), might have led conceivably to a conclusion that there was in fact no significant effect of mask mandates on disease or case rates. And in concert with the CDC's disclaimers noted above, the CDC indicated in their own report that the conclusions described in the study in favour of masking were, at best, only moderately reliable.

2. **The CDC analyzed changes in hospitalizations, but did not compare** infection, disease, or death rates between states with and without masking mandates. Available evidence of that nature suggests that the course of the pandemic was not affected by state masking mandates.

3. The CDC used a least squares fit regression analysis (OLS) (using "x" as mask wearing and the dependent/outcome to the "y" variable which is the number of Covid cases) despite the fact that simple regression is not the optimal approach and, we believe, should be replaced with Orthogonal Distance Regression (ODR) which would yield more reliable findings.

4. Based on the reporting, it appears that the CDC's regression analysis was based on data from limited sites within a state, and not the entire state.

5. The CDC report failed to address/discuss recent potent research data based on high-quality case-controlled analyses, as well as a high-quality Danish randomized controlled trial study published in the *Annals of Internal Medicine* which found no statistically or clinically significant impact of mask-use in regard to the rate of infection with SARS CoV-2, or a recent *NEJM* publication (prospective cohort CHARM study) where researchers studied SARS-CoV-2 transmission among Marine recruits at Parris Island (n=1,848) who volunteered, underwent a 2-week quarantine at home that was followed by a second 2-week quarantine in a closed college campus setting. The predominant finding was that despite the very strict and enforced quarantine, including 2 full weeks of supervised confinement and then enforced social distancing and masking protocols, the rate of transmission was *not* reduced and in fact seemed to be higher than expected, despite the strong experimental design and the rigor associated with carrying out the study.

6. The CDC report does not address and contextualize substantial "real world" experience showing that adding mandates where there is already substantial mask wearing has little effect, and that mask mandates that were followed can be correlated with increased case counts (e.g. references 1, 2, 3, 4). This obviously may not be cause and effect, but the same criticism can be levied against correlations or regressions going in the opposite direction.

Based on our assessment of this CDC mask mandate report, we find ourselves troubled by the study methods themselves and by extension, the conclusions drawn. The real-world evidence exists and indicates that in various countries and US states, when mask mandates were followed consistently, there was an inexorable increase in case counts. We have seen that in states and countries that already have a high frequency of mask wearing that adding mandates had little effect. There was no (zero) benefit of adding a mask mandate in Austria, Germany, France, Spain, UK, Belgium, Ireland, Portugal, and Italy, and states like California, Hawaii, and Texas. Importantly, we do not ascribe a cause-effect relationship between the implementation of mask mandates and the rise in case rates, but we also demand the same approach when it comes to claiming some sort of causal relationship between the introduction of mask mandates and likely claims by the CDC that their findings could support their implementation countrywide.

We think that inclusion of such evidence on the failures of masks mandates globally and states within the US would have made for more balanced, comprehensive, and fully-informed reporting. Specifically, when we consider the evidence on mask mandates, "in states with a mandate in effect, there were 9,605,256 confirmed Covid-19 cases, which works out to an average of 27 cases per 100,000 people per day. When states didn't have a statewide order—including states that never even had mandates, coupled with the period of time states with mandates still didn't have a mandate in place—there were 5,781,716 cases, averaging 17 cases per 100,000 people per day. In other words, protective-mask mandates have a poor track record insofar as fighting this pandemic. States with mandates in place produced an average of 10 more reported infections per 100,000 people per day than states without mandates." The blind acceptance of the current unsupported dogma has become so entrenched that if cases do go up, the experts wedded to the universal use of masks then claim that this is good news and infer that the masking mandate prevented even more cases from occurring. This is a fine example of tautology and defies reason. We are very troubled by this type of scientific reporting and inference, for it is based on assumptions, supposition, and speculation.

Masks for the general population as they are currently used (surgical masks and the cloth masks), are ineffective (particularly when used without other mitigation) and the body of evidence (see AIER) is clear. A recent op-ed in the *Washington Post* spoke to mask wearing by everyone during the 1918 flu pandemic, with the conclusion that masks were useless. We embrace fully the contention by Klompas in the *NEJM* that "what is clear, however, is that universal masking alone is not a panacea. A mask will not protect providers caring for a patient with active Covid-19 if it's not accompanied by meticulous hand hygiene, eye protection, gloves, and a gown. A mask alone will not prevent health care workers with early Covid-19 from contaminating their hands and spreading the virus to patients and colleagues. **Focusing on universal masking alone could, paradoxically, lead to more transmission of Covid-19 if it diverts attention from implementing more fundamental infection-control measures.**" We are particularly alarmed by the harms of masking and the failure by top US agencies and leadership (as well as the media and 'media' medical experts) to discuss or highlight harms in any discourse on masking.

We end by imploring the CDC to take our critique in the spirit in which it was generated. We welcome continued, rigorous scientific examination of these important societal lockdowns, school closures, and masking and broader mask mandate issues by CDC and others. We are entirely willing to consider any evidence that contradicts what we have seen which suggests that societal lockdowns and school closures are not effective, and as presented here, suggests that mask mandates are ineffective. Most importantly, to maintain the validity of scientific research as a tool, and the public's confidence in such research, reports on the results of such research should more comprehensively address the weakness or ambiguities that exist, as well as the conclusions the reporting agency supports.

Trusting the science means relying on the scientific process and method and not merely 'following the leader.' It is not the same as trusting, without verification, the conclusory statements of human beings simply because they have scientific training or credentials. This is especially so if their views and inquiry have become politicized. Dr. Martin Kulldorff of Harvard's Medical School has recently commented on the present Covid-19 scientific and research environment by stating, "After 300 years, the Age of Enlightenment has ended."

Sadly, we must agree, that it's not just that the age of enlightenment has come to an end, but indeed, that the science itself has been politicized and severely corrupted.

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– March 4, 2021

The Disease Models Were Tested and Failed, Massively

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One year ago this week the world embraced a lockdown strategy premised on the epidemiology modeling of Imperial College-London (ICL). In a March 16, 2020 report by physicist and computer modeler Neil Ferguson, the ICL team predicted catastrophic death tolls in the United Kingdom and United States unless both countries adopted an aggressive policy response of mandating social distancing, school and business closures, and ultimately sheltering in place.

Ferguson's model presented a range of scenarios under increasingly restrictive nonpharmaceutical interventions (NPIs). Under its "worst case" or "do nothing" model 2.2 million Americans would die, as would 510,000 people in Great Britain, with the peak daily death rate hitting somewhere around late May or June. At the same time, the ICL team promised salvation from the coronavirus if only governments would listen to and adopt its technocratic recommendations. Time was of the essence to act, so President Donald Trump and UK Prime Minister Boris Johnson both listened. And so began the first year of "two weeks to flatten the curve."

It took a little over a month before we saw conclusive evidence that something was greatly amiss with the ICL model's underlying assumptions. A team of researchers from Uppsala University in Sweden adapted Ferguson's work to their country and ran the projections, getting similarly catastrophic results. Over 90,000 people would die by summer from Covid-19 if Sweden did not enter immediate lockdown. Sweden never locked down though. By May it was clear that the Uppsala adaptation of ICL's model was off by an order of magnitude. A year later, Sweden has fared no worse than the average European lockdown country, and significantly better than the UK, which acted on Ferguson's advice.

Pressed on this unexpected result, ICL tried to distance itself from the Swedish adaptation of its model in May. The records from the March 21st supercomputer run of the Uppsala team's projections belie that assertion, linking directly to Ferguson's March 16th report as the framework for its modeling design. But no matter – the ICL team's own publications would soon succumb to a real-time testing against actual data.

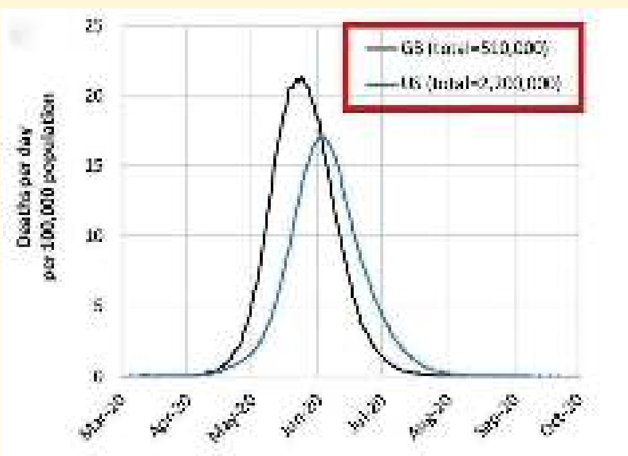
A second ICL report, attempting to model the reopening of the United States from lockdowns, wildly exaggerated the death tolls that were expected to follow. By July, this model too had failed to even minimally correspond to observed reality. ICL attempted to save face by publishing an absurd exercise in circular reasoning in the journal *Nature* where they invoked the unrealized projections of their own model to supposedly "prove" multiple millions of lives had been saved by the lockdowns. That study soon failed basic robustness checks when the ICL team's suite of models were applied to different geographies.

Another team of Swedish researchers then noticed oddities in the ICL team's coding, suggesting they had modified a key line to bring data from their own comparative analysis of Sweden into sync with other European countries under lockdown after the models did not align. A published derivative of this discovery showed that ICL's own attempts to validate the effectiveness of its lockdown strategies does not withstand empirical scrutiny.

Finally, in November, another team of researchers from the United States compared a related ICL team model for a broader swath of countries against five other international models of the pandemic, examining the performance of each against observed deaths. Their results contain a stunning indictment: "The Imperial model had larger errors, about 5-fold higher than other models by six weeks. This appears to be largely driven by the aforementioned tendency to overestimate mortality."

The verdict is in. Imperial College's Covid-19 modeling has an abysmal track record – a characteristic it unfortunately shares with Ferguson's prior attempts to model mad cow disease, swine flu, avian flu, and countless other pathogens.

After a year of model-driven lockdowns, we may also look back to the original March 16, 2020 report to see yet another failure of its predictive ability. Recall that this is the model that fueled the alarmist rush to shut everything down last March, all to avert a 2.2 million death toll that would presumably peak around June.



(Source: Imperial College Report #9, March 16, 2020)

As noted above, the 2.2 million figure for the US (and corresponding 510,000 figure in Britain) were "worst case" scenarios in which the pandemic ran its course. According to the underlying theory of the ICL model, these catastrophic totals could be reduced by the adoption of NPIs – the escalating suite of social distancing measures, business and school closures, and ultimately full lockdowns that we observed in practice over the last year.

Aside from its 2.2 million worst case scenario, ICL offered no specific projections for how its proposed mitigation measures would work in the United States. Ferguson did however tell the *New York Times* on March 20, 2020 that a "best case" American scenario would still yield "about 1.1 million deaths," giving us a glimpse of what he believed to be possible under NPI mitigation. The March 16th report similarly "predict[ed] there would still be in the order of…1.1-1.2 million in the US" under the most optimistic mitigation strategy, barring a large increase in hospital ICU bed capacity.

By contrast, ICL did publish an extensive table showing the results of its model run for Britain over a group of four increasingly stringent NPI scenarios. These range from the "worst case" projection with half a million deaths (the figures vary depending on assumptions about the virus's reproduction rate) to a more stringent model where four NPIs (public school closures, case isolation, home quarantine, and social distancing) are simultaneously enacted. The results are depicted below.

		Total deaths			
R_0	On Trigger	Do nothing	CI_HQ_SD	PC_CI_SD	PC_CI_HQ_SD
2	60	410,000	47,000	6,400	5,600
	100	410,000	47,000	9,900	8,300
	200	410,000	46,000	17,000	14,000
	300	410,000	45,000	24,000	21,000
	400	410,000	44,000	30,000	26,000
2.2	60	460,000	62,000	9,700	6,900
	100	460,000	61,000	13,000	10,000
	200	460,000	64,000	23,000	17,000
	300	460,000	65,000	32,000	26,000
	400	460,000	68,000	39,000	31,000
2.4	60	510,000	85,000	12,000	8,700
	100	510,000	87,000	19,000	13,000
	200	510,000	90,000	30,000	24,000
	300	510,000	94,000	43,000	34,000
	400	510,000	98,000	53,000	39,000
2.6	60	550,000	110,000	20,000	12,000
	100	550,000	110,000	26,000	16,000
	200	550,000	120,000	39,000	30,000
	300	550,000	120,000	56,000	40,000
	400	550,000	120,000	71,000	48,000

DOI: https://doi.org/10.25561/77482

(Source: Imperial College Report #9, March 16, 2020)

Note that the UK enacted policies based on all four measures recommended by the March 16th report, as well as an even more stringently enforced general lockdown on three separate occasions. After one year of following and expanding upon the Imperial College strategy, an unusual result appears in the data: not only have the UK's numbers come up far short of Ferguson's most alarmist scenario (depicted in the first column), but the UK has actually done much worse than the other NPI mitigation models in the ICL report.

As of the 1-year anniversary, the UK had a little over 125,000 confirmed Covid-19 deaths. By implication, the UK death toll has exceeded the mildest of the other three NPI scenarios from the ICL model (column 2) and blown past its heavier NPI recommendations (columns 3 and 4), even while operating under a more stringent set of lockdowns than ICL originally contemplated.

The implications are clear. While Ferguson wildly exaggerated the "worst case" scenario for the UK, he also severely overestimated the effectiveness of NPIs at controlling the pandemic.

By building its policy response around the Imperial College model, the UK government delivered the worst of both worlds. It imposed some of the most severe and long-lasting lockdowns in the world based on the premise that NPIs would work as Ferguson's team predicted, and that such actions were needed to avert a catastrophe. Except the lockdowns did not work as intended, and the UK also ended up with an abnormally high death count compared to other countries – including locales that did not lock down, or that reopened earlier and for longer periods than the UK.

Why were the Ferguson/ICL predictions so far off base on both ends? The answer likely derives from two central flaws in their model design.

First, Ferguson adapted the model directly from a 2006 influenza pandemic model that he published in the journal *Nature*. As with the March 16th Covid report, this study aimed to predict the spread of a virus across the general population, subject to a suite of increasingly stringent NPI countermeasures. As the second-to-last paragraph of the study reveals though, it only modeled general population spread. In doing so, the authors acknowledged that "Lack of data prevent us from reliably modelling transmission in the important contexts of residential institutions (for example, care homes, prisons) and health care settings."

With Covid-19 however, nursing homes have emerged as one of the greatest vulnerabilities in the pandemic. In many locales, nursing home deaths alone account for almost half of all Covid-19 fatalities despite housing only a tiny fraction of the population. While the latest nursing home figures for the UK are as of yet hard to come by, reports from last year suggest they are not only a large share of the country's Covid-19 deaths but also severely undercounted in official records. Using a preliminary count from last year, the UK had one of the worst nursing home shielding ratios in Europe – a measure that compares a country's death toll in its care facilities to the general population. The ICL projections likely missed this problem entirely due to a defect in the 2006 model it was built upon.

Second, Ferguson's model severely overstated the effectiveness of NPIs at mitigating general population spread. Part of the appeal of the ICL report from last March came from its succinct portrayal of the available policy options and their claimed effects. The modelers presented political leaders with a menu of escalating measures to adopt with mathematical precision, each linked to an associated projection of its effectiveness at staving off the pandemic. All the politicians had to do was select from the menu and implement the prescribed course.

Except it wasn't that simple in practice. ICL's recommended NPI measures baked assumptions about their own effectiveness into the model. In reality, most of these assumptions had never been tested or even minimally quantified. As a key chart from the March 16th report illustrates, the supposed effect of each NPI was little more than a guesstimate – a set of nice, round numbers that purported to show the change in social interactions after its adoption.

Table 2: Summary of NPI interventions considered.

Label	Policy	Description
CI	Case isolation in the home	Symptomatic cases stay at home for 7 days, reducing non-household contacts by 75% for this period. Household contacts remain unchanged. Assume 70% of household comply with the policy.
HQ	Voluntary home quarantine	Following identification of a symptomatic case in the household, all household members remain at home for 14 days. Household contact rates double during this quarantine period, contacts in the community reduce by 75%. Assume 50% of household comply with the policy.
SDO	Social distancing of those over 70 years of age	Reduce contacts by 50% in workplaces, increase household contacts by 25% and reduce other contacts by 75%. Assume 75% compliance with policy.
SD	Social distancing of entire population	All households reduce contact outside household, school or workplace by 75%. School contact rates unchanged, workplace contact rates reduced by 25%. Household contact rates assumed to increase by 25%.
PC	Closure of schools and universities	Closure of all schools, 25% of universities remain open. Household contact rates for student families increase by 50% during closure. Contacts in the community increase by 25% during closure.

A 2019 report by the World Health Organization (WHO) warned of the flimsy empirical basis for epidemiology models such as the one developed by ICL. "Simulation models provide a weak level of evidence," the report noted, and lacked randomized controlled trials to test their assumptions. The same report designated mass quarantine measures – what we now know of as lockdowns – as "Not Recommended" due to lack of evidence for their effectiveness. Summarizing this literature, which included the same 2006 influenza model that Ferguson adapted to Covid-19, the WHO concluded: "Most of the currently available evidence on the effectiveness of quarantine on influenza control was drawn from simulation studies, which have a low strength of evidence."

The UK's experience under the ICL model therefore demonstrates not only Ferguson's propensity toward wildly alarmist disease forecasting – it also illustrates the abject failure of lockdowns and related NPI measures to mitigate the pandemic. As a revealing point of comparison, the UK's population-adjusted daily death toll under lockdowns has been consistently higher than no-lockdown Sweden for most of the pandemic, despite both countries following a nearly identical pattern of timing in both the first and second waves.

The relevant question, then, is not whether the UK failed to lock down stringently enough, but whether lockdowns offer any meaningful benefit whatsoever in mitigating the pandemic. A growing body of empirical data strongly suggests they do not.

The repeated failures of the Ferguson/ICL model point to a scientific error at the heart of the theory behind lockdowns and similar NPIs. They assume, without evidence, that their prescriptive approach is correct, and that it may be implemented by sheer will as one might achieve by clicking a check-box in a Sim City-style video game. After a year of real-time testing, it is now abundantly clear that this video game approach to pandemic management ranks among the most catastrophic public health policy failures in the last century.

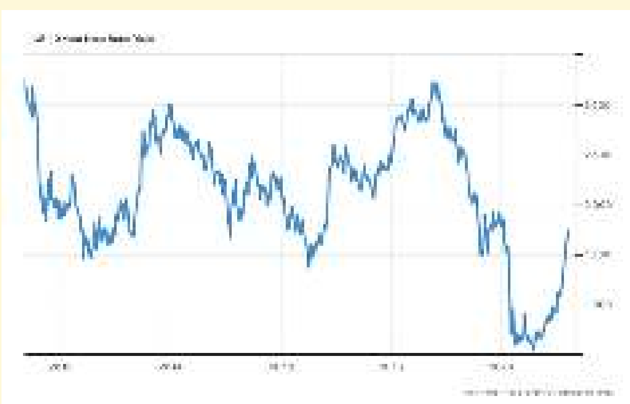
– March 19, 2021

Inflationary Inflection Point or Temporary Blip?

COLIN LLOYD
Contributor

In this article I look at the longer-term prospects for inflation in the US. The lockdown decline and subsequent recovery in GDP growth, together with the concomitant fall and rise in prices is already evident. Meanwhile, the forward-looking stock market continues to travel hopefully, anticipating the end of restrictions and a return to the new normal. The bond market, by contrast, may be starting to express fears that the largest peacetime stimulus in history might have longer-term inflationary consequences.

Since making all-time low yields in August 2020, US 10yr Treasury Bond yields have risen steadily, but, as the chart below reveals, only back to the depressed levels of H2, 2019 and mid-2016. Is this a post-lockdown correction or an inflection point, or is it too soon to say?



Source: Trading Economics

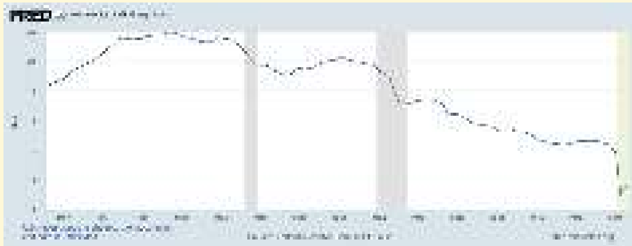
The high growth stocks which dominate the Nasdaq 100 index briefly took fright, in some cases retreating by more than 30%, but the broader index rapidly regained composure. As the next chart (22nd March) shows it is presently just 5.2% below its all-time high. Looked at over the past decade, one could be forgiven for thinking the recent retracement is simply some overdue profit-taking in an otherwise unblemished multi-year bull-market: –

Source: Yahoo Finance

The broader-based S&P 500 Index remains staunchly within striking distance of its all-time high made on 17th March. So, why is the financial press awash with talk of tightening despite assurances from Federal Reserve (Fed) Chairman Jerome Powell to the contrary? The main reason is a belief, especially among the ranks of the so-called bond *vigilantes*, that the combined monetary and fiscal stimulus which mitigated the immediate economic impact of the pandemic will, as the global economy rebounds, lead to structurally higher prices for goods and services.

> *'Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.'*
>
> *Milton Friedman*

When Friedman wrote about the variable lags between increases in the monetary base and inflation, it was an era of relatively stable velocity of monetary circulation. By contrast, over the past two decades that velocity has fallen steadily: –



Source: Federal Reserve Bank of St. Louis

Bond yields may have risen but there is scant evidence of a rebound in the velocity of monetary circulation. The end of the lockdowns may see velocity return to its trend, but the trend has yet to turn; what factors could make this the inflation inflection point?

We need look no further than **AIER's Gregg van Kipnis** who, on 17th March, published a fascinating analysis entitled **Inflation Outlook: Likely Worse Than Expected**. The author examines the reasons behind the absence of inflation, despite the excessively accommodative monetary policy of the last decade. He argues that a key factor was the introduction of IOER – interest on excess reserves held at the Fed – which effectively sterilised a large proportion of the newly created monetary balances. For a detailed explanation of the Fed policies – **Why did the Federal Reserve start paying interest on reserve balances held on deposit at the Fed? Does the Fed pay interest on required reserves, excess reserves, or both? What interest rate does the Fed pay? from FRBSF** is a good starting point.

Van Kipnis argues that the declining velocity of circulation in the face of rising money supply is also a function of the lack of opportunity in the real economy. This anaemic investment environment is also reflected in the flatness of the US yield curve. In the chart below, van Kipnis shows the closeness of the relationship between the velocity of circulation and falling bond yields: –

Source: Federal Reserve Bank of St. Louis

The FOMC statement from March 17th gave upward revisions of their GDP and inflation (PCE) forecasts for Q4 – to 6.5% and 2.2% respectively, but reiterated that monetary policy remains unchanged: –

> *The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals.*

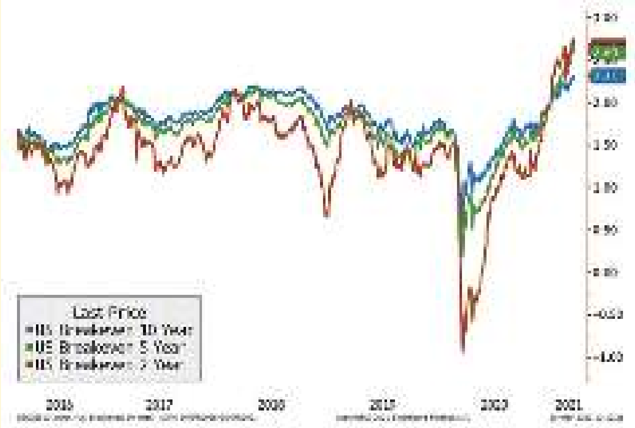
This echoes a recent speech – **How Should We Think about Full Employment in the Federal Reserve's Dual Mandate?** – given by Fed Governor Lael Brainard: –

> *Inflation remains very low, and although various measures of inflation expectations have picked up recently, they remain within their recent historical ranges. PCE (personal consumption expenditures) inflation may temporarily rise to or above 2 percent on a 12-month basis in a few months when the low March and April price readings from last year fall out of the 12-month calculation, and we could see transitory inflationary pressures reflecting imbalances if there is a surge of demand that outstrips supply in certain sectors when the economy opens back up. While I will carefully monitor inflation expectations, it will be important to see a sustained improvement in actual inflation to meet our average inflation goal.*

This speech is principally concerned with that other element of the Fed's dual mandate, the maintenance of full employment. They do not specify a target for unemployment but consensus suggests 3.5% should suffice – that is a level reached in September 2019 and February 2020: and prior? Not once since December 1969: –

Source: Federal Reserve Bank of St. Louis

Fed guidance suggests that they intend to be reactive rather than proactive where inflation is concerned. Papers, such as – Did the Federal Reserve Anchor Inflation Expectations Too Low? – simply reinforce this impression. They anticipate a sharp economic recovery once vaccinations permit businesses to reopen. Once the bottlenecks ease and the wave of pent-up demand has subsided, however, they fear a further slowdown. The yield switch over between 2yr, 5yr and 10yr Treasury Inflation-Protected Security (TIPS) reflects this view: –



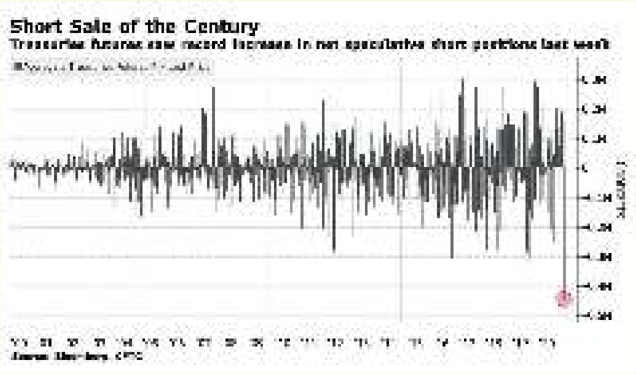
The *breakeven inflation* shown in the chart above is calculated by taking the yield on a conventional bond minus the yield on an inflation-indexed bond of the same maturity. For further insight into this topic – **The Persistent Compression of the Breakeven Inflation Curve** – provides a wealth of information. Here are the authors' conclusions: –

> *…we document two striking properties of the forward breakeven inflation curve over the last seven years: (1) a persistent level shift down and (2) cross-sectional compression. Going forward, it will be interesting to see if these features of the markets change, perhaps because of investors' responses to the FOMC's new flexible average inflation targeting framework, and what that implies*

for our understanding of this unprecedented behavior.

Perhaps the Fed is winning the war of words, but in – **Bond markets are shrugging off inflation fears, but what do they know that we don't?** – **The Peterson Institute** cautions against relying on the predictive power of inflation breakevens.

Meanwhile in conventional Treasury securities bearish speculation is rife – short interest briefly reached a 20-year record in early March: –



Source: Bloomberg, CFTC

The repo rate for US 10yr on-the-run T-Bonds traded briefly at -4.25% – in other words borrowers of securities, such as hedge funds, were prepared to lend their cash for free and pay an additional borrowing fee of 4.25% in order to secure 10yr T-Bonds to sell short. For a more detailed explanation of repo rates, this 2004 New York Fed paper – **Repurchase Agreements with Negative Interest Rates** – may be of interest. What seems evident is that long dormant inflation expectations may be beginning to rise.

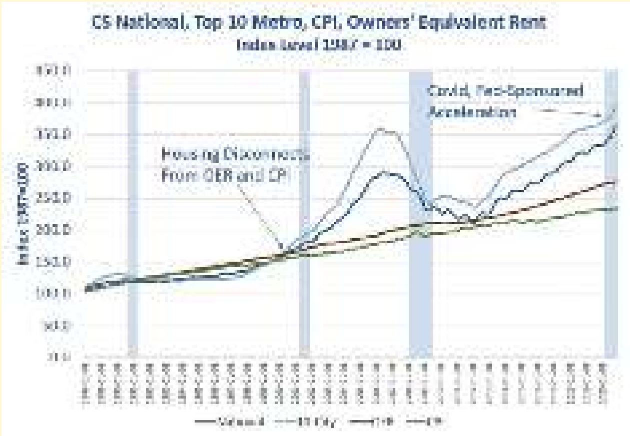
Van Kipnis argues that the low level IOER (0.10%) will help to underpin a structural increase in the velocity of circulation: –

Source: Federal Reserve Bank of St. Louis

Nonetheless, despite Chairman Powell's pronouncements, there is a tightening of monetary conditions due on March 31st as the temporary change to the Fed's supplementary leverage ratio (SLR) for bank holding companies expires. This temporary measure has permitted banks to exclude Treasury securities and deposits from SLR calculations for the past year. From April banks' capacity to provide credit and liquidity to financial markets will be reduced. This **New York Fed, Liberty Street post** – **Did Dealers Fail to Make Markets during the Pandemic?** – provides more information.

Beyond Normalisation

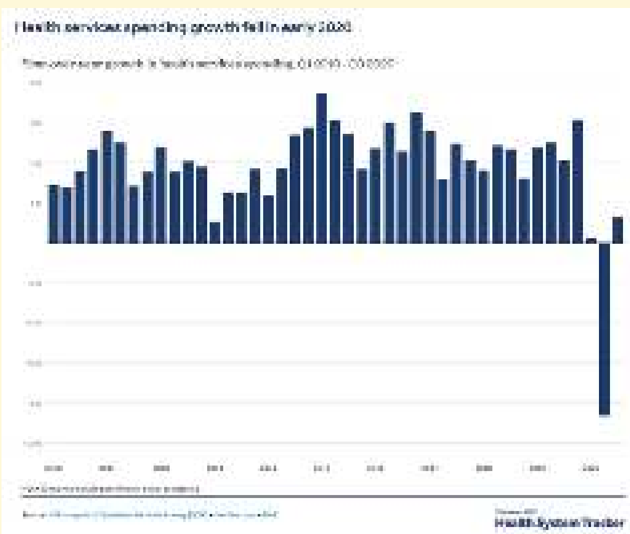
Looking beyond the current recovery there are two forces which persuade me that the inflation genie may have emerged from its bottle. Firstly the persistent official under-measurement of inflation. This is most noticeable in US housing costs and healthcare but is evident, to a lesser degree, in education: –



Source: Mish Talk, The Street.com

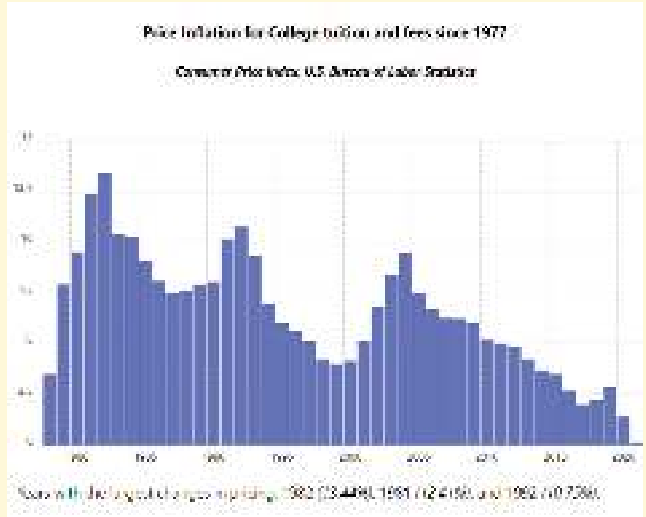
With housing we see a divergence which has been widening since 2000 and has accelerated since 2012.

Meanwhile, as the US population ages, healthcare costs have risen faster than implied by CPI or PCE: –



Source: Mauldin Economics, Kaiser Family Foundation

The chart below shows college tuition inflation since the 1980's; last year's decline was primarily due to the lockdowns: –



Source: Official Data Foundation

As the next chart reveals, the systemic under-measurement of inflation inherent in both the CPI and PCE measures permits the Fed to justify setting policy rates too low: –

Source: Advisor Perspectives

This chart from Shadow Stats shows the way inflation measurement, compared to the official method used in the 1980's, has diverged: –

Source: Shadowstats.com

A full explanation of the methodology used can be found here. The public is already aware of the disconnect between official data and individual experience, but as prices, even as measured by PCE, start to rise, anger at this egregious *inflation fiction* will grow.

The Demographic Twist

The second factor which will support higher inflation is the aging of the population of both developed and developing countries. Writing in September 2020 Charles Goodhart and Manoj Pradhan provided a precis of their new book. The article, entitled, **The great demographic reversal and what it means for the economy** – begins by addressing the outlook for China, concluding that its greatest contribution to global growth is already past, since the size of its working age population has begun to decline. They go on to observe that in countries with a shrinking working age population: –

> *The great demographic reversal will lead to a return of inflation, higher nominal interest rates, lessening inequality and higher productivity, but worsening fiscal problems, as medical, care and pension expenditures all increase…*

The authors predict that output growth will decline as the ratio of workers to retirees diminishes. Any increase in longevity without significant breakthroughs in healthcare will be a burden on the affected old, their families and the state. If fertility rates continue to decline, carers, already in short supply, will be in even higher demand. The authors are convinced that the combination of these demographic forces with the continued reversal of globalisation will presage the return of structurally persistent inflation. This combination of cost-pull and price-push inflation will cause interest rates to rise, but not necessarily as fast as inflation. The inflation will also be felt unevenly across society, exacerbating political polarisation.

Goodhart and Pradhan focus specifically on the fortunes of the UK economy, concluding: –

> *From 1750 until 1950 inflationary expectations, and nominal and real interest rates, remained roughly constant, in the UK at least, while inflation was a function of occasional wars and the vagaries of harvest. After the 1950s there was a strong upwards trend in inflation, inflationary expectations and nominal interest rates (1950 – 1980), followed by an extraordinary downwards trend in inflation, inflationary expectations and both nominal and real interest rates (1980 – 2020). The earlier trend can be ascribed to a doomed, but well intentioned, attempt to keep unemployment below its rising natural rate, with the monetary regime allowing that to happen. We ascribe the subsequent downwards trend to underlying demography and globalisation factors. Given the expansionary intent of monetary policies, it is hard to claim that such disinflation was a monetary phenomenon. But in that case the forthcoming reversal of the previous demographic and*

globalisation trends should lead to a revival of inflation and nominal (but not necessarily real) interest rates.

The US may have better demographics than many developed nations but the trend towards individual spending rather than saving will still have inflationary consequences.

Since 2008 we have seen the shortening of global supply chains, and protectionist policies have stalled the process of globalisation. Immigration has become more contentious as the nature of work has become more transitory and older workforce participation has risen: –

Source: Federal Reserve Bank of St. Louis

For two decades until 2010 older workers delayed retirement. Since 2010 their cohort has marked time, looking ahead, however, they cannot indefinitely postpone the inevitable.

...But all the clocks in the city

Began to whirr and chime:

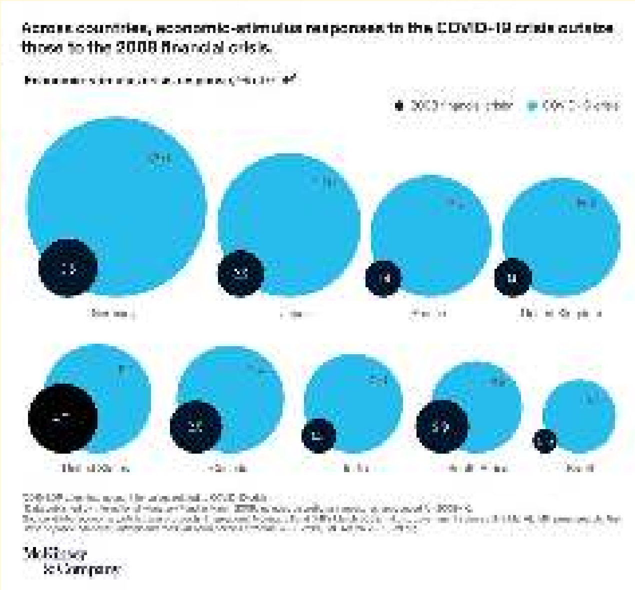
'O let not Time deceive you,

You cannot conquer Time.

W.H. Auden

Conclusion

The question that I asked at the beginning of this article was whether or not we have reached an inflation inflection point. My answer is a qualified 'yes,' but this is as much a function of the scale of the fiscal and monetary response to the lockdowns as it is a turning point. For a brilliant (Austrian Economic) analysis of the global economic impact of the lockdowns, **Jesus Huerta de Soto's – Economic Effects of Pandemics** – is a *tour de force*. From a monetary perspective, however, this infographic, showing a comparison between the scale of 2020 and the response to the Great Financial Recession, is instructive: –



Source: McKinsey

Demographic forces are definitely at work but they will take time to become apparent. The fastest-aging country, Japan, continues to be the experimental *petri dish* of central bank policy – their romance with *yield curve control*, pivoting around a 10yr JGB yield of zero, has not yet palled. **How the Fed Managed the Treasury Yield Curve in the 1940s** – tells the story of the US experiment with something similar between mid-1942 and

February 1950.

The Biden administration is preparing a Green New Deal along the lines of FDR's policy of the 1930's. These proposals spell higher regulatory costs for traditional energy producers: in this more protectionist era, these measures will be inflationary. However, if the Fed continues to purchase $120bln or more in Treasury bonds and mortgage-backed securities monthly they may succeed in stalling the rise in long-term yields. The yield curve will remain too flat and the malinvestments, which emanate from an artificially low long-term cost of funding, will continue to proliferate. If bond yields cannot rise, the stock market will remain supported unless stagflation sets in. Should that transpire, the Fed will need to decide whether to ignore inflation and increase monetary stimulus, including the purchase of ETFs and common stock, in order to maintain full employment, or 'hold' and witness a politically unpalatable clearing of both the stock and bond market.

– March 27, 2021

Texas Electricity Prices Are Lower Due to Deregulation

THOMAS L. HOGAN

Senior Research Fellow

The deregulation of the Electric Reliability Council of Texas (ERCOT) region has been held up as a model for electrical utility reform. As economist Jay Zarnikau describes, ERCOT "is generally considered to be the most successful of the restructured retail electricity markets in North America." Yet recent weather-induced blackouts and anticipated price increases are causing many to question whether deregulation has benefited Texas consumers.

In a recent *Wall Street Journal* article, Tom McGinty and Scott Patterson argue that deregulation of electricity markets in Texas has resulted in higher prices. Since average prices were higher in competitive regions, the authors conclude that residential customers in deregulated markets "paid more for electricity than state residents who are served by traditional utilities."

Unfortunately, this conclusion is highly misleading since the authors do not consider changes in electricity prices over time, nonresidential prices, or differences in costs of production.

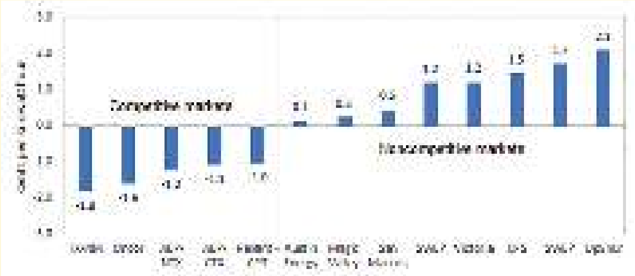
The Texas state congress passed legislation in 1995 and 1999 to allow greater competition in the ERCOT region. Electric providers were given the choice to either open their local markets to competition or remain as municipal utilities. Consumers in competitive regions were allowed to choose their own electricity providers beginning in 2002. A set of transitional guidelines was established and then phased out by 2005.

What has happened to retail market prices since that time? Economists Peter Hartley, Kenneth Medlock, and Olivera Jankovska address this question in a 2019 article in the journal *Energy Economics*. They study electricity prices in Texas from 2002 through 2016. The authors find that prices in competitive markets declined over the period and became more closely related to the costs of production, while prices in noncompetitive markets did not.

Figure 1 shows the changes in average electricity prices in the thirteen Texas regions from 2002 to 2016. Since deregulation began, average prices have fallen in every competitive market. They have increased in every noncompetitive market.

Figure 1:

Changes in average electricity prices, 2002-2016



Source: Harley, Medlock, and Jankovska (2019, p.7, table 1)

This pattern can be seen in the data used by McGinty and Patterson. From 2004 through 2019, their charts show that average prices in competitive markets were higher than those of traditional utilities but that the difference has declined over time. The premium peaked in 2006 and fell through 2017, although the gap has widened since.

McGinty and Patterson cite this premium as evidence that competition has caused higher prices. However, it actually shows the opposite. It shows that the regions that later became competitive markets had high historical prices back in 2004, before competition was fully allowed.

What caused prices to be higher in those regions? For starters, they may have higher costs of production. One example is the regional difference in employee wages. Another is the wholesale price of electricity, the price at which a power company can buy electricity rather than producing itself. The increase in competitive retail prices from 2002 to the peak in 2006 appears to be strongly related to the increase in wholesale prices over the same period.

Using econometric analysis, Hartley, Medlock, and Jankovska control for cost-related factors such as regional wages and wholesale prices. They find that these factors are important determinants of electricity prices in competitive markets but not in noncompetitive markets. This evidence is consistent with the theory that high prices in 2004 were caused by production costs and were not related to deregulation.

Accounting for these factors, the authors find statistically significant *decreases* in electricity prices in all five competitive markets after 2007. In noncompetitive regions, prices decreased in only one of the eight, were not statistically affected in four regions, and *increased* in three regions. The evidence shows that deregulation has reduced prices in competitive markets, while prices in noncompetitive markets are mostly the same or higher.

Focusing on residential prices, McGinty and Patterson also claim that over the period from 2004 through 2019, average competitive prices in Texas were higher than the national average. Again, this statistic is misleading due to the long time period, which includes years before competition became effective, and ignores the decline in prices over time. Yes, competitive residential prices in Texas were above the national average in the early 2000s. But they have now been below the national average for more than a decade.

In addition, McGinty and Patterson ignore commercial prices, which, like residential prices, have declined due to deregulation. Commercial electricity prices in Texas have been lower in competitive than noncompetitive markets since 2010 and below the national average since 2009.

Contrary to McGinty and Patterson, a close look at the evidence reveals that deregulation and competition have, in fact, reduced electricity prices in Texas. Prices in competitive markets have fallen, while those of noncompetitive utilities have increased. Competition has brought both residential and commercial prices down below the national averages.

– March 2, 2021

The Dangerous Path of Trump-Biden Trade Isolationism

JACK NICASTRO (Research Intern) & ETHAN YANG (Editorial Assistant)

The Trump administration began a trade war with multiple countries, indicating a concerning pivot towards a mercantilist trade policy that the current Biden administration has neglected to correct. It is a widely accepted economic idea that trade and open markets have greatly aided the prosperity of the United States as well as the rest of the world. Not only do they facilitate lower prices but they increase competition and innovation that benefits everyone from consumers to suppliers. There is also a moral element to free trade, which is that countries do not physically trade with each other, individuals within countries trade with each other. Trade balances and tariffs are not simply switches that our leaders can flip on and off; they represent the voluntary agreements that individuals around the world have with one another.

The benefits of a non-provocative trade stance are well known, which is why this article seeks to explore the damage to not only the economy but the global order that protectionist policies can create. To do so we do not need to look any further than our own Constitution as well as recent history, as the idea of free trade is a rather recent innovation.

Wisdom From the US Constitution

The US Constitution has a doctrine known as the Commerce Clause which Wex Law explains,

> The Commerce Clause refers to Article 1, Section 8, Clause 3 of the U.S. Constitution, which gives Congress the power "to regulate commerce with foreign nations, and among the several states, and with the Indian tribes."

Of course, there is much debate surrounding how much power the Commerce Clause actually grants Congress to regulate affairs among the states but that is unimportant for the context of this essay. From the explicitly written Commerce Clause, we get another doctrine known as the Dormant Commerce Clause. Wex Law explains,

> "The "Dormant Commerce Clause" refers to the prohibition, implicit in the Commerce Clause, against states passing legislation that discriminates against or excessively burdens interstate commerce."

Essentially, states could not impose their own tariffs or grant excessively burdensome monopolies that disadvantage firms operating outside the state. Although this is also a contentious topic because it is not expressly written in the Constitution, it was most famously articulated in *Gibbons v Ogden*, in which the Supreme Court struck down a New York State law that granted monopoly privileges to operators on its waterways.

One of the main justifications for such a decision was that tariffs and other state-granted privileges to domestic industries were essentially taxes on other states. The power to tax the states lies with the federal government and although there is no written prohibition on state-imposed tariffs, it is implicitly expressed by the Constitution. However, the Dormant Commerce Clause also has another rationale that is important to the idea of free trade. Wex Law explains,

> "Of particular importance here, is the prevention of protectionist state policies that favor state citizens or businesses at the expense of non-citizens conducting business within that state. In *West Lynn Creamery Inc. v. Healy*, 512 U.S. 186 (1994), the Supreme Court struck down a Massachusetts state tax on milk products, as the tax impeded interstate commercial activity by discriminating against non-Massachusetts."

The existence of the Dormant Commerce Clause fulfills an important objective of preventing trade wars within the states. That is because protectionism does not occur in a vacuum. If one state institutes trade protection, it will likely trigger a chain reaction of trade protections that bring interstate commerce to a halt and likely threaten the cohesion of the nation. Such a theory is not only rooted in common sense but the historical experience that the leaders of our country likely observed during the age of mercantilism.

The Logical Ends of Trade Protectionism

The basic insight that trade wars logically end in both sides imposing more and more restrictions on one another is a terrifying conclusion. The notion that a country should essentially maximize its exports and minimize imports to support its domestic growth is the general basis of a doctrine known as mercantilism.

Investopedia provides an explanation of this idea by writing,

> "Mercantilism replaced the feudal economic system in Western Europe. At the time, England was the epicenter of the British Empire but had relatively few natural resources. To grow its wealth, England introduced fiscal policies that discouraged colonists from buying foreign products, while creating incentives to only buy British goods."

Britain and Western Europe were forced to colonize the world and fight brutal wars over resources because free trade was absent. That is because if every country seeks to establish protectionist policies to support their own citizens, then oftentimes the only way to acquire resources is through military conquest, not mutual exchange.

Deirdre McCloskey notes in her book *Historical Impromptus* that in order for Britain to support itself under mercantilism it had to colonize about a quarter of the world. However, now under the relatively free trading regime that exists today, Britain is far richer than it used to be at only a shadow of its former size.

A more recent example of the danger of trade protectionism would be Imperial Japan and its quest for resources. Japan today is one of the freest economies in Asia and is a tremendously wealthy as well as an innovative country with few natural resources. It has greatly benefitted from the global adoption of free trade; however, that wasn't the case back in the early 20th century. Lack of trade played an integral role in starting one of the bloodiest wars in human history as the Truman Library explains,

> "Conflict in Asia began well before the official start of World War II. Seeking raw materials to fuel its growing industries, Japan invaded the Chinese province of Manchuria in 1931."

The free exchange of resources and services greatly reduces the need for imperialist expansion and the risk of military incursions over valuable assets. Although protectionist policies may have good intentions, they inevitably lead other countries to do the same while oftentimes being counterproductive. The end result is a reality we should be frightened to return to.

A Disturbing Trend Towards Economic Populism

Despite the well-documented and gruesome history of economic populism, protectionism came back in vogue under the Trump administration. Disturbingly, this reactionary policy appears to be continuing under the Biden administration; Janet Yellen, Secretary of the Treasury, declined to remove tariffs on Chinese imports. Economic populists typically argue that barriers to foreign competition are in the nation's best interest because it incentivizes firms to maintain domestic employment rather than outsourcing overseas. While the distributional effects of such policies can accomplish this – at least, in the short run – for specific industries, the consequences for domestic consumers and workers in the aggregate is overwhelmingly negative.

Beginning with the Trump administration's trade war with China, which promised to restore steel manufacturing jobs, Prof. Irwin details at length the cumulative effects of such a trade policy. In an op-ed written for *The Wall Street Journal*, Irwin explains how the Trump regime saw trade as a zero-sum game. Accordingly, Trump railed against the North American Free Trade Agreement, imposed a 25% tariff on Chinese steel and aluminum, withdrew the U.S. from the Trans-Pacific Partnership, and threatened to leave the World Trade Organization.

The New York Times published the headline in March of 2018, "Trump Hates the Trade Deficit…" Ironically, due to Trump's expansionary fiscal policy and Americans' relatively inelastic demand for imports, the merchandise trade deficit was $864B in 2019 – exceeding 2016's deficit by $100B. Evidently, tariffs did not close the trade deficit. U.S. tariffs were met by Chinese tariffs and Americans shifted to importing from other countries without tariffs. Tariffs were not solely paid for by China, but suffered by American consumers, workers, and employers.

In a memo to the Biden administration, Prof. Irwin explains the catastrophic outcome of Trump's trade war:

> "One study suggests that steel users will pay an additional $5.6 billion for more expensive domestic steel. In other words, steel users will pay about $650,000 for each job created in the steel industry. Another study calculated employment in the US steel and aluminum industries (mainly steel) might increase by 26,000 jobs over three years, while employment would decline by 433,000 jobs in the rest of the economy, owing to the damage higher steel and aluminum prices have done to downstream industries."

Great as the costs of Trump's Chinese trade war were, the economic damage done by protectionist policies did not stop there; a January 2020 report issued by the Congressional Budget Office estimates that,

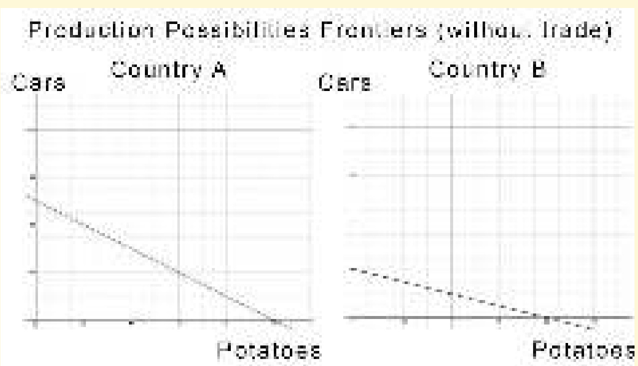
> "[t]ariffs are expected to reduce the level of real GDP by roughly 0.5 percent and raise consumer prices by 0.5 percent in 2020. As a result, tariffs are also projected to reduce average real household income by $1,277 (in 2019 dollars) in 2020."

Not only have protectionist policies come at a great cost to all involved but it only inspired more retaliation, inching the world closer to the aforementioned mercantilist dystopia that many are still alive to remember.

Free Trade Explained by Production Possibilities Frontiers

The benefits of free international trade, coupled with specialization in those industries in which each country possesses a *comparative* advantage, goes a long way to explaining the absurdity of barriers to trade. To explain this concept, we will employ a simplified hypothetical example involving two countries, Country A and Country B, and two goods, cars and potatoes.

Country A can produce 50 cars or 100 potatoes whereas Country B can produce 20 cars and 80 potatoes; ignoring the law of diminishing marginal returns, we shall proceed assuming a constant linear relationship between these goods for the sake of mathematical simplicity. That said, the domestic trade-off, referred to as a Production Possibilities Frontier, between cars (y) and potatoes (x) in Countries A and B can be modeled by y=-12x+50 and y=-14x+20, respectively.



Considering Country A can produce more cars and more potatoes than Country B, Country A is said to have an *absolute* advantage in producing both of these goods relative to Country B. Proponents of isolationism, protectionism, and import substitution argue that a country with an absolute advantage in production needn't benefit from free trade, because it can produce more of everything than another country. While intuitive, the current example will conclusively demonstrate how this superficial reasoning is incorrect.

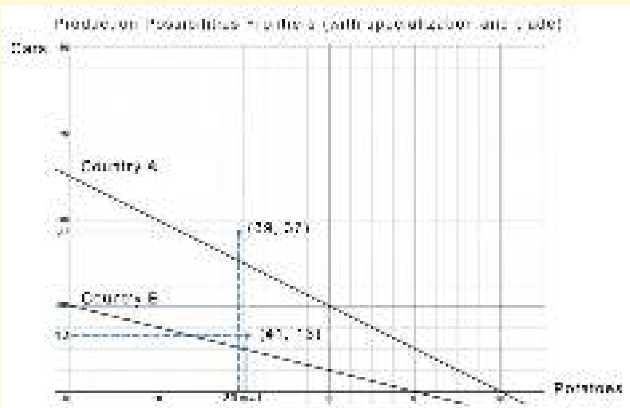
Given the unavoidable reality of scarcity of capital, labor, resources, etc. each country cannot produce both their maximum number of cars and potatoes, but must choose to produce maximum quantities of both as defined by their production possibilities curves. That said, there is an *opportunity cost* associated with producing one good over another for both countries. Although Country A has an absolute advantage in producing both cars and potatoes, it does not have a lower opportunity cost than Country B in producing each of these goods: at any given level of production, Country A can produce 1 car or 2 potatoes and Country B can produce 1 car or 4 potatoes. In other words, Country A has an opportunity cost of 2 potatoes for every car created, whereas Country B has an opportunity cost of 4 potatoes for every car created.

Since Country A can produce a car at the cost of fewer potatoes than Country B, it is said to have a *comparative advantage* in car production compared to Country B. Conversely, Country B produces one potato at the expense of ¼ of a car whereas Country A produces one potato at the cost of ½ of a car. Therefore, Country B has a comparative advantage in potato production.

Both countries can enjoy more cars and potatoes than defined by their production possibilities frontiers when each specializes in the industry in which it has a comparative advantage and freely trades at an exchange rate mutually beneficial to both of them, i.e. at a price that is less than their opportunity cost of producing both products domestically. In this example, such an exchange rate would be 3 potatoes to 1 car as this is greater than Country A's opportunity cost of 2 potatoes to 1 car and less than Country B's opportunity cost of 1 car to 4 potatoes.

Accordingly, when Country A specializes

entirely in cars and Country B specializes exclusively in potatoes, Country A has 50 cars and Country B has 80 potatoes. When they trade at the aforementioned exchange rate of 1 car per 3 potatoes, Country A offering 13 cars for 39 potatoes from Country B, let's see what the two countries' consumption looks like relative to their domestic production possibility frontiers:



Almost as if by magic, both countries specializing in what they're best at and trading freely results in both countries enjoying an aggregate consumption of both goods that was heretofore impossible through domestic production alone. What's even more amazing is that this is still the case despite one being able to produce more of both goods than the other. The old adage of being your best instead of trying to be the best clearly holds true in the economic realm.

The Economic Philosophy of Free Trade

Despite the compelling theoretical case for free trade, advocates of protectionism sometimes claim that other countries' cheaper, higher quality goods unfairly outcompete domestic manufacturers. Frederic Bastiat, the 19th century economic journalist and political economist, employs reductio ad absurdum in "The Candlemakers' Petition" (1845) to reveal the fallacious nature of such a claim:

> "We candlemakers are suffering from the unfair competition of a foreign rival. This foreign manufacturer of light has such an advantage over us that he floods our domestic markets with his product. And he offers it at a fantastically low price. The moment this foreigner appears in our country, all our customers desert us and turn to him. As a result, an entire domestic industry is rendered completely stagnant. And even more, since the lighting industry has countless ramifications with other native industries, they, too, are injured. This foreign manufacturer who competes against us without mercy is none other than the sun itself!"

Bastiat goes on immediately to excoriate the policy prescriptions of the allegorical candlemakers and the real-world protectionists:

> "Here is our petition: Please pass a law ordering the closing of all windows, skylights, shutters, curtains, and blinds — that is, all openings, holes, and cracks through which the light of the sun is able to enter houses. This free sunlight is hurting the business of us deserving manufacturers of candles. Since we have always served our country well, gratitude demands that our country ought not to abandon us now to this unequal competition."

The Empirical Record Proving the Theory and Philosophy

Philosophy is key to understanding any concept at its most fundamental level, but what of the real world? Does free trade work out to be as beneficial in actuality as promised theoretically? Does protectionism warrant the derision of economists or are we just a bunch of neurotics?

Fortunately, there is an *abundance* of modern, real-world evidence to substantiate the more esoteric defenses of free trade and refutations of protectionism. Prof. Doug Irwin of Dartmouth College and his fellow economists at the Peterson Institute for International Economics (PIIE) quantify the impact of embracing globalization and free trade versus retreating into isolationism and economic populism.

Globalization versus Isolationism

The negative impact of Trump's recent protectionist policies is not an isolated instance, but representative of a general failure of economic populism that has been documented by economists for decades.

In December of 2020, Prof. Irwin published an article for the PIIE, in which he defends "The Washington Consensus" of free trade and globalization against populist attacks. One of the economic reports Irwin references is that of Kevin and Robin Grier, published in the *Journal of Comparative Economics*, which found that, between 1970 and 2015, sustained jumps in indexes of economic freedom led to a 16% higher GDP in countries that adopted it after 10 years compared to those that didn't.

In 2017, economists Zhiyao Lu and Gary Hufbauer of the PIIE updated their

> "landmark PIIE study made in 2005, [calculating] the payoff to the United States from trade expansion from 1950 to 2016 at $2.1 trillion. The payoff has stemmed from trade expansion resulting from policy liberalization and improved transportation and communications technology."

On the other hand, Funke, Schularick and Trebesch conducted a 2020 study that examined the record of 50 populist leaders over the period 1900–2018. These economists found that economic populism, i.e. trade and investment protectionism, expansions in deficit spending, and greater state control of business diminished real GDP per capita by 10 percent after 15 years compared to a non-populist counterfactual.

A similar study on left-populist regimes in Latin America by Absher, Kevin and Robin Grier found that Venezuela, Nicaragua and Bolivia were made 20 percent poorer by such regimes. Despite the egalitarian appeals used by socialists to justify such economic failures, Prof. Irwin notes that,

> "[t]hese countries did not experience reduced inequality or improved health outcomes that might have justified such a large sacrifice of income." (italics my own)

As demonstrated by both theory and empirical evidence, protectionist policies not only make their countries worse off across a variety of metrics but often inspire retaliation that feeds a vicious cycle.

Key Takeaways

Protectionist trade policies have little foundation in sound economic thinking and also bring out the worst in us. It is likely that doctrines such as the Dormant Commerce Clause exist precisely to prevent such experiments within the states, which would not only leave them worse off but create unnecessary tension. It would be wise for our leaders, particularly those in the Biden administration, to heed the clear lessons put forth in our Constitutional system as well as the tides of history. An embrace of free trade will promote widespread prosperity but most importantly, it will prevent a backslide into a past sequence of events that we should be glad to have behind us.

– March 12, 2021

The End of America?

NAOMI WOLF

Visiting Senior Fellow

In 2008, I wrote a book, *The End of America: Letter of Warning to a Young Patriot*. I warned, based on my study of closing democracies in 20th century history, that America needed to beware of a slide toward totalitarianism.

I warned that would-be tyrants, whether they are on the left or the right, always use a map to close down democracies, and that they always take the same ten steps. Whether it's "Invoke a Terrifying Internal and External Threat," "Create a Thug Caste," "Target the Press," or the final step, "Suspend the Rule of Law," these steps are always recognizable; and they always work to crush democracies and establish tyrannies. At that time, the "global threat" of terrorism was the specter that powers invoked in order to attack our freedoms.

The book was widely read and discussed, both at the time of its publication and for the last 12 years. Periodically over the last decade, people would ask me when and if we had reached "Step Ten."

We – my brave publisher, Chelsea Green, and I — are releasing the first and last chapters of *The End of America* now, in 2021, for free, and I am calling the sequel to this book, which I am now writing, *Step Ten* – because as of March of last year, we have indeed, I am so sad to say, arrived at and begun to inhabit Step Ten of the ten steps to fascism.

Though in 2008, I did not explicitly foresee that a medical pandemic would be the vehicle for moving the entire globe into Step Ten, I have at various points warned of the dangers of medical crises as vehicles that tyranny can exploit to justify suppressions of civil rights. Today, a much-hyped medical crisis has taken on the role of being used as a pretext to strip us all of core freedoms, that fears of terrorism did not ultimately achieve.

In 2015, I cautioned that infectious diseases could be used as a justification for ushering in a suppression of liberties, always under the guise of emergency measures. In 2019, a book of mine, *Outrages: Sex, Censorship and the Criminalization of Love*, showed how terrible infectious disease epidemics such as cholera and typhus had been exploited in the 19th century by the British state, in order to crush freedoms and invade people's privacy; I wrote about how the first anti-vaccination movements arose among British parents in the Victorian period. That book was initially cancelled, and its message of warning has been continually assailed.

But that book too was prescient. In early March of 2020, of course, a global pandemic was announced: Covid-19.

In the immediate wake of the announcement and narrativization of that pandemic, most of the elements of a locked-in 360 degree totalitarianism have been put into place, in most of the countries of the West, including in what had been robust democracies. It all happened very quickly and comprehensively.

In the United States we now have:

1. Emergency measures in many states, which suspend due process of law. This is the hallmark of a police state. Covid-19 is invoked as the reason for the introduction of emergency law – but there is no endpoint for lifting these emergency laws.

2. The closures of schools, which break the social contract with the next generation.

3. Bills being passed for "vaccine passports," which bypass the Fourth Amendment to the constitution by allowing the government and Big Tech companies to intrude on medical privacy and to create a comprehensive digital surveillance state.

4. Forced closures of businesses. By intervening directly in the economy and allowing certain businesses to flourish (Amazon, Wal-Mart, Target) at the expense of small businesses, Main Street shops, restaurants, and sole proprietor businesses in general, the State has merged government and corporations in a way that is characteristic of Italian fascism, or of modern Chinese communism. (Indeed the fact that tech stocks rose by 27% in one quarter of the pandemic shows one driver of this war against human freedoms and human society: every minute human beings spend in a classroom, at the pub or restaurant, or in a church or synagogue, is time that tech companies lose money by being unable to harvest that data. Covid policies driven by "Covid-19 Response" – tech companies – ensure that humans are not allowed to connect except via digital platforms. The reason is profit as well as social control).

5. Restrictions on assembly. Some states such as California are fining people for seeing their friends in their homes, and making it unlawful for kids to have playdates with their friends. Massachusetts restricted gatherings of more than ten people at a time, forcing synagogues and churches to stay closed, in spite of a Supreme Court ruling against states forcing churches to close. Parks, playgrounds and beaches have been closed off. In countries such as Britain, people are fined for leaving their homes for more than an hour's exercise a day.

6. Forced face coverings. In Massachusetts, people are fined if they are not wearing masks outdoors – even children as young as five are forced to do so by law. Again this mandate has not been undergirded by peer-reviewed studies showing medical necessity; and there is no endpoint proffered for these extraordinary violations of personal freedom.

7. Suppression of free speech. Big Tech companies are censoring critics of Covid policy and vaccine policy, as well as censoring views that are on the right hand of the political spectrum. "Incitement," a word that has a long history in the 20th century for closing down free speech, has been weaponized by the left to shut down First Amendment freedoms of expression. In other forms of censorship and management of speech and public debate, tycoons such as Bill Gates have been funding major news outlets, with millions of dollars directed to "Covid education." As a result, dissenting voices are marginalized and shamed, or even threatened with legal action or job losses.

8. Science has been hijacked in the interests of "biofascism." By heavily funding scientific commentators such as Dr Fauci in the United States, Imperial College and SAGE in the UK, and Dr Christian Drosten in Germany, a dominant set of policies and pronouncements about Covid that benefit a small group of bad actors – notably tech and pharmaceutical interests, acting in concert with governments – have had secured credentialled supporters. But when other scientists or institutions seek

debate or transparency, they are threatened with job loss or reputationally attacked, as in the case of Dr Simon Goddeke of the Netherlands, who was told to keep quiet by his university, when he challenged the flawed Covid PCR test protocols.

9. Data have been hijacked to serve the interests of this biofascism. This manipulation of truth, which I foreshadowed in *The End of America*, is typical of the Soviet censors. Covid platforms such as Covid19tracking and John Hopkins University, funded by technocrats such as Michael Bloomberg, serve unverifiable Covid data that directly affect the stock markets. Again, while this un-American merger of corporate interests and public policy is reminiscent of Italian Fascism, the twist provided by digital data presentation and its relationship to the stock market is very much of the 21st century.

10. Attacks on religious minorities. The orthodox Jewish community in Brooklyn, and Christian churches in California, have been singled out for punishment if they do not follow Covid rules – a targeting of religion that is characteristic of Communist policies on the left, especially in China.

11. Policies that weaken bonds between human beings and weaken the family have been introduced and policed. This is the most serious development of all.

The new biofascism in the West, very much driven by Big Tech leaders, and soon to be exploited by our enemies geopolitically, is a war against free human beings and against the qualities that make us human.

Masks break human beings' ability to bond face-to-face and enjoy human contact, smiles and jokes. Masks turn down the effectiveness of human "technology," by making it hard for us to "read" each other and to pick up social cues. Forbidding assembly keeps us from forming human alliances against these monstrous interests. Forbidding human assembly also prevents new cultures, new heroes and new business models from arising. We are all stuck with the Rolodex and the ideas we had in March of 2020.

Forcing kids to distance at school and wear masks ensures a generation of Americans who don't know HOW to form human alliances, and who don't trust their own human instincts. Those are counterrevolutionary training techniques.

Driving all learning onto (already prepared) distance learning platforms ensures that kids do not know how to behave in human space, space not mediated by technology.

Many Covid policies seem designed to ensure that humans will have no "analog" space yet or "analog" culture left – no way to feel comfortable simply gathering in a room, touching one another as friends or allies, or joining together.

Lastly, driving all human interaction onto Zoom is not only a way to harvest all of our tech, business secrets and IP – it is a way to ensure that intimacy and connection in the future will be done online and that human face-to-face contact will be killed off.

Why is this? Why develop policies that punish, encumber and restrict human contact in analog (unsurveilled, unmediated) spaces?

Because human contact is the great revolutionary force when it comes to human freedom and resistance to this form of comprehensive biofascism – the biofascism represented by the New Normal – the medico-fascist Step Ten.

Now let me recap from the year 2008, and read you my intro to *The End of America*, as well as the warning at the close of that book.

Its message has never, sadly, been more timely. This time, threats to freedom justified by terrorism then, have reclothed themselves in the trappings of a medical pandemic.

But this time we do not just face a war on freedom. This time we face a war on human beings, and on all that makes us human.

– March 19, 2021

16 States Are Now Following The Science

JORDAN SCHACHTEL
Contributor

It took an entire year, but lockdowns and mask mandates are officially incredibly unpopular with half of the country, to the point that governors are rapidly making sweeping changes to their year-long COVID-19 policies.

Jumping onto the coattails of pro-individual freedom leaders like governors Ron DeSantis (R-Florida) and Kristi Noem (R-SD), the governors of Mississippi and Texas decided Tuesday to announce an end to business restrictions and statewide mask mandates.

Both Tate Reeves (R-MS) and Greg Abbott (R-TX), who had long taken a nanny state approach to the COVID-19 crisis, acted almost simultaneously to announce the end of statewide restrictions.

The centrally planned solutions to COVID-19 have failed spectacularly, and the American people have taken notice of this reality. Hundreds of millions have now been through a full year of government-imposed tyranny on both a federal and state level. Whether it was a travel ban, an endless series of lockdowns, mask mandates, countless emergency orders, business closures, and the like, not a single top-down order from the federal or state level did anything productive for the well-being of Americans.

None of it worked. All of it served as a net negative. The people have noticed.

Now that their constituents have had enough, politicians on the Right are fast departing from the COVID tyranny, and attempting to secure what is left of their political aspirations.

Abbott and Reeves are not the only GOP governors moving fast in ending the restrictions. Several other governors have recently acted to roll them back.

On February 12, Montana Governor Greg Gianforte lifted his statewide mask mandate.

On February 8, Iowa Governor Kim Reynolds lifted Iowa's statewide mask mandate along with several other restrictions.

On February 22, North Dakota took it a step further. Its legislative body took the bold step in voting to make mask mandates illegal.

As of March 2, there are now 16 states that no longer have statewide mask orders.

However, across the political divide, there remains no end in sight to the corona madness. Much of the Left continues to embrace and root on endless COVID-19 restrictions, and the hijacking of individual rights in the name of a virus.

Governor Gavin Newsom of California took to Twitter in describing the end of restrictions as "absolutely reckless."

It took long enough, but it's now official: Governors who continue to impose lockdowns and mask mandates are fast becoming as popular as Red Sox fans in the Yankee Stadium bleachers, at least in half of the country. The internal polling is out, and the draconian restrictions are being abandoned in droves. History will not be kind to the remaining high-handed holdouts.

– March 3, 2021

The Great Reopening

EDWARD PETER STRINGHAM
President

The lights on civilization dimmed and nearly went out starting March 12, 2020. That was the day the federal government began promulgating guidelines for closing schools, businesses, international travel, and all public gatherings. It was an action without precedent but most states went along – out of ignorance, fear, and folly.

In those days it took tremendous courage and tenacity to resist the prevailing mania, which was all about a new virus rumoured to be unlike anything we've faced in generations. The politicians panicked, and many people did too. Irrationally, the prevailing belief was that government could manage us out of the pandemic through a level of compulsion that disrupted lives as never before.

From the beginning, even two and half months before the lockdowns, the American Institute for Economic Research explained that this would be a catastrophic course. Since then, you have come to rely on AIER's work as the essential guide to the science, to news others were unwilling to report, and to the intellectual case for maintaining social and economic functioning during a pandemic.

Our work has been discussed in thousands of venues around the world and been seen by tens of millions of people. We've faced smears, censorship, and denunciation. We've also been gratified by floods of notes of thanks and a large number of new members and financial supporters.

One year later, we are thrilled to see governments responding to public pressure to open up. Not every government yet; that will come in time. But some states are doing their best to undo the enormous damage they did to their citizens' health and well-being. That's very good and encouraging but there is a remaining problem. Government budgets have blown up. The Federal Reserve is printing money like crazy. And citizens are scrambling to move out of lockdown states into open ones.

We still have a multitude of possible crises ahead of us. We cannot know precisely what shape they will take. The economic weight of the debt will be a drag on private investment and productivity. Inflation is a possible major risk. We've got a real labor crisis too, with so many leaving the workforce to take care of children who were locked out of their schools. Houses of worship around the country have shattered communities. Whole industries, particularly in arts and hospitality, are wrecked. And people are demoralized.

Recovery will take years, even decades.

The rebuilding effort will require as much intellectual guidance as we needed over the last year. AIER found itself in a position of leadership and that will persist in the months and years ahead. Our new audience base and credibility for having been so early and so correct about this pandemic have created this opportunity for us.

We at AIER appreciate so much your support over the last year. We write, make videos, publish, and hold events. It is you who drives our influence. You have shared our articles, tweeted and retweeted us, posted the material you found compelling to your friends, family, fellow students, and business associates, It's how we got the word out. It's how ideas managed to break the terrible lockdowns. Ideas will continue to inspire the reopening, and, crucially, put in safeguards so that nothing like this will ever happen again.

My friends, we are all in this together. And we are all survivors, not only of a pandemic but also of an unprecedented attack on life, liberty, and property. Let us use our reclaimed rights to build a better world. Your support for our work is what keeps us inspired and working for peace, prosperity, and freedom. We've been doing this for 88 years. In these last 12 months, AIER has not only been a sanctuary of truth; it's been a beacon to the world.

Please do not give up hope. We have not yet won but look how far we've come! In the Spring of last year, all seemed lost. As the Spring comes again, we are again reminded that history is nothing more than what we make of it. We are not its victims but its authors. Your support of AIER is essential to making the voice of reason extend as far and long as possible.

Freedom will return!

– March 5, 2021

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