

RESEARCH REPORTS

Volume LXXXIII

September 2022

published by

AMERICAN INSTITUTE *for* ECONOMIC RESEARCH

RESEARCH REPORTS

AIER publishes over 100 articles per month that are distributed in digital form. Research Reports contains Business Conditions Monthly plus 12 of the most representative, chosen here for popularity, variety, and relevance. These articles are often reprinted in venues around the web, including *Seeking Alpha*, *Intellectual Takeout*, *Mises Brasil*, and dozens of other outlets. To read all of them, go to

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Contents

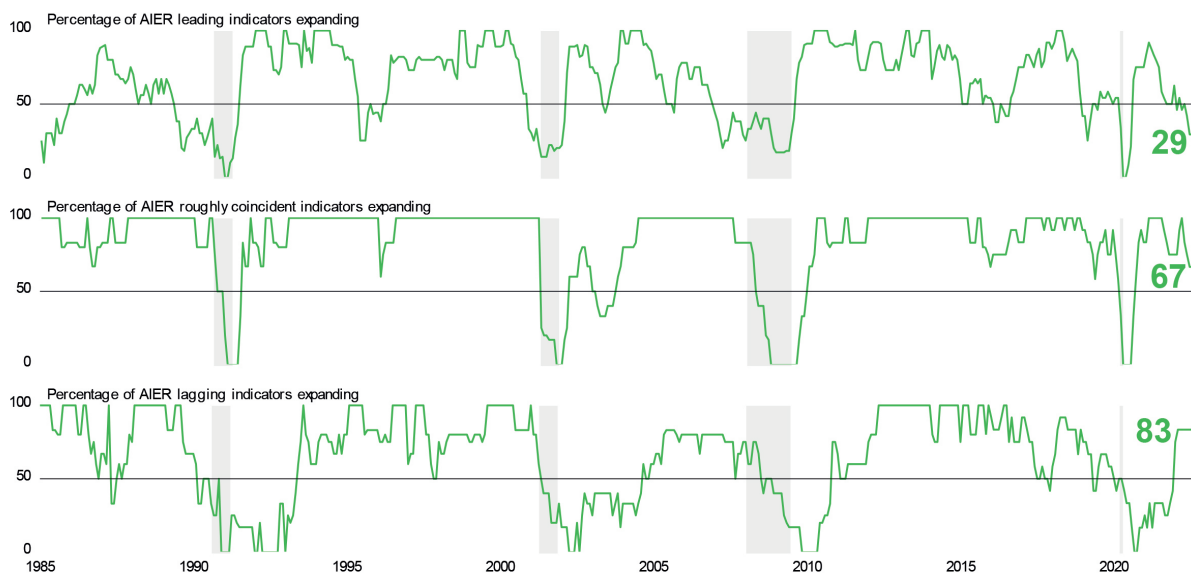
Business Conditions Monthly	
ROBERT HUGHES	1
The Suicide of the American Historical Association	
PHILLIP W. MAGNESS	11
About That “o Percent” Inflation in July	
PETER C. EARLE	14
Why Will Inflation Remain So High For So Long?	
WILLIAM J. LUTHER	19
The Fed Needs a Single Mandate	
THOMAS L. HOGAN & ALEXANDER WILLIAM SALTER	21
Open Letter to a Young Marxist	
MAX BORDERS	23
Goodbye, Anthony Fauci	
DAVID WAUGH & RYAN M. YONK	28
The Rise of ESG, Replacing Profits with Paternalism, and Strategy with Standards	
KIMBERLEE JOSEPHSON	30
Proposing a Hank Williams Jr. Economic Misery Index	
ROBERT E. WRIGHT	33
How Thomas Aquinas Desacralized the State	
SAMUEL GREGG	35
Biden’s Student Loan Forgiveness Program is Poorly Targeted	
WILLIAM J. LUTHER	39
Fit to Print? UNC’s Settlement with Nikole Hannah-Jones is Bad News	
PHILLIP W. MAGNESS & JAMES R. HARRIGAN	41
Making Sense of the Recession	
PETER C. EARLE	44

BUSINESS CONDITIONS MONTHLY

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AIER Leading Indicators Index Signals Continued Elevated Risks

Indicators at a glance



Note: Shaded areas denote recessions. A score above 50 indicates expansion.
Source: AIER.

Summary

AIER's Leading Indicators Index held at a cycle low of 29 in August, matching the lowest level since August 2020. The latest result remains well below the neutral 50 threshold and is consistent with broadening weakness in the economy and significantly elevated risks for the outlook.

The Roughly Coincident Indicators Index and the Lagging Indicators Index remain solidly above neutral. The labor market and continued growth in broad measures of current economic activity are the key drivers for the Roughly Coincident Indicators Index. The historically tight labor market supports consumer attitudes, income, and spending creating a virtuous cycle for continued economic expansion.

Working against the virtuous cycle are persistently elevated rates of price increases and an aggressive Fed tightening cycle which weigh on consumer attitudes, increase uncertainty, and restrain growth in activity. The longer elevated rates of price increases continue and the extent to which the Fed continues an aggressive tightening cycle, the higher the probability that a vicious cycle of declining economic activity and softening labor market will begin to dominate the virtuous cycle. Overall, the outlook remains highly uncertain. Caution is warranted.

AIER Leading Indicators Index Holds at 29 in August, Signaling Major Risks

The AIER Leading Indicators index held at a cycle low of 29 in the latest update. The August result is down 63 points from the March 2021 high of 92 and matches the lowest level since August 2020 during the recovery

from the lockdown recession. In recent business cycles, the Leading Indicators Index has fallen into the twenties-range five times since 1985. In four of those instances, a recession followed within about 12 months. The exception was in 1995, when no recession was declared but real GDP growth slowed significantly. With the latest reading holding well below the neutral 50 threshold, the AIER Leading Indicators Index is signaling broadening economic weakness and significantly elevated outlook risks.

Though the overall index was unchanged for the month, three leading indicators had offsetting changes in August. The initial claims for unemployment insurance indicator changed from a favorable trend to a neutral trend. As noted in previous reports, weekly initial claims had begun a rising (unfavorable) trend in mid-March. Though the last several weeks appear to be leveling off, a change from the favorable trend to a neutral trend was expected. Overall, initial claims remain very low by historical measures. If the overall level of claims continues to be rangebound, the contribution to the composite Leading Indicators Index is likely to remain neutral. A resumption of an upward trend in initial claims will likely turn the indicator to an unfavorable contributor to the Leading Indicators Index.

The total heavy truck unit sales indicator also weakened from a favorable trend to a neutral trend in August. This indicator had been a positive contributor since April. Heavy truck unit sales remain relatively high by historical comparison though they are down from prior peaks. Furthermore, trucking remains a critical component of supply chain logistics supporting goods and services production as well as the delivery of final goods.

Offsetting the weakening in the initial claims for unemployment indicator and the unit heavy truck sales indicator was an improvement in the real new orders for consumer goods indicator, improving from

a negative trend to a positive trend. This indicator had been neutral or negative since April 2021, a run of sixteen consecutive months. With the real retail sales and food services indicator currently in a neutral trend, it's questionable whether the real new orders for consumer goods indicator can continue on a favorable trend.

Among the 12 leading indicators, just two remained in a positive trend in August while seven were trending lower and three were trending flat or neutral.

The Roughly Coincident Indicators index held steady in August, coming in at 67 for the second consecutive month. Prior to July, the indicator posted a 75 in June, 83 in May, and a perfect 100 in April. None of the individual indicators changed signal in August.

In total, four roughly coincident indicators – nonfarm payrolls, employment-to-population ratio, industrial production, and real personal income excluding transfers were trending higher in August while two – the real manufacturing and trade sales indicator and the Conference Board Consumer Confidence in the Present Situation indicator – were in negative trends; none were in a flat or neutral trend. Given the weakening in the AIER Leading Indicators Index, it would not be surprising to see further declines in the Roughly Coincident Index in the coming months.

AIER's Lagging Indicators index was unchanged for the seventh consecutive month, holding at 83 in August. No individual indicators changed trend for the month. In total, five indicators – duration of unemployment, real manufacturing and trade inventories, commercial and industrial loans, composite short-term interest rates, and the 12-month change in the core Consumer Price Index – were in favorable trends, one indicator, real private nonresidential construction, had an unfavorable trend, and none had a neutral trend.

Overall, the AIER Leading Indicators Index remains well below neutral, signaling broadening

economic weakness and sharply elevated levels of risk for the outlook. The virtuous cycle of a tight labor market supporting personal income and consumer spending is facing significant headwinds from elevated rates of price increases and an aggressive Fed tightening cycle. Furthermore, the fallout from the Russian invasion of Ukraine and periodic lockdowns in China continue to disrupt global supply chains. Caution is warranted.

Unemployment Rate Jumps and Job Gains Slow in August

U.S. nonfarm payrolls added 315,000 jobs in August, substantially less than the 526,000 gain in July. The July estimate was revised down by 2,000 from the original estimate of 528,000. June payroll growth was also revised down, now estimated to have increased by 293,000, 105,000 less than the previous estimate of 398,000.

Private payrolls posted a 308,000 gain in August, less than the 477,000 gain in July (revised up by 6,000 from 471,000 while June was revised down by 58,000 to 346,000). August was the smallest gain since April 2021.

Gains in August were broad-based, though smaller than recent prior months. Within the 308,000 gain in private payrolls, private services added 263,000 versus a 3-month average of 325,700 while goods-producing industries added 45,000 versus a 3-month average of 51,300.

Within private service-producing industries, education and health services increased by 68,000 (versus a 93,300 three-month average), business and professional services added 68,000 (versus 80,700), retail employment rose by 44,000 (versus 31,800), leisure and hospitality added 31,000 (versus 56,300), wholesale trade gained 15,100 (versus 13,400), information services gained 7,000 (versus 16,300), and transportation and warehousing added 4,800 jobs (versus an average 15,100).

Within the 45,000 gain in goods-producing industries, durable-goods manufacturing increased by 19,000, construction added 16,000, mining and logging industries increased by 7,000, and nondurable-goods manufacturing added 3,000.

While a few of the services industries dominate actual monthly private payroll gains, monthly percent changes paint a different picture. Mining and logging industries have recently posted strong monthly percentage gains.

Average hourly earnings for all private workers rose 0.3 percent in August, the smallest increase since February. That puts the 12-month gain at 5.2 percent, about steady since October 2021. Average hourly earnings for private, production and nonsupervisory workers rose 0.4 percent for the month and are up 6.1 percent from a year ago, also about in line with results over the last eleven months.

The average workweek for all workers fell to 34.5 hours in August versus 34.6 in July while the average workweek for production and nonsupervisory dropped to 33.9 hours from 34.0 hours in July.

Combining payrolls with hourly earnings and hours worked, the index of aggregate weekly payrolls for all workers gained 0.3 percent in August and is up 9.4 percent from a year ago; the index for production and nonsupervisory workers rose 0.3 percent and is 9.9 percent above the year ago level.

The total number of officially unemployed was 6.014 million in August, a jump of 344,000. The unemployment rate rose a sharp 0.2 percentage points to 3.7 percent from 3.5 percent in July while the underemployed rate, referred to as the U-6 rate, increased by 0.3 percentage points to 7.0 percent in August.

The employment-to-population ratio, one of AIER's Roughly Coincident indicators, came in at 60.1 percent for August, up 0.1 percentage points but still significantly below the 61.2 percent in February 2020.

The labor force participation rate jumped by 0.3 percentage points in August, to 62.4 percent.

This important measure has been trending lower in recent months after hitting a pandemic high of 62.4 in March 2022. Despite the August gain, it is still well below the 63.4 percent of February 2020.

The total labor force came in at 164.746 million, up 786,000 from the prior month and the first month above the February 2020 level. If the 63.4 percent participation rate were applied to the current working-age population of 264.184 million, an additional 2.75 million workers would be available.

The August jobs report shows total nonfarm and private payrolls posted slower gains compared to July. There was also a jump in labor force participation contributing to a sharp rise in unemployment. Continued gains in employment are a positive sign though the gains may be slowing. At the same time, more people joined the labor force. If both of these trends continue, wage gains will likely slow.

Consumer Confidence Improved in August, but Risks Remain

The Consumer Confidence Index from The Conference Board rose in August, the first increase following three consecutive monthly declines. The composite index increased by 7.9 points, or 8.3 percent, to 103.2. From a year ago, the index is still down 10.4 percent. Both components gained in August.

The expectations component added 9.5 points, or 14.5 percent, to 75.1 while the present-situation component – one of AIER's Roughly Coincident Indicators – rose 5.7 points to 145.4. The present situation index is down 2.4 percent over the past year while the expectations index is down 19.1 percent from a year ago. The present situation index remains consistent with economic expansion while the expectations index remains consistent with prior recessions.

Within the expectations index, all three components improved versus July. The index for expectations for higher income gained 0.5 points to 15.8 while the index for expectations for lower

income fell 1.0 points, leaving the net (expected higher income - expected lower income) up 1.5 points to 1.3.

The index for expectations for better business conditions rose 3.8 points to 17.5 while the index for expected worse conditions fell 3.9 points, leaving the net (expected business conditions better - expected business conditions worse) up 7.7 points, but still at -4.8.

The outlook for the jobs market improved in August as the expectations for more jobs index increased 2.3 points to 17.4 while the expectations for fewer jobs index fell by 1.8 points to 19.3, putting the net up 4.1 points to -1.9.

Current business conditions improved for the present situation index components, but current employment conditions weakened. The net reading for current business conditions (current business conditions good - current business conditions bad) was -4.0 in August, up from -7.9 in July. Current views for the labor market saw the jobs hard to get index decrease, falling 1.0 point to 11.4 while the jobs plentiful index fell 1.2 points to a still-strong 48.0 resulting in a 0.2-point drop in the net to 36.6.

Inflation expectations eased down to 7.0 percent in August from 7.4 percent in July; expectations were 4.4 percent in January 2020. The sharp rise in expected inflation from The Conference Board survey is consistent with the University of Michigan survey results, though the magnitudes differ. Inflation expectations remain extremely high as prices for many goods and services continue to rise at an elevated pace. The extreme outlook for inflation is a key driver of weaker consumer expectations.

Consumer Sentiment Improved in August but Remains Low

The final August results from the University of Michigan Surveys of Consumers show overall consumer sentiment improved versus the prior month but remains very low by historical comparison. The

composite consumer sentiment increased to 58.2 in August, up from 51.5 in July and the record low of 50.0 in June. The increase in August totaled 6.7 points or 13.0 percent. However, the index remains consistent with prior recession levels.

The current-economic-conditions index rose slightly to 58.6 versus 58.1 in July. That is a 0.5-point or 0.9 percent increase for the month. This component is modestly above the record low and remains consistent with prior recessions.

The second component — consumer expectations, one of the AIER leading indicators — gained 10.7 points or 22.6 percent for the month, rising to 58.0. Despite the gain, this component index is also consistent with prior recession levels.

According to the report, “Most of this increase was concentrated in expectations, with a 59% surge in the year-ahead outlook for the economy following two months at its lowest reading since the Great Recession. In addition, personal financial expectations rose 12% since July. The gains in sentiment were seen across age, education, income, region, and political affiliation and can be attributed to the recent deceleration in inflation. Lower-income consumers, who have fewer resources to buffer against inflation, posted particularly large gains on all index components. Their sentiment now even exceeds that of higher-income consumers, when it typically lags higher-income sentiment by over 15 points. Hopefully, this tentative improvement will continue, as overall sentiment remains extremely low by historical standards.”

The one-year inflation expectations fell notably in August, dropping 0.4 percentage points to 4.8 percent. That is the third decline in the last four months since hitting back-to-back readings of 5.4 percent in March and April and the lowest reading since December 2021.

The five-year inflation expectations was unchanged at 2.9 percent in August. That result is well within the

25-year range of 2.2 percent to 3.5 percent.

The report states, “The relative relief felt by consumers reflected in their inflation expectations. The median expected year-ahead inflation rate was 4.8%, down from 5.2% last month and its lowest reading in 8 months.” However, the report adds, “Uncertainty over expectations rose considerably, particularly among lower-educated consumers.”

Nominal and Real Core Retail Sales Increase in July

Total nominal retail sales and food-services spending were unchanged in July following an 0.8 percent increase in June. From a year ago, retail sales are up 10.3 percent and remain well above the pre-pandemic trend.

Nominal retail sales excluding motor vehicle and parts dealers and gasoline stations — or core retail sales — rose 0.7 percent in July, matching the 0.7 percent gain in June. From July 2021 to July 2022, core retail sales are up 9.3 percent. As with total retail sales, core retail sales remain well above the pre-pandemic trend.

However, these data are not adjusted for price changes. In real terms (adjusted using the CPI), real total retail sales were roughly unchanged (up less than 0.1 percent) in July following a 0.5 percent decrease in June and a 0.6 percent decline in May. From a year ago, real total retail sales are up 1.4 percent. As with nominal retail sales, real retail sales remain well above its pre-pandemic trend but since March 2021, real retail sales have been trending essentially flat.

Real core retail sales posted a solid 0.4 percent rise in July after declining less than 0.1 percent in June. Over the last twelve months, real core retail sales are up 2.6 percent. While real total retail sales have been trending flat recently, real core retail sales have been trending slightly higher.

Categories were generally higher in nominal terms for the month, with nine up and four down in July. The gains were led by nonstore retailers, up 2.7 percent for

the month, followed by building materials, gardening equipment and supplies (1.5 percent), and miscellaneous retailers (1.5 percent).

Gasoline spending led the decliners with a 1.8 percent drop. However, the average price for a gallon of gasoline was \$4.77, down 7.4 percent from \$5.15 in June, suggesting price changes more than accounted for the drop. Other declines came in motor vehicles and parts dealers (-1.6 percent), general merchandise retailers (-0.7 percent), and clothing and accessory stores (-0.6 percent).

Overall, nominal total and core retail sales remain well above trend. However, rising prices are still providing a significant boost to the numbers. In real terms, total retail sales were essentially unchanged and have been trending flat since March 2021. Real core retail sales posted a solid gain for the month and appear to have a modest upward trend.

Unit Auto Sales Remained Weak in August

Sales of light vehicles totaled 13.2 million at an annual rate in August, little changed from a 13.3 million pace in July. The August result was a 1.1 percent decrease from the prior month and the third decrease in the last six months. It was the fifteenth consecutive month below the 16 to 18 million range, averaging just 13.56 million over that period. Weak auto sales are largely a result of component shortages that have limited production, resulting in plunging inventory and surging prices.

Breaking down sales by the origin of assembly, sales of domestic vehicles decreased to 10.3 million units versus 10.7 million in July, a decline of 3.9 percent, while imports jumped to a 2.88 million rate, a rise of 10.3 percent. Domestic sales had generally been in the 13 million to 14 million range in the period before the pandemic, averaging 13.3 million for the six years through December 2019. The domestic share came in at 78.1 percent in August versus 80.4 in July.

Within the domestic light-vehicles category, domestic car sales were 1.99 million in August versus 2.05 million in July, a drop of 2.6 percent. Domestic light truck sales were 8.31 million versus 8.67 million in the prior month, a drop of 4.2 percent. That puts the domestic light truck share of total domestic auto sales at 80.6 percent.

Domestic assemblies jumped in July, coming in at 10.72 million at a seasonally adjusted annual rate. That is up 6.9 percent from 10.02 million in June and still slightly below the 10.8 million average pace for the three years through December 2019.

Component shortages, especially computer chips, continue to restrain production for most manufacturers, creating scarcity for many models and leading to lower inventory and higher prices. Ward's estimate of unit auto inventory came in at 97,000 in July, up from 114,100 in June, and a new all-time low. The Bureau of Economic Analysis estimates that the inventory-to-sales ratio fell to 0.505 in July, down from 0.558 in June but above the February low of 0.368.

The low inventory levels continue to push prices higher, with the average consumer expenditure for a car coming in at \$34,962 in July, up 0.8 percent from June to a new record high. The average consumer expenditure on a light truck rose to \$50,320 from \$50,143 in June, up 0.4 percent for the month and a new record high.

As a share of disposable personal income per capita, average consumer expenditures on a car came in at 62.47 percent versus 62.09 in June and up sharply from 51.8 percent in December 2019. The average consumer expenditure on a light truck as a share of disposable personal income per capita was 89.91 percent versus 89.75 percent in June and 78.78 percent in December 2019.

CAPITAL MARKET PERFORMANCE

(Percent change)

	August	Latest 3M	Latest 12M	2021	Calendar Year 2020	2019	3-year	Annualized 5-year	10-year
Equity Markets									
S&P 1500	-4.2	-4.2	-12.5	26.7	15.8	28.3	10.4	9.6	10.8
S&P 500 - total return	-4.1	-3.9	-11.2	28.7	18.4	31.5	12.4	11.8	13.1
S&P 500 - price only	-4.2	-4.3	-12.6	26.9	16.3	28.9	10.6	9.9	10.9
S&P 400	-3.3	-3.3	-11.7	23.2	11.8	24.1	8.9	7.0	9.6
Russell 2000	-2.2	-1.1	-18.9	13.7	18.4	23.7	7.3	5.6	8.6
Dow Jones Global Large-Cap Index	-4.0	-6.0	-17.3	16.2	14.7	23.8	6.2	5.1	6.6
Dow Jones Global Large-Cap ex-U.S. Index	-3.1	-8.6	-20.7	4.9	8.8	18.2	0.8	-0.5	2.0
STOXX Europe 600 Index	-5.3	-6.4	-11.8	22.2	-4.0	23.2	3.0	2.1	4.5
Bond Markets									
iShares 20-plus Year Treasury Bond ETF	-4.7	-4.0	-24.8	-6.0	16.4	11.5	-8.8	-2.7	-1.3
iShares AAA - A Corporate Bond Fund	-4.0	-3.8	-16.3	-4.2	7.1	9.1	-4.7	-2.0	NA
Commodity Markets									
Gold	-2.5	-6.8	-4.8	-4.0	24.8	18.7	4.0	5.5	0.3
Silver	-10.6	-17.6	-25.4	-12.8	46.8	16.7	-0.8	0.7	-5.2
Refinitiv CoreCommodities CRB total return index	-0.3	-7.8	34.1	38.5	-9.3	11.8	20.2	11.2	0.0

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

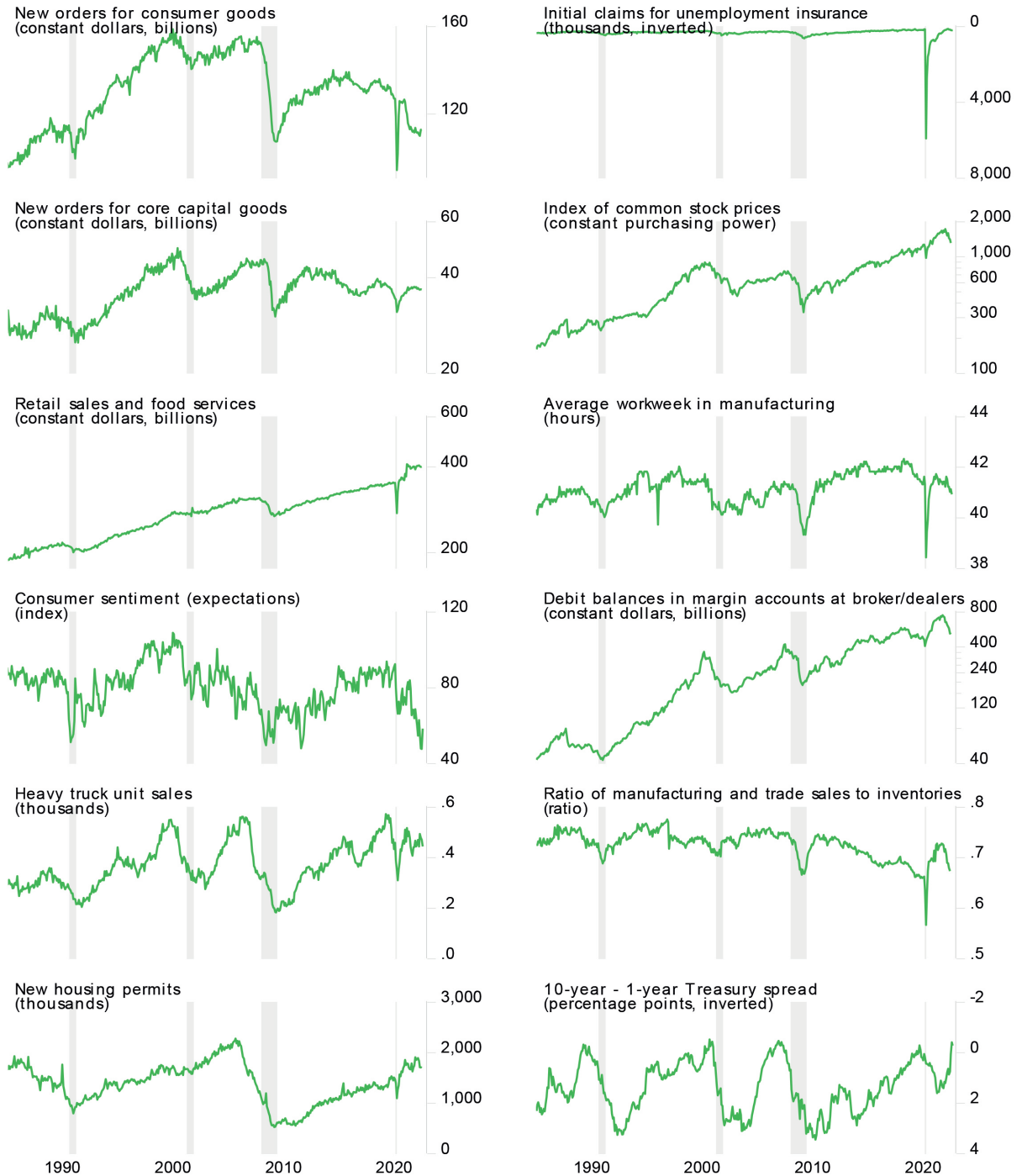
CONSUMER FINANCE RATES

(Percent)

	August	Latest 3M	Latest 12M	Average for Year			Average over Period		
	August	3M	12M	2021	2020	2019	3-year	5-year	10-year
30-yr. fixed mortgage	5.4	5.4	4.0	3.0	3.1	3.9	3.4	3.8	3.8
15-yr. fixed mortgage	4.6	4.6	3.2	2.3	2.6	3.4	2.8	3.2	3.1
5-yr. adjustable mortgage	4.3	4.2	3.1	2.6	3.1	3.6	3.1	3.3	3.1
48-month new car loan	5.2	5.2	4.9	5.1	5.1	5.4	5.1	5.1	4.7

Sources: Bankrate, Federal Reserve.

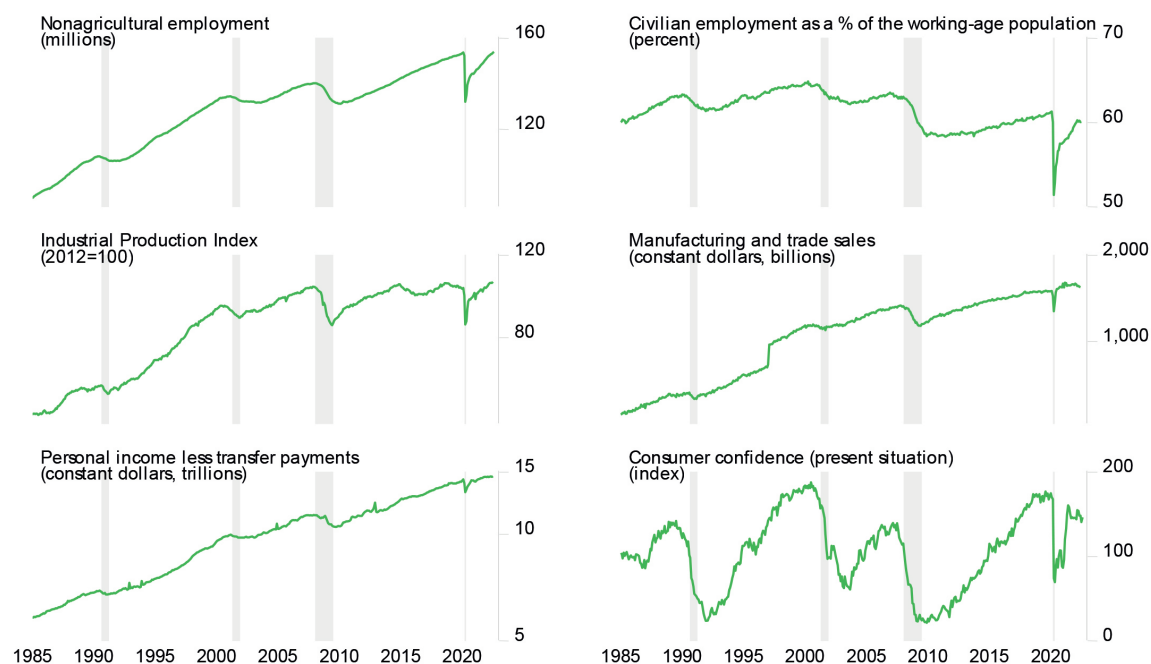
LEADING INDICATORS (1985 - 2022)



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).

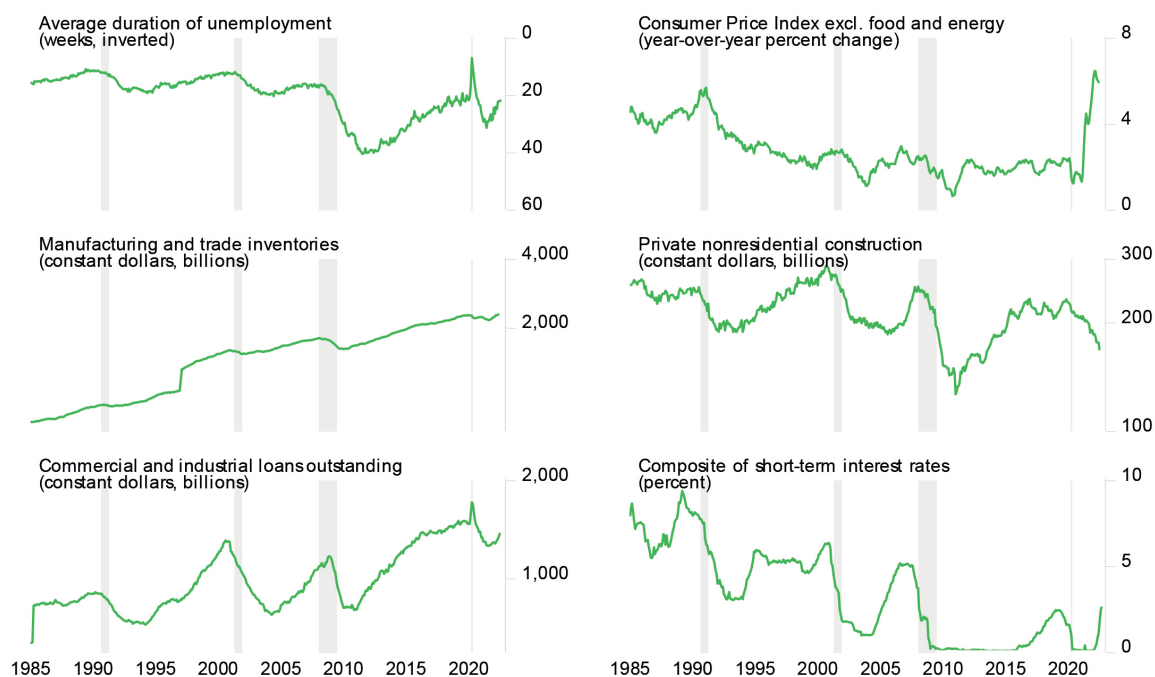
ROUGHLY COINCIDENT INDICATORS (1985 - 2022)



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 (1985 - 2022)



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).

The Suicide of the American Historical Association

PHILLIP W. MAGNESS

Research and Education Director

Abizarre string of events is unfolding at the American Historical Association (AHA). Last week, AHA president James H. Sweet published a column in the organization's magazine on the problem of "presentism" in academic historical writing. According to Sweet, an unsettling number of academic historians have allowed their political views in the present to shape and distort their interpretations of the past.

Sweet offered a gentle criticism of the *New York Times*'s 1619 Project as evidence of this pattern. Many historians embraced the 1619 Project for its political messages despite substantive flaws of fact and interpretation in its content. Sweet thus asked: "As journalism, the project is powerful and effective, but is it history?"

Within moments of his column appearing online, all hell broke loose on Twitter.

Incensed at even the mildest suggestion that politicization is undermining the integrity of historical scholarship, the activist wing of the history profession showed up on the AHA's thread and began demanding Sweet's cancellation. Cate Denial, a professor of history at Knox College, led the charge with a widely-retweeted thread calling on colleagues to bombard the AHA's Executive Board with emails protesting Sweet's column. "We cannot let this fizzle," she declared before posting a list of about 20 email addresses.

Other activist historians joined in, flooding the thread with profanity-laced attacks on Sweet's race and gender as well as calls for his resignation over a disliked opinion column. The responses were almost universally devoid of any substance. None challenged Sweet's argument in any meaningful

way. It was sufficient enough for him to have harbored the "wrong" thoughts – to have questioned the scholarly rigor of activism-infused historical writing, and to have criticized the 1619 Project in even the mildest terms.

New York Times columnist and 1619 Project contributor Jamie Bouie jumped in, casually dismissing Sweet's concerns over the politicization of scholarship with contemporary "social justice" issues. 1619 Project creator Nikole Hannah-Jones retweeted the attacks on Sweet, even though she has previously invoked the "journalistic" and editorial nature of her project to shield it from scholarly criticism by historians.



Other activist historians such as the New School's Claire Potter retorted that the 1619 Project was indeed scholarly history, insisting that "big chunks of it are written by professional, award-winning historians." Sweet was therefore in the wrong to call it journalism, or to question its scholarly accuracy. Potter's claims are deeply misleading. Only two of the 1619 Project's twelve feature essays were written by historians, and neither of them are specialists in the crucial period between 1776-1865, when slavery was at its peak. The controversial parts of the 1619 Project were all written by opinion journalists such as Hannah-Jones, or non-experts writing well outside of their own competencies such as Matthew Desmond.

The frenzy further exposed the very same problems in the profession that Sweet's essay cautioned against. David Austin Walsh, a historian at the University of Virginia, took issue with historians offering *any* public criticism of the 1619 Project's flaws – no matter their validity – because those criticisms are “going to be weaponized by the right.” In Walsh's hyperpoliticized worldview, historical accuracy is wholly subordinate to the political objectives of the project. Sweet's sin in telling the truth about the 1619 Project's defects was being “willfully blind to the predictable political consequences of [his] public interventions.” Any argument that does not advance a narrow band of far-left political activism is not only unfit for sharing – it must be suppressed.

Within hours of the AHA's original tweet of Sweet's article, the cancellation campaign was in full swing. Predictably, the AHA caved to the cancellers.

One day after the offending article went live, the AHA tweeted out a “public apology” from Sweet. It reads like a forced confession statement, acknowledging the “harm” and “damage” allegedly caused by simply raising questions about the politicization of scholarship toward overtly ideological activist ends. It did not matter that Sweet's criticisms were mild and couched in plenty of nuance, or that they even came from a center-left perspective that also criticized conservative historians for politicizing the debate around gun rights. Sweet was guilty of pointing out that partisan political activism undermines scholarly rigor when the lines between the two blur, because the overwhelming majority of that activism inside the history profession currently comes from the political left. And for that, the very same activists extracted an obsequious apology letter. Its text, reproduced below, reads like a “struggle session” for academic wrongthink.

Message from James H. Sweet

My September *Perspectives on History* column has generated anger and dismay among many of our colleagues and members. I take full responsibility that it did not convey what I intended and for the harm that it has caused. I had hoped to open a conversation on how we “do” history in our current politically charged environment. Instead, I foreclosed this conversation for many members, causing harm to colleagues, the discipline, and the Association.

A president's monthly column, one of the privileges of the elected office, provides a megaphone to the membership and the discipline. The views and opinions expressed in that column are not those of the Association. If my ham-fisted attempt at provocation has proven anything, it is that the AHA membership is as vocal and robust as ever. If anyone has criticisms that they have been reluctant or unable to post publicly, please feel free to contact me directly.

I sincerely regret the way I have alienated some of my Black colleagues and friends. I am deeply sorry. In my clumsy efforts to draw attention to methodological flaws in teleological presentism, I left the impression that questions posed from absence, grief, memory, and resilience somehow matter less than those posed from positions of power. This absolutely is not true. It wasn't my intention to leave that impression, but my provocation completely missed the mark.

Once again, I apologize for the damage I have caused to my fellow historians, the discipline, and the AHA. I hope to redeem myself in future conversations with you all. I'm listening and learning.

Sweet's apology excited the activist wing of the profession, though it did little to placate their ire. The resignation demands continued, because Sweet's apology was “insincere” and because his argument would be used by the “wrong” people – i.e. anyone who dissents from a particular brand of progressive activist orthodoxy. Simply criticizing the 1619 Project would play into the tactics of “Right-wingers, Nazis, and other bad-faith actors” who could use Sweet's commentary “in the service of white supremacism and misogyny” announced Kevin Gannon, a historian who's primarily known for scolding other scholars on twitter when they deviate from the profession's far-left orthodoxies.

In this branch of academia, it does not matter whether the 1619 Project was truthful or factually accurate. The only concerns are whether its narrative can be weaponized for a political cause or used to deflect scrutiny of the same. As is often the case in the pseudo-moralizing political crusades of academia, the loudest demands against Sweet also came from the least-productive academics – historians with thin CVs and little in the way of original scholarly research to their names, although they do maintain 24/7 Twitter feeds of progressive political commentary.

Lora Burnett, one of the more vocal cancellation crusaders after the initial article posted, scoffed at Sweet, announcing “this apology was basically, ‘sorry

I made you sad but I'm still right.” She continued: “lamenting ‘inartful expression’ is apparently easier than admitting to flawed argument, unsupported claims, and factually incorrect assertions.” Note that Burnett and the other detractors never bothered to explain how Sweet’s argument was flawed or unsupported. Nor did they attempt to pen a rebuttal, which could have produced a constructive dialogue about the role of political activism in shaping historical scholarship. It was sufficient to denounce him as guilty for holding the wrong opinions. No matter the apology that Sweet made, the campaign to eject him from the history profession’s markedly impolite company would continue.

Meanwhile, the rest of the world began to take notice of the bizarre spectacle playing out at the main professional organization for a major academic discipline. As criticisms mounted on the AHA’s twitter feed, the organization moved to shut down debate entirely. They locked their twitter account, and posted a message to members denouncing the public blowback as the product of “trolls” and “bad faith actors.”



Keep in mind that only 24 hours earlier, the AHA had no problem with hundreds of activist historians flooding their threads with actual harassing behavior

by bad faith actors. It tolerated cancellation threats directed against its president, calls to flood the personal email accounts of its board with harassing messages and denunciations of Sweet, and dozens of profane, sexist, and personally degrading attacks on Sweet himself. There were no AHA denunciations of those “trolls” or their “appalling” behavior, and no statements calling for “civil discourse” while the activist Twitterstorian mobs flooded the original thread with obscenity-laced vitriol and ad hominem attacks on Sweet.

Sadly, this type of unprofessional belligerence is now the norm on History Twitter. It would never be tolerated from any other perspective than the far-left, but it is valorized in the profession as long as it serves that particular set of ideological objectives.

The final irony is that the AHA only shuttered its twitter feed from the public when it could no longer restrict the conversation to the activist mob calling for Sweet’s cancellation. It’s the same brand of intellectual closure that Sweet’s offending column warned against in its final passage: “When we foreshorten or shape history to justify rather than inform contemporary political positions, we not only undermine the discipline but threaten its very integrity.”

— August 20, 2022

About That “o Percent” Inflation in July

PETER C. EARLE

Research Faculty

On Wednesday, August 10th, the Bureau of Labor Statistics release of the July 2022 Consumer Price Index data showed a year-over-year change of 8.5 percent. That’s down from June’s 9.1 percent year-over-year number, but still at 40-year highs. The Biden administration, predictably, chose to seize upon the 0.0 percent month-over-month change between June and July. As the New York Post reported,

“I just want to say a number: zero,” Biden said in the White House East Room...”Today, we received news that our economy had 0 percent inflation in the month of July — 0 percent,” Biden said. “Here’s what that means: While the price of some things go up — went up last month, the price of other things went down by the same amount. The result? Zero inflation last month.”

It first bears mentioning that a view that this 0 percent number simply isn’t plausible has been voiced (loudly). My own investigation shows that since September 1971 there have been 205 month-over-month CPI releases. Fourteen of those, and four since 2010, have been flat: a 0 percent change from one month to the next. More than half of the largest monthly CPI changes – 14 of the top 25 – occurred in the troubled, highly inflationary period between 1971 and 1982. Two of the largest monthly changes occurred this year, one in 2021.

With hundreds of price index constituents and plunging poll numbers, manipulation seems eminently likely to critics. With no prejudice against those views, I do not make that charge here. Rather, the nature of the artifice is gloss. Yes, it is true that

gasoline prices have fallen significantly. In July 2022 the average price of a gallon of gasoline in the United States fell from \$5.34 to \$4.80. Yet even after that decline the price of gasoline is up 87 percent since the start of 2021.

To consider the actual contours of the trumpeted “zero percent” change, below are the largest June to July 2022 decreases in price among CPI constituents according to the Bureau of Labor Statistics. (Because certain goods and services are broken into subcategories, some categorical redundancies may be present.)

	Goods/services	July 2022	June 2022	June-July chg
1	Unleaded Regular Gasoline	-8.0%	10.1%	-18.1%
2	Gasoline, Unleaded Midgrade	-6.5%	9.6%	-16.1%
3	Gasoline, Unleaded Premium	-5.5%	8.7%	-14.2%
4	Frankfurters	-6.0%	4.8%	-10.8%
5	Airline Fare	-9.6%	-0.2%	-9.4%
6	Margarine	-0.8%	6.8%	-7.6%
7	Shelf Stable Fish and Seafood	-3.3%	1.8%	-5.1%
8	Women's Outerwear	-3.2%	1.6%	-4.8%
9	Newspapers And Magazines	-0.5%	4.2%	-4.7%
10	Audio Equipment	-1.4%	3.2%	-4.6%
11	Ham Excluding Canned	-0.8%	3.6%	-4.4%
12	Computer Software and Accessories	-1.9%	2.3%	-4.2%
13	Ham	-0.6%	3.4%	-4.0%

14	Frozen Non Carbonated Juices & Drinks	-1.1%	2.4%	-3.5%
15	Other Linens	-1.8%	1.6%	-3.4%
16	Girls apparel	-3.8%	-0.4%	-3.4%
17	Recreational Books	-1.7%	1.6%	-3.3%
18	Tomatoes	-2.4%	0.8%	-3.2%
19	Men's furnishings	-2.4%	0.8%	-3.2%
20	Peripheral Computer Equipment	-1.8%	1.3%	-3.1%
21	Men's Footwear	-1.4%	1.7%	-3.1%
22	Other Furniture	-4.3%	-1.5%	-2.8%
23	Processed Fish and Seafood	-1.3%	1.4%	-2.7%
24	Prepared Salads	0.7%	3.1%	-2.4%
25	Apples	0.0%	2.3%	-2.3%
26	Fresh Biscuits, Rolls, Muffins	1.2%	3.4%	-2.2%
27	Boys' Apparel	-2.0%	0.2%	-2.2%
28	Frozen & Refrigerated Bakery Products	0.7%	2.9%	-2.2%
29	Butter and Margarine	1.6%	3.7%	-2.1%
30	Dental Services	-0.1%	2.0%	-2.1%
31	Frozen Fish & Seafood	-0.1%	2.0%	-2.1%
32	Stationery, Stationery Supplies, Gift Wrap	-2.6%	-0.6%	-2.0%
33	Men's suits, sport coats, and outerwear	-1.6%	0.4%	-2.0%
34	Indoor Plants and Flowers	-1.2%	0.7%	-1.9%
35	Non Electric Cookware and Tableware	-0.7%	1.2%	-1.9%
36	Major Appliances	-1.8%	0.0%	-1.8%
37	Other Condiments	0.2%	2.0%	-1.8%
38	Motor Oil, Coolant, and Fluids	0.8%	2.6%	-1.8%
39	Boys & Girls Footwear	-0.9%	0.8%	-1.7%
40	Fresh Cakes & Cupcakes	1.2%	2.9%	-1.7%
41	Other Appliances	-0.8%	0.8%	-1.6%

42	Lodging Incl Hotels & Motels	-2.4%	-0.8%	-1.6%
43	Flour and Prepared Flour Mixes	4.0%	5.5%	-1.5%
44	Sewing Machines, Fabric and Supplies	0.4%	1.9%	-1.5%
45	Eyeglasses & Eye Care	-0.8%	0.7%	-1.5%
46	Motor Vehicle Body Work	0.3%	1.8%	-1.5%
47	Parking and Other Fees	-0.4%	1.1%	-1.5%
48	Lodging Away from Home	-2.0%	-0.7%	-1.3%
49	Motor Vehicle Maintenance & Servicing	0.7%	2.0%	-1.3%
50	Lettuce	-1.0%	0.3%	-1.3%
51	Butter	1.6%	2.9%	-1.3%
52	Sports equipment	-1.1%	0.1%	-1.2%
53	Nursing Home & Adult Day Service	0.1%	1.3%	-1.2%
54	Sweet Rolls, Coffeecakes, Doughnuts	0.5%	1.7%	-1.2%
55	Fish and Seafood	-0.6%	0.5%	-1.1%
56	Frozen & Freeze Dried Prepared Foods	1.9%	2.9%	-1.0%
57	Child Care and Nursery School	-0.2%	0.8%	-1.0%
58	Women's dresses	-3.3%	-2.3%	-1.0%
59	Parking Fees and Tolls	0.2%	1.2%	-1.0%
60	Floor coverings	0.1%	1.0%	-0.9%
61	Pets, Pet Supplies, Accessories	0.0%	0.9%	-0.9%
62	Uncooked Beef Steaks	-1.0%	-0.1%	-0.9%
63	Canned Vegetables	1.1%	2.0%	-0.9%
64	Clocks, Lamps, and Decorator Items	-0.3%	0.5%	-0.8%
65	Fresh Whole Milk	-0.7%	0.0%	-0.7%
66	Women's Suits and Separates	-1.2%	-0.5%	-0.7%
67	Frozen Vegetables	0.7%	1.3%	-0.6%
68	Tires	0.1%	0.7%	-0.6%
69	Cable, Satellite Television, Radio Service	-0.6%	0.0%	-0.6%

70	Pork Roasts Steaks and Ribs	-0.5%	0.1%	-0.6%	98	Women's Footwear	0.3%	0.4%	-0.1%																																																																											
71	Other Miscellaneous Foods	1.8%	2.4%	-0.6%	99	Fresh Vegetables	0.6%	0.7%	-0.1%																																																																											
72	Men's apparel	-1.4%	-0.8%	-0.6%	100	Owners Equivalent Rent of Residences	0.6%	0.7%	-0.1%																																																																											
73	Fresh & Frozen Chicken Parts	1.1%	1.7%	-0.6%	101	College Tuition and Fees	0.2%	0.3%	-0.1%																																																																											
74	Breakfast Cereals	2.0%	2.5%	-0.5%	102	Haircuts and Other Personal Care Services	0.2%	0.3%	-0.1%																																																																											
75	Frozen Fruits and Vegetables	0.5%	1.0%	-0.5%	103	New Trucks	0.6%	0.7%	-0.1%																																																																											
76	Tools, Hardware and Supplies	-0.1%	0.4%	-0.5%	104	Owner Equivalent Rent Primary Residence	0.6%	0.7%	-0.1%																																																																											
77	Beer, Ale, and Malt Beverages at Home	0.3%	0.8%	-0.5%	<div>The following CPI constituents saw price increases from June to July 2022, starting with the largest month-to-month percentage change.</div> <table><thead><tr><th></th><th>Goods/services</th><th>July 2022</th><th>June 2022</th><th>June-July chg</th></tr></thead><tbody><tr><td>1</td><td>Window Coverings</td><td>4.0%</td><td>-3.9%</td><td>7.9%</td></tr><tr><td>2</td><td>Photographic Equipment</td><td>5.6%</td><td>-0.7%</td><td>6.3%</td></tr><tr><td>3</td><td>Peanut Butter</td><td>3.5%</td><td>-2.0%</td><td>5.5%</td></tr><tr><td>4</td><td>Uncooked Other Beef and Veal</td><td>1.8%</td><td>-1.9%</td><td>3.7%</td></tr><tr><td>5</td><td>Pork Chops</td><td>2.3%</td><td>-1.4%</td><td>3.7%</td></tr><tr><td>6</td><td>Crackers Bread & Cracker Products</td><td>3.8%</td><td>0.5%</td><td>3.3%</td></tr><tr><td>7</td><td>Fats and Oils including Peanut Butter</td><td>4.0%</td><td>0.8%</td><td>3.2%</td></tr><tr><td>8</td><td>Other Fresh Fruits</td><td>0.0%</td><td>-3.1%</td><td>3.1%</td></tr><tr><td>9</td><td>Women's Underwear, Nightwear</td><td>0.0%</td><td>-2.9%</td><td>2.9%</td></tr><tr><td>10</td><td>Dried Beans Peas & Lentils</td><td>1.7%</td><td>-1.0%</td><td>2.7%</td></tr><tr><td>11</td><td>Bacon, Breakfast Sausage, & Related</td><td>1.9%</td><td>-0.8%</td><td>2.7%</td></tr><tr><td>12</td><td>Laundry Equipment</td><td>1.7%</td><td>-0.9%</td><td>2.6%</td></tr><tr><td>13</td><td>Video Discs and Other Media</td><td>2.9%</td><td>0.3%</td><td>2.6%</td></tr><tr><td>14</td><td>Rice</td><td>1.4%</td><td>-1.1%</td><td>2.5%</td></tr></tbody></table>						Goods/services	July 2022	June 2022	June-July chg	1	Window Coverings	4.0%	-3.9%	7.9%	2	Photographic Equipment	5.6%	-0.7%	6.3%	3	Peanut Butter	3.5%	-2.0%	5.5%	4	Uncooked Other Beef and Veal	1.8%	-1.9%	3.7%	5	Pork Chops	2.3%	-1.4%	3.7%	6	Crackers Bread & Cracker Products	3.8%	0.5%	3.3%	7	Fats and Oils including Peanut Butter	4.0%	0.8%	3.2%	8	Other Fresh Fruits	0.0%	-3.1%	3.1%	9	Women's Underwear, Nightwear	0.0%	-2.9%	2.9%	10	Dried Beans Peas & Lentils	1.7%	-1.0%	2.7%	11	Bacon, Breakfast Sausage, & Related	1.9%	-0.8%	2.7%	12	Laundry Equipment	1.7%	-0.9%	2.6%	13	Video Discs and Other Media	2.9%	0.3%	2.6%	14	Rice	1.4%	-1.1%	2.5%
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78	Other Meats	0.5%	1.0%	-0.5%																																																																																
79	Oranges, including Tangerines	0.2%	0.7%	-0.5%																																																																																
80	Motor Vehicle Repair	1.7%	2.1%	-0.4%																																																																																
81	Fresh Milk Other than Whole	0.5%	0.9%	-0.4%																																																																																
82	Wine At Home	0.1%	0.5%	-0.4%																																																																																
83	Services By Other Medical Professionals	-0.3%	0.1%	-0.4%																																																																																
84	Intracity Transportation	0.4%	0.8%	-0.4%																																																																																
85	Other Uncooked Poultry including Turkey	0.6%	1.0%	-0.4%																																																																																
86	Miscellaneous Household Products	1.0%	1.4%	-0.4%																																																																																
87	Jewelry	1.6%	2.0%	-0.4%																																																																																
88	Poultry	1.2%	1.5%	-0.3%																																																																																
89	Chicken	1.4%	1.7%	-0.3%																																																																																
90	Wine away from Home	0.0%	0.3%	-0.3%																																																																																
91	Cigarettes	0.3%	0.6%	-0.3%																																																																																
92	Distilled Spirits Away From Home	-0.1%	0.1%	-0.2%																																																																																
93	Landline Telephone Services	-0.1%	0.1%	-0.2%																																																																																
94	Intracity Mass Transit	-0.2%	0.0%	-0.2%																																																																																
95	Cakes, Cupcakes and Cookies	1.7%	1.8%	-0.1%																																																																																
96	Pet Food	1.2%	1.3%	-0.1%																																																																																
97	Rent of Primary Residence	0.7%	0.8%	-0.1%																																																																																

15	Bacon & Related Products	1.4%	-1.1%	2.5%
16	Potatoes	4.6%	2.1%	2.5%
17	Carbonated Drinks	2.3%	-0.1%	2.4%
18	Breakfast Sausage & Related Products	2.6%	0.2%	2.4%
19	Bread Other than White	3.5%	1.3%	2.2%
20	Olives, Pickles, Relishes	3.0%	0.9%	2.1%
21	Sauces and Gravies	3.2%	1.1%	2.1%
22	Ship Fare	0.0%	-2.1%	2.1%
23	Admission to Sporting Events	4.9%	2.9%	2.0%
24	Telephone Hardware, Calculators, Etc.	0.9%	-1.1%	2.0%
25	Salt and Other Seasonings and Spices	2.0%	0.1%	1.9%
26	Coffee	2.7%	0.9%	1.8%
27	Men's pants and shorts	0.1%	-1.7%	1.8%
28	Toys, Games, Hobbies, Playground Equip.	1.1%	-0.6%	1.7%
29	Citrus Fruits	-1.3%	-3.0%	1.7%
30	Men's Shirts and Sweaters	-1.3%	-3.0%	1.7%
31	Fresh Fruit	-0.3%	-1.9%	1.6%
32	Delivery Services	0.7%	-0.8%	1.5%
33	Roasted coffee	2.6%	1.2%	1.4%
34	Other Beverage Materials Including Tea	2.4%	1.0%	1.4%
35	Spices, Seasonings, Condiments, Sauces	2.3%	0.9%	1.4%
36	Care of Invalids and Elderly at Home	1.5%	0.1%	1.4%
37	State Motor Vehicle Registration, License	1.4%	0.0%	1.4%
38	Candy and Chewing Gum	2.0%	0.7%	1.3%
39	Televisions	-0.2%	-1.5%	1.3%
40	Canned Fruits	1.1%	-0.2%	1.3%
41	Instant & Freeze Dried Coffee	2.3%	1.0%	1.3%
42	Bread	2.8%	1.6%	1.2%

43	Toys	0.5%	-0.6%	1.1%
44	Vehicle Parts and Equipment	0.4%	-0.7%	1.1%
45	Watches	1.2%	0.1%	1.1%
46	Baby Food	2.1%	1.1%	1.0%
47	Sports Vehicles Including Bicycles	0.4%	-0.6%	1.0%
48	Pet Services	0.3%	-0.7%	1.0%
49	Processed Fruits and Vegetables	2.2%	1.3%	0.9%
50	Uncooked Ground Beef	0.8%	-0.1%	0.9%
51	Household Paper Products	3.1%	2.2%	0.9%
52	Other Intercity Transportation	0.7%	-0.2%	0.9%
53	Other Bakery Products	2.0%	1.2%	0.8%
54	Financial Services	0.3%	-0.5%	0.8%
55	Pork	0.9%	0.1%	0.8%
56	Soups	2.8%	2.0%	0.8%
57	Distilled Spirits	0.8%	0.1%	0.7%
58	Housing at School, excluding Board	0.8%	0.1%	0.7%
59	Vehicle Accessories Other Than Tires	0.7%	0.0%	0.7%
60	Beer, Ale, Etc. (Away From Home)	0.9%	0.2%	0.7%
61	Video Discs and Other Media	1.7%	1.0%	0.7%
62	Club Dues & Fees for Sports and Exercise	0.4%	-0.3%	0.7%
63	Whiskey at Home	0.6%	-0.1%	0.7%
64	Inpatient Hospital Services	0.6%	-0.1%	0.7%
65	Uncooked Beef Roasts	-1.3%	-2.0%	0.7%
66	Fresh Whole Chicken	1.9%	1.2%	0.7%
67	Sugar and Artificial Sweeteners	2.2%	1.6%	0.6%
68	Living Room, Kitchen, Etc. Furniture	2.7%	2.1%	0.6%
69	Cosmetics, Perfume, Bath, Nail Prep	0.8%	0.2%	0.6%
70	Veterinarian Services	0.8%	0.2%	0.6%

71	Distilled Spirits at Home	0.7%	0.1%	0.6%
72	Hospital Services	0.6%	0.0%	0.6%
73	Admission to Movies & Concerts	1.5%	0.9%	0.6%
74	Lunch Meats	1.1%	0.6%	0.5%
75	Outdoor Equipment and Supplies	0.3%	-0.2%	0.5%
76	Apparel Services	1.5%	1.0%	0.5%
77	Beef And Veal	-0.1%	-0.6%	0.5%
78	Fresh Fish and Seafood	0.1%	-0.4%	0.5%
79	Outpatient Hospital Services	0.5%	0.0%	0.5%
80	Admissions	2.1%	1.7%	0.4%
81	Meats	0.4%	0.0%	0.4%
82	Funeral Expenses	0.5%	0.1%	0.4%
83	Bananas	0.9%	0.5%	0.4%
84	Salad Dressing	2.4%	2.0%	0.4%
85	Cookies	1.7%	1.3%	0.4%
86	Audio Discs, Tapes and Other Media	0.6%	0.3%	0.3%
87	Other Video Equipment	-2.0%	-2.3%	0.3%
88	New Cars	0.8%	0.6%	0.2%
89	Other Fresh Vegetables	0.5%	0.3%	0.2%
90	Rental Of Video, Audio Discs	0.0%	-0.2%	0.2%
91	Prescription Drugs	0.3%	0.1%	0.2%
92	Physicians Services	0.3%	0.1%	0.2%
93	Womens Apparel	-1.2%	-1.4%	0.2%
94	White Bread	2.0%	1.8%	0.2%
95	Nonfrozen Noncarbonated Drinks	1.5%	1.4%	0.1%
96	Nonprescription Drugs	1.3%	1.2%	0.1%
97	Hair, Dental, Shaving, Care Products	1.3%	1.2%	0.1%
98	Music Instruments and Accessories	0.0%	-0.1%	0.1%

99	Wireless telephone services	0.0%	-0.1%	0.1%
100	Elementary & High School Tuition & Fees	0.6%	0.5%	0.1%
101	Bedroom Furniture	1.2%	1.1%	0.1%

Two particularly noteworthy features should be clear. First, that the changes in the general price level remain extraordinarily broad. We see not just increases in food and energy, but in services, clothing, events, consumer non-durables, and beyond. Additionally, the complementary nature of many goods likely mitigates the benefit of certain declines in price. Labor Day BBQers will note that rolls and frankfurters have declined in price, but pickles, noncarbonated beverages, and household paper products (plates, cups, etc.) have risen in price. Gasoline prices, still high, have declined. But the cost to access destinations, such as sporting events, movies, and gym memberships, have continued ascending. The decline in gasoline prices is a welcome development for individuals who drive, but doesn't help the working poor when within the same index are increases in the cost of intercity transportation.

American consumers don't purchase or eat the CPI. Households consume preferred items in specific quantities to meet their needs within the confines of budget and income restrictions. If there happens to be an individual or family subsisting exclusively on snacks, college textbooks, household cleaning supplies, and postage – some of the very few goods that actually saw a 0 percent change in price from June to July – they are at least treading water. Even for an administration desperate for good news, touting a meaningless statistical aberration as an achievement is a pitiful turn.

– August 17, 2022

Why Will Inflation Remain So High For So Long?

WILLIAM J. LUTHER

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With inflation marking a 40 year high in June, everyone seems to have one question on their mind: When will inflation return to normal? July's Consumer Price Index (CPI) print offers a glimmer of hope. Core CPI, which excludes volatile food and energy prices, grew just 0.3 percent in the month of July, down from 0.6 and 0.7 percent in the prior two months. Declining energy prices left headline CPI unchanged over the month.

Alas, the Federal Open Market Committee's (FOMC) latest Summary of Economic Projections suggests inflation will remain high for some time. The median FOMC member is currently projecting 5.2 percent inflation in the personal consumption expenditures price index (PCEPI) for 2022; 2.6 percent inflation for 2023; 2.2 percent inflation for 2024; and 2.0 percent thereafter.

The Federal Reserve is ostensibly committed to a 2 percent average inflation target, which permits a temporarily high rate of inflation. But just because the Fed *can* let inflation run higher than 2 percent for a period of time doesn't mean it *should*. FOMC members are asked to submit their projections under the assumption that the Fed conducts monetary policy appropriately, as they see it. Hence, their projections for inflation tell us how FOMC members think the price level *should* evolve.

When should inflation be higher than the Fed's 2-percent average inflation target? In general, prices should rise above the level consistent with the Fed's average inflation target when real output falls below its long run growth path. When supply constraints reduce our ability to produce, higher prices provide a useful signal that goods and services are relatively

scarce and an incentive to scale back purchases until production recovers.

We must be careful not to confuse above-average prices with above-average inflation, however. When the economy is recovering from an adverse supply shock, for example, prices return to trend. In the process of returning to trend, prices are (1) above trend and (2) growing at a rate below the average inflation target. Hence, justifications for higher prices do not necessarily justify higher inflation. We must think carefully about where the economy is and where it is going.

Consider how prices have evolved over the last 18 months. In April 2021, prices started to rise above trend. Then, in October 2021, they began to rise more rapidly. The continuously-compounding annual inflation rate since January 2020, which had stood at 3.0 percent in August and September 2021, climbed to 3.2, 3.4, 3.5, 3.6, and 3.7 percent in the months that followed. In March 2022, it climbed to 4.0 percent, where it remained until June 2022 when it hit 4.3 percent. Hence, the question today is whether inflation should be above 2 percent *given that prices are already well-above the level consistent with the Fed's average inflation target*.

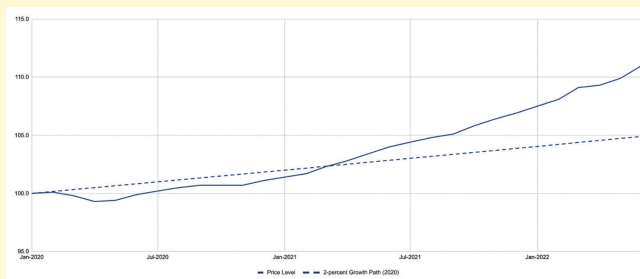


Figure 1. Personal Consumption Expenditures Price Index

What justification might Fed officials have for wanting inflation to remain above 2 percent through 2024? Perhaps they would point to lingering supply disturbances associated with the pandemic or, more recently, Russia's invasion of Ukraine. Alas, that would not quite cut it. To the extent that these disturbances persist, they justify above-trend prices. They do not necessarily justify above-average inflation. Above-average inflation would require a general *worsening* of supply conditions. And, despite the modest decline in real output observed in the first two quarters of 2022, potential output has likely continued to recover. Since prices are above trend, the process of returning to trend as real output recovers would require *less than 2* percent inflation—not more than 2 percent inflation, as Fed officials project.

Perhaps Fed officials think that, although the economy will largely recover from these temporary supply disturbances, these disturbances will also bring about a longer-lasting reduction in total factor productivity growth. Below-average total factor productivity growth would result in below-average real output growth and, as such, could serve as a justification for above-average inflation.

The below-average total factor productivity growth story is sensible, but strikes me as unlikely. We do not typically assume a temporary reduction in our ability to produce has a long-lasting effect on total factor productivity growth. What is different in this situation? And why would it warrant inflation to be 20 to 60 basis points above the average inflation target given that prices are already elevated well above the level consistent with the average inflation target?

I cannot think of a good reason for inflation to remain high through 2024; but many bad reasons come to mind. The most likely explanation, in my opinion, is that Fed officials do not take their average inflation target very seriously. They permitted nominal spending to surge, which pushed prices up far higher than was required given the supply

disturbances realized. They will eventually get inflation back down to 2 percent—but not anytime soon. And, even then, the price level will remain permanently elevated.

– August 24, 2022

The Fed Needs a Single Mandate

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First published by The Hill

Inflation continues its relentless march, eating away at workers' wages. Consumer prices rose 9.1 percent year-over-year in June, the fastest since 1981. The median American household is now losing more than \$2,700 per year in purchasing power. As always, regular Americans are stuck with the tab for reckless monetary and fiscal policy.

The Federal Reserve is primarily responsible for inflation. Even with aggressive interest rate hikes, the central bank is behind the curve. The money supply has risen more than 40 percent in two years, far outpacing the market's demand for liquidity. Inflation is the predictable effect. Congress is partly to blame, too. Politicians have run up nearly \$6 trillion in deficits since the coronavirus pandemic. The Fed scooped up Treasury securities totaling more than half of that deficit spending. Money mischief and fiscal folly reinforce each other.

To beat inflation, one reform stands out in importance. It's time for legislators to give the Fed a single mandate focusing on price stability. With inflation this high, we can't afford any more distractions for the central bank. The Fed needs focus. Stabilizing the dollar's purchasing power must come first.

The Fed is chasing too many goals. Its monetary mandate, which comes from a 1977 act of Congress, requires monetary policymakers to pursue maximum employment and stable prices. But this is redundant: The only way the Fed can secure the former is through the latter. By expanding the money supply when total spending in the economy stalls, the Fed stabilizes the exchange rate of money against goods in general — the “price” of a dollar.

Labor markets have nothing to fear from an inflation-focused Fed. Contrary to what some politicians and economists assert, there is no tradeoff between inflation and unemployment. While that idea was fashionable as recently as the 1970s, advancements in scientific economics have long since put it to rest.

The number of jobs is determined by the availability of capital and natural resources, the productivity of our technology and the commercial friendliness of our laws. None of these depend on how fast the Fed prints money. The best thing the central bank can do is make a credible commitment to stabilize the dollar's value, setting a strong foundation for job-creating economic activity.

A stable, predictable price level keeps the economy as productive as possible, including labor markets. Thus, the employment plank of the Fed's mandate is superfluous at best and dangerous at worst. It gives central bankers an excuse to pick winners and losers while neglecting the one thing within their sphere of competence: the dollar's purchasing power.

A dual mandate inhibits price stability by giving the Fed a plausible excuse for its mistakes. Targeting employment increases partisanship pressure on the Fed and has led to calls from Congress and the Biden administration to incorporate diversity, equity and inclusion (DEI) into Fed policy. Recent Fed chairs, including Jerome Powell, rightly denied that monetary policy was capable of achieving these goals. The Fed's move to a more “inclusive” employment target has contributed to our current predicament.

Opponents of a rule-bound Fed worry that a price stability mandate can cause the Fed to inadvertently tighten in response to supply problems. As the

past year has shown us, however, the Fed cannot be trusted to return to low inflation once a supply shock occurs, even going so far as to refine its own targets for inflation and employment to cover up its blunders. For example, the Fed insists it wants to “achieve inflation that averages 2 percent over time.” But since the Fed refuses to specify a concrete path for the dollar’s purchasing power, this is cheap talk. Any policy can be reconciled after the fact with an objective this vague.

They say a man with one watch always knows what time it is, but a man with two watches is never quite sure. It’s time for Congress to give the Fed one, and only one, new watch. A purchasing target would direct the Fed towards an achievable goal that would improve American households’ material wellbeing. Legislators from both parties should make a single Fed mandate a key part of their agendas.

– August 22, 2022

Open Letter to a Young Marxist

MAX BORDERS

Contributor

Someone has provided for you for most of your life. Some parental figure saw to your needs, whether food, clothing, or amusements, and you were raised a net consumer. I'm guessing you were more comfortable than 99 percent of anyone who has ever lived in human history. Yet you probably didn't *deserve* any of it, at least not as a diligent worker deserves a paycheck. This is the way it goes in most families:

From each according to his ability to each according to his need.

Because this is an open letter, I can't possibly know the particulars of your "lived experience." But I do know this: Someone provided for you. Did you expect all of those goodies? Most of us take our providers' generosity for granted at some point. You might protest that you had chores, but an adolescent's sense of entitlement rarely matches her contribution.

Thus, you are alive and reading this because you were the beneficiary of someone else's productive effort. (So was I, mind you.) Indeed, not only did your folks have to work, nearly everything you enjoyed was produced by other people collaborating in their productive efforts. The legal structure for this is called a corporation. There are different corporate forms, from worker cooperatives to traditional firms. I understand you don't like all of them.

As you got older, hopefully, you lost some of that adolescent sense of entitlement. Maybe you came to realize that you did, indeed, grow up comfortable and that not everyone does. Maybe you felt guilty. You might have even experienced the first stirrings of indignation about the working poor. Soon, a burning rectitude, a sense of injustice, became familiar but

undefined. Many people live hard lives outside of wealth's cottony confines and work long hours for little pay. When opportunities are few, people must take what work they can get.

Such is the way it is and has always been—yet with improvements through time.

Somewhere along the way, you discovered Karl Marx. Most start with *The Communist Manifesto*, but if you graduated to *Das Kapital*—congratulations (it's a beast). In any case, I hope you're up for a challenge. From here on, I'll lay out some of Marxism's fundamental problems.

Neither in Theory Nor in Practice

Two common clichés invite intellectual gymnastics on Marxism's behalf: *It's never been tried in its truest form*, and *It's good in theory but not in practice*. We can dismiss both of these claims because Marxism offers little good in either theory or practice.

Consider this brief tour of Marxism coupled with critiques:

1. The Labor Theory of Surplus Value. *In a sense, this objective theory of value is the lynchpin of Marxist economics and his theory of exploitation. Without it, the theory fails. The idea is that because profit goes to the capitalist, it is an unearned surplus that ought to accrue to the workers who create the real value.*

I will pass over the fact that in traditional firms, owners bear all the risks of their decisions and strategies, and making good decisions is an essential form of work. But the fundamental problem with Marx's Labor Theory is that all value is subjective. It doesn't

matter what the inputs are. In other words, the value of any given product lies solely in customers' eyes.

For example, Marx teeshirts and Menger teeshirts might have exactly similar inputs – such as cotton, dyes, labor, and machines. Because so few people know of Menger, the Marx teeshirt is likely to fetch a higher sum. The point of entrepreneurship, whether determined by the 'capitalist' or workers voting in a cooperative, is to discover what people value and make bets accordingly. If the communist wants to argue that only workers should be allowed to take risks, more should try co-ops before fomenting violent revolution.

2. Alienation. *This is probably Marx's most substantial claim. The idea is that workers operating in conditions of industrial specialization become cogs in a larger machine, like a factory. But as a cog, the worker becomes separated from the products of her labor. This creates a negative psychological state that can rob the worker of the dignity and sense of efficacy she might once have found in some cottage industry.*

Even as some workers find little dignity in so-called "bullshit jobs," life is about tradeoffs. As the great economist Thomas Sowell reminds us, we have to ask: *Compared to what?* Cottage industries keep everyone poor. Nationalized industries offer little besides bullshit jobs. Maybe you think we can organize ourselves into worker cooperatives that make work less shitty? If so, *show*, don't tell. Worker cooperatives are perfectly legal.

Specialization brings enormous social benefits, even to workers. Consider the fact that some workers like their work. Even in mixed economies, entrepreneurship can offer

greater abundance, more work choices, and some measure of dignity. How best to sort *who does what*. To offer a wage, a labor price, is both an opportunity to earn and a means of price discovery. After all, we must acknowledge that *someone* has to do unpleasant, low-skilled work. Suppose the Marxist argues that everybody should have to pitch in on such tasks. In that case, he accepts not only a forced labor policy, but also opportunity costs to society when surgeons and strategists empty garbage bins.

3. Exploitation. *Marx's concept of exploitation depends on the Labor Theory of Surplus Value, which we said postulates objective value.*

In other words, Marx's exploitation is the product of a dead theory. Sure, armies of unemployed workers can bid the price of labor down to levels that it can be tough for any given worker to make ends meet. But orthodox Marxism, far from recognizing economic reality, seeks to ban said reality by merely *asserting* that certain labor inputs are worth *more* than their value to anyone. Market prices, after all, are just measures of valuation, not a bourgeois conspiracy. This is how labor movements and min-wages create labor cartels that exclude people from opportunities. They protect the artificially high wages of the few at the expense of the many. Overt racists of the Progressive Era knew this. It's how white teamsters sought to erect barriers to entry for women and minorities.

Speaking of exploitation, Marxism implies that a highly productive software engineer should receive the same pay as a custodial engineer, even if we stipulate the relative contribution of each is unequal. If a software engineer with rare talent wants to eat under

Marxism, comrades exploit *his* labor. This just moves the locus of so-called ‘wage slavery.’ That’s why agreements between employers and employees are generally based on mutual benefit, not moralism. Marxism tries to turn labor market prices into a moral failure rather than a fact of economic reality.

4. The Abolition of Private Property. *According to Marx, the capitalist system depends on private property, and private property allows the capitalist a degree of exploitative control. The centerpiece of Marxism is the abolition of private property.*

By abolishing private property, Marxism removes both stewardship incentives and the preconditions of exchange. In some limited sense, therefore, Marxism requires a ban on trade. After all, if x is not mine, how can I exchange it for y that is not yours? But matters get worse. When authorities remove the ability legally to trade surpluses, as China did with its farming collectives before 1980, they reduce incentives to be more productive. History is replete with such examples, even among the kibbutzniks.

5. The Abolition of Market Prices. *Marxist political economy requires dismantling market prices, too, whether such extends from abolishing private property or distributing resources based on “need.”*

The economist Ludwig von Mises articulated the economic calculation problem in the 1920s. In short, if you don’t have free-flowing market prices based on demand for specific industrial inputs, there is no rational way to calculate what any given organization needs, much less what managers are willing to pay.

All forms of Marxism I am aware of involve a politburo who has to make political

determinations about how resources are to be allocated. Not only does this create winners, losers, and bureaucratic backbiting, it creates gross economic distortions – such as gluts and shortages – that immiserate people at scale. Prices are “information wrapped in incentives,” after all, so they are indispensable.

6. Historical Materialism. *Marx believed one should evaluate history, and predict future events, through the lens of how labor is organized and the resulting conflict among classes. Such analysis, Marx thought, would allow us to show how history unfolds in a predictable fashion.*

History is more than labor and class. We need only open our eyes and peer through different lenses. For example, what role have technology and various forms of organization played in how we come together to produce things? Are people living in a condition of absolute or relative poverty? Is a people surrounded by water or mountains or fields? What other factors affect history unfolding the way it has? Marxism, especially in its preoccupation with metanarratives, tells too many just-so stories. But a careful read of history reveals historical materialism as an *unfalsifiable* theory, which means it functions better as propaganda than analysis.

7. The Dictatorship of the Proletariat. *Under orthodox Marxism, there is an intermediate stage between capitalism and communism in which the workers rise up and seize control of the state apparatus to realize the peaceful socialism of the final stage.*

The thing about Marxism is that the fetters of authoritarian state power can never fall away

as long as workers are obliged to conform to a single system and a certain wage. Many Marxists and Marx-adjacent syndicalists fancy that their particular form of organization will no longer require the coercive apparatus of the state, or what Mikhail Bakunin called the “red bureaucracy.” But that bloody bureaucracy will always be necessary to maintain the preferences of worker councils and central committees. In short, The Dictatorship of the Proletariat is rather the unavoidable communist condition—unless, of course, communists grant a right of exit from the commune. But that, of course, would threaten the return of capitalists and class stratification.

8. Dialectical Materialism. *Marx (and Engels) thought industrial society involved contradictions that needed to be resolved. Marx supposed that the most effective solution to the problems caused by said contradictions is to rearrange the systems of social organization at the root of the problems—through revolutionary reorganization.*

How are we to rearrange systems and society? Technocratic central planning? It took a lot of bloody experiments for humans to realize that societal evolution doesn’t happen through rationalistic schemes and five-year plans. The problem with Marx’s concept of revolution is that it doesn’t happen through Intelligent Design. Entrepreneurial capitalism doesn’t have anything to say about who ought to own what in some organization. The profit and loss system ensures that ventures create at least enough value, measured in revenue, over costs. If they don’t, they die. In this way, profit, far from being antisocial, can measure how much an organization has created customer value—all of which is incidental to whether those profits go to workers, shareholder 401ks,

or to growing the organization to supply more people with greater value.

9. From Each According to His Ability...

Marx admits this maxim wouldn’t work in the early stages of communism, as the early stages depended on laborers. Instead, Marx imagined a higher-stage version of communism in which technology has advanced to such a degree that overwhelming material abundance would inspire socialists to make certain kinds of contributions, such as art or creative works, freely to their comrades. Otherwise, there will be no need for laborers, as such.

First, there is a staggering level of magical thinking around such notions, which sadly have crept into today’s zeitgeist in everything from The Venus Project to ‘fully-automated luxury communism.’ Some sci-fi isn’t based on sci at all. What’s worse, though, is that no variant of Marxism can operate without committing to this maxim from the start. Marxism treats abler workers as slaves to the rest. If not through compulsion, how will the ablest be induced to work for the neediest?

Even if one, like syndicalist Noam Chomsky, doesn’t like the early-stage politburos with their armed sentinels, the shoes can only get made if you scrap the carrots of liberal capitalism and embrace socialism’s stern sticks. Engels agrees. He writes:

“[N]o communal action is possible without submission on the part of some to an external will, that is to say authority.”

One might disagree with Engels about many things, but he’s right that communism, far from being a force for liberation, is a force for oppression.

Under every system, we must serve *somebody* to get the things we need. We must

serve customers, bosses, or bureaucrats. We can scream and cry about the exploitation of it all, but I can think of no more exploitative a system than one requiring us to work for a sum that somebody *else* dictates, even if that somebody is a council of proles. Of course, there is no sustainable system in which everyone can simply choose not to work.

10. Marx's Socialist Man. *Social psychologist Erich Fromm argues Marx is not committed to the idea that humans are tabula rasa, but he quotes Marx as referring to "human nature as modified" within each historical epoch. Marx writes, "The materialist doctrine that men are products of circumstances and upbringing, and that, therefore, changed men are products of changed circumstances and changed upbringing, forgets that it is men who change circumstances and that the educator must himself be educated." Revolutionary practice, then, is self-change towards the socialist man.*

People are still "products of circumstances." While this is not behaviorism per se, Marx's more Hegelian nonsense is central to the idea that people living in communism must *modify their natures* or allow the revolution to do it for them. It's no wonder that critical theorists and many postmodern thinkers build on this blanket denial of human nature's limitations. Such denials are fertile soil for falsehood. That is, Marxism teaches us not only to deny certain features of social and economic reality, but also to deny certain aspects of ourselves. Such self-deception helped to unleash many of the twentieth century's horrors and the twenty-first century's absurdities.

So, young Marxist, I hope that if you have gotten this far in reading, you will consider each point

carefully. You should try to defend Marxism from these critiques, of course. But if you're interested in intellectual honesty and human flourishing, you should try your best to make a Steel Man out of them first. Why? Because violent movements forged in the fires of idealism seldom turn out well for anyone.

If any social experiment depends on scorching the earth before building a Utopia, it is probably not the way. But if an ideal system starts small and grows, pulling more human souls into its influence, it's probably got legs. Sustainable systems persist and the best systems will be a product of human choices. But that's evolutionary, not revolutionary.

Different systems can co-exist if we start with a principle of voluntary association. And that includes communes.

– August 20, 2022

Goodbye, Anthony Fauci

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✂ RYAN M. YONK (Senior Research Faculty)

When Anthony Fauci announced his retirement, a deluge of fawning coverage about his career immediately appeared in mainstream media outlets. This praise was both expected and deeply disturbing. Yasmeen Abutaleb of the Washington Post described him as the “nation’s preeminent infectious-disease expert who achieved unprecedented fame while enduring withering political attacks.” President Biden joined the chorus, commenting that “His commitment to the work is unwavering, and he does it with an unparalleled spirit, energy, and scientific integrity”.

On the surface, Fauci’s career looks impressive. He is one of the most cited scientists of all time, serving seven Presidents in various roles while working at the National Institute of Allergy and Infectious Diseases, and the National Institute of Health. In 2008, President George W. Bush awarded Dr. Fauci the Presidential Medal of Freedom.

His career, while lengthy, hardly deserves the unmitigated praise it’s currently getting. Instead, it exemplifies the problems that quickly emerge under technocratic rule. Dr. Fauci receives one of the highest salaries ever paid by the Federal Government (reportedly \$434,312 in 2020), and commands more authority than any other career bureaucrat in recent memory. We can now purchase everything from Fauci bobbleheads to Fauci prayer candles. Some have even decorated their bodies with Fauci Tattoos. And why not? “I represent science,” he famously said. He believed it, and the US bought it.

That a career bureaucrat would become a phenomenon is one of the most interesting outcomes of the last two years. Since the start of the pandemic, few names are as recognizable to the general public as his.

The Bureaucrat’s Bureaucrat

Dr. Fauci’s career has been one of maximizing budgets and influence for his agencies and himself, all the while handling multiple public health crises with less than stellar outcomes. Economist Gordon Tullock in his book *The Politics of Bureaucracy* observed that the primary characteristic of a successful bureaucrat is “a desire to rise” and only secondarily does intelligence or competence impact the success of a bureaucrat. This understanding of success within bureaucratic systems is further illustrated by Friedrich Hayek in Chapter 10 of *Road to Serfdom*, “Why the Worst Get on Top.” While Hayek’s work focuses on tyrannical politicians, the logic clearly applies to government bureaucrats. Indeed Dr. Fauci’s career demonstrates both these realities simultaneously. Far from the neutral expert concerned only with the best outcomes, Dr. Fauci’s career is one of ambition and even “failing upwards.”

Dr. Fauci first rose to public attention in the 1980s during the AIDS crisis. In a 1983 *Journal of the American Medical Association* article, he speculated that AIDS could be spread through household contact. This resulted in widespread coverage from media outlets, who, citing Fauci’s work, stoked widespread alarm about AIDS transmission while raising his profile significantly. Two months later, Dr. Fauci avoided culpability for promoting the egregious claim by entirely reversing his stance, stating in an interview with the *Baltimore Sun*, “It is absolutely preposterous to suggest that AIDS can be contracted through normal social contact like being in the same room with someone or sitting on a bus with them. The poor gays have received a very raw deal on this.”

Unfortunately, the social harm from his irresponsible speculation was already done, and his reversed stance only advantaged his own career. His actions during the AIDS epidemic read like a masterclass in ambition and self-preservation.

From the beginning of his career Dr. Fauci has embodied Tullock's "successful bureaucrat," gradually rising through the federal bureaucracy while expanding his own influence and that of the agencies he worked for. By the time he became the head of the National Institute of Allergy and Infectious Diseases, his star was formed. Over the rest of his career, despite contributing to a number of public health failures, Dr. Fauci grew into a powerful figure in Washington. Prior to his retirement, he commanded influence over a budget in the tens of billions.

His career came to a head during the COVID-19 pandemic and response. When it was to his and his agency's advantage, he publicly called for nationwide school closures, lockdowns, forced masking, and vaccine mandates, only to later deflect when concerns were raised by the public and elected officials, stating at a Senate hearing, "everything that I have said has been in support of the CDC guidelines."

Throughout the COVID-19 pandemic, his contradictions and changing narratives have resulted in confusion and an erosion of confidence in public health. Still, through it all, he has remained at the top of not just his agency but also in influence and public adoration.

Maintaining that influence and adoration led Fauci to declare that he is the embodiment of science itself when questions were raised about his handling of the pandemic. In June 2021, he stated, "Attacks on me, quite frankly, are attacks on science." in November he doubled down:

But if they get up and aim their bullets at Tony Fauci, well, people can recognize there's a person there. So it's easy to criticize, but

they're really criticizing science, because I represent science. That's dangerous.

And, just when you thought he could go no further, recently, at an award ceremony at the Fred Hutchinson Cancer Center in Seattle, Fauci added that a whole generation of aspiring researchers follow his footsteps, because of "'the Fauci effect'... people go to medical school and go into science... because I symbolize, integrity, and truth"

If only all of that were true.

– August 23, 2022

The Rise of ESG, Replacing Profits with Paternalism, and Strategy with Standards

KIMBERLEE JOSEPHSON

Contributor

The movement for creating systemic change in the economic system is growing. Traditionally, investments in entrepreneurial ventures were based on expectations for a favorable return given the risks involved. Businesses were expected to perform at their best to ensure shareholder value, and to do so they needed to cater to consumer needs, efficiently leverage resources, and effectively manage their operations.

Presently, however, businesses are expected to have a social impact – and it is this impact that is being positioned to matter most. More than production, more than consumption, and even more than shareholder value.

For-profits are increasingly embracing the concept of conscious capitalism and stakeholder integration, which the likes of John Mackey and Sir Richard Branson have not only championed but built movements around, calling on businesses to have a “Higher Purpose” and commit to creating a “better world”.

At face value, this sounds like not only a good thing but a strategic move given that consumer preference leans toward firms that aim to have a social impact rather than simply sell a product.

R. Edward Freeman, the proposed father of Stakeholder Theory, asserts that firms must align the interests of all stakeholders while doing what they can to avoid tradeoffs. His 1984 publication, *Strategic Management: A Stakeholder Approach*, spurred on a mission to transform business practices toward more noble pursuits.

From Villain to Social Guardian

In 1987, the World Business Academy was launched dedicated to the proposition that businesses can’t be trusted since the corporate realm was “behind every major problem.” A change needed to occur.

This negative notion of the impact of business attracted others to come up with their own stance on the matter. John Renesch coined the phrase “conscious capitalism,” John Elkington promoted the Triple Bottom Line – representing people, planet, and profit, and Michael Porter developed the concept of shared value, which proposes the meeting of a social need with a business model.

To be sure, many have stressed the role of business in society to be more than just about making money, and forms of corporate social responsibility (CSR) have both expanded and evolved in response.

When the concept of CSR first came about, it was applicable to larger firms that had the ability to utilize their wealth and success for giving back – by volunteering, giving to charities, and even partnering with NGOs. However, CSR is no longer about giving back, or even paying it forward – it is about engagement with social issues – and this is now expected of all firms.

The Push for SDGs and Rise of ESG

The pressure to ‘do good’ is not only based on reputational concerns from private actors, but derived from a broader, more politically charged global movement.

In 2000, the Millennium Summit took place in New York City at the United Nations, and was the largest gathering of world leaders at that time. The purpose of the Summit was to determine the

ongoing role of the UN and propose new goals for creating a better world.

As a result of the Summit, public officials signed the Millennium Declaration, which outlined eight Millennium Development Goals (MDGs) to be achieved by 2015. And given that a primary focus for the UN was eradicating poverty, engaging with the financial sector became a crucial component.

At the bequest of the UN Secretary-General at that time, Kofi Annan, a study was commissioned to make the business case for corporate commitments to social initiatives, and in 2006 the UN called upon countries to become signatories to its Principles for Responsible Investment (PRI). For those who signed on to the PRI, the standards proposed required firms and capital markets to take part and do more for the global good.

After 2015, the MDGs morphed into the Sustainable Development Goals (SDGs), and the PRI prompted the creation of ESG frameworks. Both the Sustainability Accounting Standards Board (SASB) and the World Economic Forum (WEF) promoted efforts for instituting “a globally accepted system for corporate disclosure” to track the progress of the SDGs and pressured financial firms to implement ESG metrics as proof for doing their part.

The adoption of ESG standards, however, is truly problematic given that value and virtue are difficult to measure and there will always be tradeoffs – whether Freeman likes it or not.

A troublesome matter for businesses serving societal goals rather than marketplace needs is the complexity of catering to all stakeholders at once, and the subjectivity of what is meant as being ‘good’ or when ‘good’ does or doesn’t apply.

For instance, prior to the pandemic, regulators aimed to limit the use of single-use plastics, but such stipulations were suspended in response to COVID-19 safety concerns. Recycling centers shut

down and plastic production ramped up. This was what was needed, and therefore good for society.

The Real Problem with Rating Systems

Divergent interests and incentives create push-pull effects in the market, and while it is important to be aware of the impact and opportunity costs involved, it is also important to let market mechanisms play out. Instead, however, firms are being coerced to abide by assessments and compliance measures, and this will only create bottlenecks for production processes over time given that anything new or different will need to first be approved or verified. And Branson’s booming B Corp movement and Mackey’s Conscious Capitalism cohort are aiding in this process.

Adhering to the on-high expectations from verifiers such as the B-Team, who claim that our “economic model is broken” despite the great advancements we can see before our eyes, is not only bad for business but bad for progress.

Experimentation and diversification, according to Ludvig Von Mises, is the best combination for advancement, and new product offerings are a benefit to society in and of themselves when firms act ethically and serve the wants and needs of consumers. However, innovative pursuits will likely be supplanted by incremental improvements which adhere to the standards of external dictates and will garner endorsement from appraisal agencies.

Businesses shouldn’t need a stamp of approval from a certifying agency, especially since sales will signal when something of worth is being offered, and if profits decline organizations must work to understand why. Nevertheless, attaining the B Lab logo or being a partner in the conscious capitalism campaign has a strong appeal for those looking to gain social capital and appease industry elites and political pundits – and these initiatives are not only gaining traction, they are joining forces.

The Rebranding of Business and Centralized Control

Just recently, the Imperative 21 Network was launched to “RESET” our economic system, and both the B Team and Conscious Capitalism are listed as two of the primary stewards for this initiative.

The Network represents “more than 70,000 businesses, 20 million employees, \$6.6 trillion in revenue, and \$15 trillion in assets under management” and the goal is “to shift the cultural narrative about the role of business and finance in society”. And the shift is certainly underway given that in 2019, the Business Roundtable, made up of a group of 180 CEO’s of America’s largest companies, declared that business must aim to improve the status of all stakeholders and play a larger role in society.

With all this in mind, it is no wonder ESG took a stronghold in the investment community, and it is unnerving to see how easily the business world succumbed to power players.

But what is more worrisome is the fact that certifying agencies and assessment measures inevitably embolden regulators. Take for example the organic agricultural sect, whereas the certifying bodies were initially self-regulated and self-certified, having been established by the farmers themselves. However, as sales increased for organically labeled foods, so too did the number of certification bodies involved. The emergence of various organic labeling schemes confused what each label stood for and, over time, it became necessary to address the processes of certification and establish a more standardized and regulated system.

And the same will likely be true for ESG. Right now, there are a diversity of ESG frameworks with fees ranging from thousands of dollars to several million, and credibility concerns are on the rise and generating interest from monitoring agencies.

Given that ESG was formulated within the UN system to further the UN’s SDGs and hold PRI

signatories accountable, it seems rather clear which ESG framework will win out in the end – the Global Reporting Initiative (GRI). The GRI is partnered with the UN and was founded with assistance from the UN Environment Programme and, coincidentally, it is currently the most widely used framework (implemented by 73% of the world’s top 250 firms).

Therefore, it seems likely that any standardized framework will be based on the UN’s postulates when all is said and done, and this will have all transpired in front of our eyes and by use of our own pocketbooks.

– August 28, 2022

Proposing a Hank Williams Jr. Economic Misery Index

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With the smoke from the recent Recession Definition War still wafting in the air, I want to suggest that America's economy is in something much worse than recession or even stagflation. America is in a *Country Boy Economy*.

I refer to the 1982 country classic "A Country Boy Can Survive" by Hank Williams Jr.

In the first verse, for those unconservant, Hank sings that "the interest is up and the stock market's down." If you aren't in the markets, interest rates are indeed up. Yields on AAA municipal bonds, for example, increased 177 basis points (1.77%) between late 2021 and mid-2022. Thank inflation and the Fisher Effect for that.

Moreover, stock market indices are all down, the Dow by almost 13 percent between the start of the calendar year and 27 July. There, thank stockholders predicting lower profits.



But wait, there's more. Hank also sings about supply chain difficulties inducing country boys to make their own whiskey, wine, and cigarettes to go with their homemade catfish, venison, and tomato dinners. While widespread fears about food supply disruptions have not yet occurred in the United

States, the mere fact that *The New York Times* recently praised cannibalism is a tad troubling, as are recent farmer protests in Sri Lanka, the Netherlands, and now Canada, especially with the war in Ukraine still a hot one. Your Liberty Garden might yet pay off big.

And yet more insights! Hank also sings about crime. Specifically, "you only get mugged if you go downtown" and "for 43 dollars, my friend lost his life." Both property crime involving violence and murder rates have soared since 2020, reversing a long term downward trend. Although the current crime wave is rooted in "defund the police" and "bail reform" policies, it is difficult to see it receding while the economy remains in the country boy crapper.

If the *Country Boy Economy* is too primitive for you, consider economist Arthur Okun's Misery Index. Beloved by financial journalists like Wilma Soss in the 1970s, it is just the sum of the unemployment and inflation rates. That's a bit primitive, too, so macroeconomist Robert Barro developed his BMI, or Barro's Misery Index, in 1999. International economist Steve Hanke further modified the index about a decade later. In Hanke's formulation (HAMI), economic misery is measured by borrowing interest, inflation, and unemployment rates minus the change in real per capita GDP.

The nice thing about MI, BMI, and HAMI is that they are scalar, not binary, so rather than the economy being miserable or not, the degree of its misery is estimated. A problem with them, though, is that the way that inflation is measured at a technical level has changed, making it disingenuous to compare economic misery over time. A new NBER working paper from former Treasury Secretary Larry

Summers and two coauthors, though, suggests that some historical inflation figures can be adjusted to make them comparable with rates today.

Another problem is that the misery indices, like definitions of recession and stagflation, focus on unemployment to the exclusion of real wages. But real wage declines are painful, and not fully captured by inflation alone. Ten percent inflation with a lockstep ten percent nominal wage increase is obviously less miserable for workers than ten percent inflation with a five percent raise six months later is.

And while one might think that in either case workers are better off than being unemployed, that isn't necessarily the case when unemployment insurance pays them a chunk of their former wage. The unemployed, after all, have time to set trot lines, skin bucks, mug people downtown, and engage in other economic activities that do not show up in official income stats. I wonder if Hank Williams Jr. or some smart economist could build such insights into a new and improved economic misery index?

– August 3, 2022

How Thomas Aquinas Desacralized the State

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Reprinted from Law & Liberty

The state is back. On the left and right, significant numbers of thinkers and voters in Western democracies are looking to government to solve our problems, real and imagined. Whether it is climate change, economic challenges, or sudden surges of migrants across sovereign borders, the demand for state action is high.

One side-effect of this shift away from the more skeptical views of government intervention that prevailed roughly between 1980 and the 2008 Financial Crisis has been a reinvigorated discussion of the nature and scope of government authority. Liberal conceptions of the state have been confronted by a wave of alternatives coming from across the political spectrum. If there is anything that the woke left have in common with those on the right who want to “punish enemies and reward friends,” it is skepticism about the liberal constitutionalism that started taking on decisive form in the late-seventeenth century.

Often missing from this account is awareness that liberal constitutionalism’s roots go beyond the seventeenth-century struggle against monarchical absolutism in the British Isles and the various eighteenth-century Enlightenments. The historian Lord Acton once suggested that some basic principles of a Whig theory of the state go back to Thomas Aquinas.

This judgment has been affirmed, albeit with caveats, by some contemporary natural law theorists. John Finnis argues, for example, that it is possible to designate Aquinas as “a liberal because, though he rightly defended institutions and practices on the basis that they are required or authorized by certain

moral and metaphysical *truths*, he at the same time insisted that the proper functions of the state’s laws and rulers do not include making people morally all-round good by compulsorily requiring them to refrain from immorality.” Instead, Finnis maintains, “The role of state government and law . . . is to uphold justice and peace: the requirements imposed, supervised, and enforced by state government and law concern only those choices and actions which are external and affect other people.”

Other natural law thinkers dispute that this was Aquinas’s position. In seeking to determine Aquinas’s stance, scholars have generally focused upon his *Summa Theologiae* (especially the Treatise on Law) as well as his *Sententia Libri Ethicorum* and *Sententia Libri Politicorum*.

The place of Aquinas’ only free-standing political work, *De Regno* (c. 1267), in these debates has been a point of contention. That’s partly because of longstanding disputes about how much of *De Regno* was written by Aquinas and what was penned by some of his students, particularly Ptolemy of Lucca. What is clear is that *De Regno* was written to an actual ruler (the Norman King of Cyprus), and its immediate purpose was to help him navigate the practical demands of everyday politics. Being a less-theoretical text, *De Regno* is often treated as an outlier to Aquinas’s primary theological and philosophical writings.

Time-bound and Timeless

But is *De Regno* an outlier? That is one question explored by William McCormick, SJ in his book *The Christian Structure of Politics: On the De Regno of Thomas Aquinas* (2022). It is the first

systematic analysis of *De Regno* to be written in several decades. For that reason alone, it is worth our attention.

McCormick does not treat *De Regno* as a medieval curiosity. Certainly, McCormick says, it is “a peculiar text written for a particular audience.” Nonetheless McCormick maintains that the “vision of politics in *De Regno*” can help us determine the proper relationship between religion and politics today. Much of this project is pursued via McCormick examining *De Regno* through Aristotelian and Augustinian lens—the dominant philosophical and theological reference-points of Aquinas’s time.

McCormick’s first chapter shows how *De Regno*’s early sections embody an Aristotelian view of politics, most notably the idea “that politics is natural to man, that the best regime is rational and fulfilling of human ends, and that monarchy is the best regime.” This theme is further explored in chapter 2 where McCormick directs attention to Aquinas’s thoughts on tyranny. Aquinas’s emphasis, McCormick claims, is less upon tyranny per se than it is upon the indispensability of those in politics living virtuous lives, and the need for moderate expectations of what politics can achieve.

This more Augustinian view of politics stands in tension with that of Aristotle, and McCormick devotes his third chapter to showing how *De Regno* resolves these differences. This occurs, he suggests, by way of Aquinas stressing that the proper ends of human action can never be fulfilled through politics. For man’s final end is beatitude, and no regime can realize that for those subject to its authority.

It’s true, McCormick notes, that Aquinas draws a parallel between God and the king. This commonplace metaphor in medieval thought later influenced early-modern absolutism. But according to McCormick, Aquinas holds that “the earthy king is God-in-his-kingdom only in a limited sense.” Yes, the ruler’s role is governance of the polity. But no

regime can create the pre-political order willed into existence by God and which infuses humanity and the world with reason itself. That insight, McCormick contends, allows Aquinas to desacralize “kingship in a fashion highly unique for his time.”

Liberal Rationalism and Liberal Pluralism

From this point onwards, McCormick shifts his analysis of *De Regno* towards its significance for our time. *De Regno*’s desacralization of the ruler, he argues, facilitates a better appreciation of the idea, associated with Pope Gelasius I and subsequently developed by Christian thinkers, that two authorities govern human affairs: the church’s spiritual authority and the secular government’s temporal authority. The former is considered superior to the latter on account of the church’s concern for humanity’s ultimate end.

Some might suggest that this theory of politics constitutes the essence of integralism and thereby forestalls any significant engagement with modern ideas like liberalism. Not so, according to McCormick. Though he does not present Aquinas as a liberal, McCormick claims that *De Regno*’s conception of politics gels well with some expressions of liberalism, and less well with others.

De Regno, McCormick points out, is decidedly at odds with liberal rationalism. By this, he means a liberal state which views intermediate groups as potential threats to the individual’s ability to pursue self-realization, often over and against the competing authority of customs and tradition to which many groups, especially religious entities, are attached. *Ergo*, the liberal state must be strong enough to subordinate these groups to its will. In this world, religious liberty is reduced to the government defending individual conscience against group pressure. That understanding of religious freedom is different from that articulated by Vatican II’s *Dignitatis Humanae*. It grounded religious liberty

in the duty of individuals and groups to pursue knowledge of truth and then live their lives as individuals and communities in accordance with those truths, unconstrained by unreasonable forms of state coercion.

For McCormick, however, that is not the end of the story. Insofar as liberalism is about pluralism, understood as free people living as individuals and groups in a given society, it implies major limits to state power. *De Regno*'s take on Gelasian dualism, McCormick posits, can be seen as a forerunner to this understanding of pluralism. Obviously the scope of pluralism in the world of medieval Christendom is different to that of the twenty-first century West. We can also wonder what, in the absence of widespread commitment to certain religious and philosophical claims, is to stop liberal pluralism from collapsing into aggressive tribalism.

That said, both modern pluralism and *De Regno* reject not only the idea of an omnipotent state, but also civil religion (the state usurping religious authority and commandeering religion for its own purposes) and theocracy (religious officials assuming political authority). Moreover, pluralism provides, McCormick says, "a fundamentally more modest and more humble account of politics and society" than rationalism, especially given pluralism's recognition that groups "have life before the state" and, at least in the church's case, "after the state" as well. The same modesty about the state's competence is integral to *De Regno*'s theory of politics.

Mind the Gap

This form of pluralism fits well with the Christian emphasis on what McCormick calls the gap between the world in which humans live and the world that is to come. Theologians and philosophers have long wrestled with the meaning of this fissure for living a Christian life and its implications for politics.

Augustine explored the topic via his idea of the Two Cities. By contrast, McCormick states, Rousseau regarded this gap as creating excuses for not acting through politics to create a better world. Liberation theologians, one might add, sought a solution by immanentizing the eschaton via their embrace of Marxist analysis. In doing so, they collapsed faith into politics and reduced the church to a just another political organization peddling heaven-on-earth illusions. The subsequent damage still marks Latin American Catholicism today. Nor is it difficult to detect a high amount of immanentism among those contemporary Christians and Jews for whom religious faith is mostly about social justice—and little else.

De Regno, according to McCormick, seeks to help rulers manage this tension, not least by avoiding apathy, utopianism, or putting too much faith in politics. Therein lies *De Regno*'s practicality. It's not about being pragmatic, let alone a practitioner of realpolitik. Instead, *De Regno* encourages rulers to pursue noble ends but does not promise rulers that they will attain their goals. Instead, the king is encouraged to be someone who promotes peace and justice in a manner that orientates him and his subjects towards—but without him seeking to instantiate—"the beatitude mediated by the church," something that rules out thinking that it is possible to do evil that good may come of it. For McCormick, the path laid out by *De Regno* for the ruler is one which allows him "to grow in virtue and to serve his people not despite of the gap, but because of it."

This adds up to a delicate idea of politics that reflects Aquinas's careful integration of Aristotelian ethics and Augustinian political theology with knowledge of the ultimate horizons towards which Revelation points. Indeed, it may be too fragile a political project. For the way of doing politics outlined in *De Regno* relies upon rulers, citizens, and clergy maintaining subtle distinctions in their

minds about who should say and do what, and when. That's a hard ask at the best of times, as illustrated by the sheer number of legislators and clerics today and in the past inclined to pronounce endlessly about things that they have neither the responsibility nor proficiency to address.

If, however, one wants to avoid the pitfalls of integralist or progressive statism, *De Regno*'s vision of politics has much to teach us. Describing Aquinas as a liberal will always generate controversy. Nonetheless, McCormick illustrates that Aquinas's *De Regno* provides us with a politics that takes liberty and virtue seriously—but always together and never apart. And that should matter to anyone, religious or otherwise, who refuses both nihilism and collectivism.

— August 8, 2022

Biden's Student Loan Forgiveness Program is Poorly Targeted

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On Thursday, President Biden announced he would forgive student loan debts for 43 million Americans. Borrowers making less than \$125,000 per year as an individual (or, \$250,000 as a married couple) will see their student loan debt reduced by up to \$10,000—and up to \$20,000 for those who received Pell Grants. The administration claims the policy will provide “targeted debt relief” for low- to middle-income Americans.

As I have written before, forgiving student loan debt is bad policy. The administration suggests most “borrowers struggle with high monthly payments and ballooning balances that make it harder for them to build wealth.” In fact, most student borrowers owe relatively little and, given their educational investments, have the capacity to repay. The typical undergraduate borrower finishes her degree with roughly \$25,000 in student loan debt. She will earn around \$35,000 more each year than someone with only a high school diploma.

Of course, some borrow a lot more. However, those who do also tend to enjoy much higher incomes. Median student loan debt is highest for dentists, doctors, lawyers, and pharmacists. As Adam Looney notes in a Brookings Institution report, “most borrowers graduate with student loan debts that are modest and commensurate with their earnings.”

A small fraction of borrowers do struggle to repay their student loan debts and build wealth. Some were unable to complete their studies and, hence, do not enjoy the college wage premium. Others earned degrees in areas that tend not to pay much better than what a high school graduate might expect to earn.

If the goal is to help Americans struggling to pay off their student loan debt, the Biden administration

could have gotten by with a much smaller program. Instead, they’ve opted to forgive the debt of those not really struggling as well.

An even better goal, in my opinion, would be to help struggling Americans *regardless of whether they have student loan debt*. Most Americans who are truly struggling did not go to college, do not have student loan debt, and hence will not benefit at all from the student loan forgiveness program.

Proponents of the student loan debt forgiveness program are quick to dismiss their critics. Some chalk it up to jealousy: the critics made the necessary sacrifices to repay their own debts and don’t like that others will not have to endure a similar struggle, they say.

Others write off the opposition as rich elites out of touch with the ordinary problems of most Americans. “Make no mistake, the vast, vast majority of people who are angrily complaining about student debt cancellation have no idea what real people’s lives are like,” Nathan Tankus writes. He suggests economists would offer better commentary if only they knew “people over 30 who make less than 75k a year.”

Still others suggest this is the best one can hope for given the political constraints. “You can argue that there would be better uses for the money,” Paul Krugman writes. “But are there better things *Biden can actually do*?”

I find these retorts unsatisfying, to say the least. For starters, I don’t give one whiff about the supposed unfairness. My primary complaint with the student debt forgiveness policy is that it doesn’t help the people who really need it and, instead, redistributes wealth to those who are already doing better than most.

Nor is my criticism a product of being out of touch with “real people.” To the contrary, it is because I know first hand what it is like to be poor that I think these funds could be much better spent.

Ironically, the claim that people making just under \$75,000 per year are obviously struggling to pay off their student loans is the kind of thing a rich elite would say! \$75,000 is actually a lot of money. An individual making \$75,000 in America is at the 74th percentile. A household making \$75,000 is at the 54th percentile. These people are not poor. They aren’t generally struggling to make ends meet. They are middle class Americans living relatively comfortable lives.

And while Tankus directs attention to the supposed need of those making \$75,000 per year, the actual policy is not limited to those making \$75,000. It offers debt relief to individuals making as much as \$125,000 and households making as much as \$250,000! Individuals making \$125,000 in America are at the 89th percentile. Households making \$250,000 are at the 93rd percentile. They are among the richest people in one of the richest countries in the world. They are not struggling. They do not need assistance.

Meanwhile, 22 percent of American households make less than \$30,000 per year. That’s roughly 28 million households. Individuals in these households are less likely to have gone to college and, hence, less likely to have college debt. But they are much more likely to struggle. They do not typically have adequate savings to deal with life’s minor calamities. A punctured tire or broken window can prompt tough financial decisions. An extra \$10,000 would make a big difference to these households. But the Biden administration chose to help rich people instead.

How about the political constraints? Perhaps the Biden administration is unable to deliver my preferred policy of helping any and all who are truly struggling regardless of whether they have student

loan debt. But I find it hard to believe it is unable to support those struggling to repay their student loan debts without also making similarly-sized transfers to a bunch of rich college grads. The existing income-based repayment plans offer a much better template. The administration could have provided more relief to the lowest income borrowers while gradually phasing out that relief for households making between \$30,000 and \$70,000 per year.

The administration is capable of targeting this relief more effectively. It is just unwilling to do so. The problem here is not one of political constraints but rather political preferences. The Biden administration wants to improve the reelection odds of Democrats. It is distributing the spoils of power to its base and hopes to be rewarded for doing so in the midterms. Why else would it have set the qualifying income levels so high?

The Biden administration’s student loan forgiveness program is poorly targeted. It starts by limiting beneficiaries to those who attended college and, hence, tend to be in the top half of the income distribution. It then makes little effort to limit beneficiaries any further, permitting those near the very top of the distribution to access relief as well. The result is a program that fails to help the very least well off while providing support for some of the most well off.

The student loan forgiveness program may be politically expedient, but it is difficult to justify on standard welfare grounds.

– August 29, 2022

Fit to Print? UNC's Settlement with Nikole Hannah-Jones is Bad News

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Reprinted from the James G. Martin Center for Academic Renewal

A reporter who hasn't dreamt of one day writing for the *New York Times* is a rare bird. "I'll start with my local newspaper," they tell themselves. "Then I'll move on to a statewide paper, before making a name for myself at something with a national readership. From there, I'll be drafted into service at the Gray Lady. If I play it right I can be there in 15 years."

It took Nikole Hannah-Jones 12, and that would hardly be the end of her story. She would exploit her position at the *Times* to rewrite early American history and, later, to extort a significant settlement from an American university that did its level best to hire her.

But, then again, Nikole Hannah-Jones has always lived a bit of a charmed life. She attended the University of Notre Dame, earning a BA in history and African-American studies. She followed this with a master's degree from the University of North Carolina's Hussman School of Journalism and Media, where she was a Roy H. Park Fellow.

She began a career as a journalist in 2003, putting in three years with the *News & Observer* in Raleigh, NC, and then moving to Portland, OR, for six years with *The Oregonian*. In 2011, Hannah-Jones joined *ProPublica* in New York City. She finally came to rest as a staff reporter with the *New York Times* in 2015.

From there, her star rose. She was awarded a MacArthur Fellowship in 2017, and in 2020 she won the Pulitzer Prize for Commentary for her work on the politically contentious 1619 Project. Her prize-winning essay has been embroiled in a succession of controversies since it appeared in print.

First, she got into a public spat with a group of academics who presented a long list of factual and interpretive errors in her work, dismissing them at one point as "white historians" who were not worth her time or attention. A few months later, Northwestern University historian Leslie M. Harris revealed that she had been asked to fact-check Hannah-Jones's essay by the *Times*. She raised red flags about its factually erroneous attempt to place slavery at the center of the American Revolution, only to be ignored by the newspaper. The revelation forced Hannah-Jones's editor to issue an embarrassing correction, which the newspaper euphemized as an "update." Next came a revelation that called the project's ethics into question. At some point during its Pulitzer bid, the *Times* ghost-edited a controversial line of text off of its web copy without disclosing the claim. The discovery was made after Hannah-Jones publicly denied ever using the line, when in fact she had done so dozens of times.

Despite stumbling through a continuous sequence of controversies, the 1619 Project succeeded in elevating Hannah-Jones's profile in the journalism world. It was this capstone to her resume that piqued the interest of the University of North Carolina, which announced in 2021 that Hannah-Jones would come on board at the rank of full professor. She would hold the Knight Chair in Race and Investigative Journalism in the Hussman School of Journalism and Media less than 20 years after her time there as a student.

But that announcement would prove to be a bit premature. While UNC did, in fact, offer Nikole Hannah-Jones a position, which she did, in fact, accept, there was a devil in the details. The job she

accepted did not come with tenure; it came with a five-year contract with an option for tenure review. Whatever the interior machinations at the Hussman School, this was not an unreasonable offer. Hannah-Jones, quite simply, had not done the sort of academic work that tenure rewards. Journalism and academia are two very different animals.

Nonetheless, she fomented a public campaign to be granted tenure, alleging racial discrimination in the process. To no one's real surprise, the university gave in. That she did not hold a PhD, had no peer-reviewed publications, and had no teaching experience seemed not to matter much in the end. Nor would she have to go through the standard processes wherein newly hired faculty earn tenure through an intensive multi-year review of their scholarship, classroom instruction, and service to the university. Hannah-Jones's revised offer from UNC included automatic tenure on her start date and an immediate appointment as full professor.

There is no evidence that Hannah-Jones was wronged by this process in any way—quite the contrary, she was benefiting from all sorts of privilege that most academics do not have early in their careers, privilege they need to earn instead. No regular faculty member walks into a full tenured professorship as their very first academic job. Indeed, in the glutted marketplace of academic job-seekers, Hannah-Jones happened into an offer that almost any qualified applicant with actual research outputs and teaching experience would have considered akin to winning the lottery—even before tenure was appended to the offer.

Nonetheless, Hannah-Jones declined the job, instead accepting a separate offer to become the inaugural Knight Chair in Race and Journalism at the Howard University School of Communications, where she also founded the Center for Journalism and Democracy.

You might think that would be the end of it, but you'd be wrong. What followed could only have

been the result of an easily panicked University of North Carolina Board of Trustees coming into the gaze of a litigious grifter. Hannah-Jones's attorneys threatened to bring suit. On what rational grounds? Who knows. But where in this story is rationality to be found?

As a recently announced settlement reveals, she fleeced UNC out of a healthy \$75,000 payment. What did that buy the university? She promised not to sue them. As if the short con wasn't enough, she showed up with two fistfuls of salt for UNC's wounds.

It turns out the \$75,000 wasn't quite enough. As part of her settlement, she somehow managed to secure a bunch of Diversity, Equity, and Inclusion (DEI) sinecures for 20 university administrators. Per the agreement, these bureaucrats will be attached to hiring committees for new university employees. They will "receive a stipend to serve as consultants or participants" in hiring searches. The terms of Hannah-Jones's deal also direct UNC to make a new hire for something called a "trauma-informed therapist within the Multicultural Health Program," as if to signal atonement for Hannah-Jones's claims of mental anguish over an insufficiently generous hiring offer in the initial round. Another clause dedicates an annual payout of \$5,000 to pay for "meetings, events, and symposia" hosted by an activist organization for university faculty and staff.

These are not minor expenditures for the university to absorb, particularly given that Hannah-Jones incurred no recognizable harm from her bid for a tenure commitment. These monetary outlays may be the price of avoiding further litigation, but they must also come from somewhere. In the end, the only people who are harmed by her self-serving behavior, and the university's cowardice, are students who must pay for this nonsense as part of their tuition, and the taxpayers of North Carolina, who had better get used to this sort of thing moving forward.

One last thing. UNC did the right thing in offering her the job without tenure. There are many professors who are not academically qualified but who nonetheless qualify for a teaching professorship on the strength of a career of solid, interesting work. These faculty, commonly called professors of practice, raise no eyebrows whatsoever. Given her work history, such an offer would have been exactly the right kind for UNC to make to Hannah-Jones. If at some point down the line her demonstrated research output and classroom experience warranted a merit-based promotion, she could have been given the opportunity to go through the same tenure-review process as any other faculty member. Instead, she demanded the privilege of sidestepping the normal rules and procedures of academic promotion by threatening to unleash a lawsuit and a Twitter mob against the university.

And as galling as it is to see Nikole Hannah-Jones try to weasel her way into an unearned tenured professorship, there is one thing that is even more galling: She hasn't published a single piece of journalism in the New York Times, her other full-time employer, in over two years. Maybe the Times is on to her. They claim to publish all the news that's fit to print, after all.

– August 3, 2022

Making Sense of the Recession

PETER C. EARLE

Research Faculty

It should come as little surprise that something as simple as identifying the start of a recession would generate controversy. Everything has become politicized. One could point out that the current economic contraction is still quite mild. Or that pandemic mitigation policies of the previous administration were as much (if not more) of a factor in choking off economic growth as the wokism of the current one. One could, if so inclined, point to the Fed's languorous response to steadily rising prices throughout 2021.

But no. The response has been predictably partisan, challenging the very definition of a recession itself. Postmodernists and lawyers, always a disproportionately large cohort of the very worst people in society, currently hold the high ground of discourse.

Nevertheless, as recessions go the current one is an odd duck indeed. Examples of recessions where the labor market has been strong, let alone as strong as the current one, are essentially nonexistent in recent economic history.

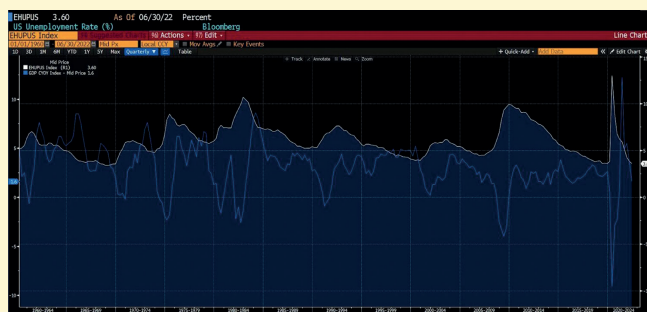
In the post-WWII era, increases in unemployment lag the start of recessions by varying amounts. In twelve economic recessions, the trough of the employment rate has preceded the start of recession by an average six months, with a range of one to sixteen months. Unemployment does not cause recessions; recessions – declining economic growth – cause rates of unemployment to rise. So if history is any guide, a rise in unemployment may be from months or to longer than a year off.

But why is the job market so hot? Doesn't that clash with notions of an economy in contraction? Possibly, but not necessarily. In light of the unprecedented circumstances wrought by lockdowns, stay-at-home orders, and other commercial depressants over the last few years, alternate or contributing explanations deserve consideration.

Inflation is at levels not seen in 40 years. US equity markets (read: 401Ks and IRAs) had their worst six-month start since 1970 in the first half of 2022. CBSNews summarizes:

[D]ata shared by Morningstar show that the most popular target-date funds — mutual funds that hold a range of investments and that automatically adjust according to a “target” retirement date — have lost between 10% and 22% of their assets under management this year ... With the median 401(k) account having a balance of just \$17,700 before the pandemic, this year's market decline would lop off more than \$3,500 in value. A would-be retiree with a balance of over \$81,000 — which would put them in the top 25% of savers — would see their nest egg shrink to just \$64,800.

US Unemployment Rate (%) vs. GDP year-over-year,
2012 dollars (1960 – present)



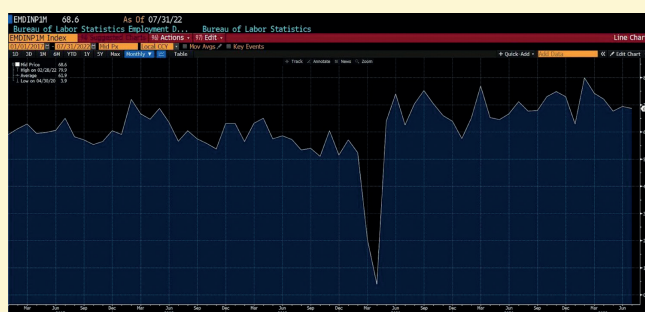
(Source: Bloomberg Finance, LP)

The specter of a new covid variant causing a return to disease mitigation policies, as well as a growing concern that monkeypox will be the next *maladie célèbre*, are very much alive. Midterm elections are only a few months away. For those and other reasons, why wouldn't there be a rush into, or more likely back into, the workforce? As mentioned, the tremendous number of open jobs has been another unusual feature of the post-pandemic and newly-christened recession, accommodating that shift.

Several additional facts support this “flight to jobs” explanation.

1. Not only was last Friday's jobs report unexpectedly strong, but the previous report was also revised upwards by over 20,000 new jobs. Also, the types of jobs being taken are diverse, ranging from hospitality to such interest rate-sensitive sectors as construction. Employment diffusion, as measured by the Bureau of Labor Statistics (BLS), is currently at 68.6 percent, indicating not only expanding employment, but jobs being taken across a wide range of industries. Thus, the rush into the workforce is broad-based, not driven by factors unique to a particular industry or sector.

**BLS Employment
Diffusion of Nonfarm Payrolls (2017 – present)**



(Source: Bloomberg Finance, LP)

2. US average hourly wage growth, year-over-year, had been strong since mid-2021, dropping back a bit since March 2022. But the increase in inflation has vastly outstripped the benefit of pay increases. In just one example, from the start of 2021 through mid-June 2022, the average US price of a gallon of gasoline rose 113%. It has fallen roughly 80 cents per gallon since then, but is still up 85 percent since the start of last year.

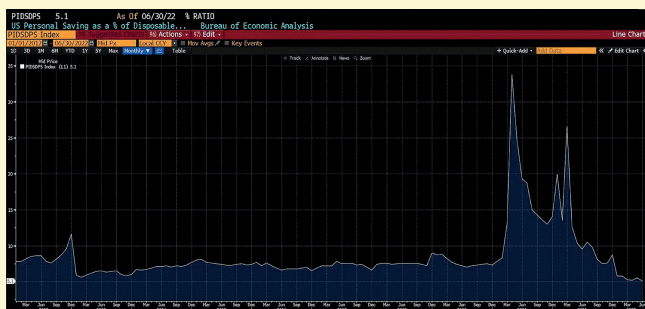
**US Average Hourly Earnings year-over-year
vs. CPI year-over-year (2012 – present)**



(Source: Bloomberg Finance, LP)

3. Rates of saving have fallen to levels lower than they were before the covid pandemic. Between 2012 and the end of 2019, personal savings as a percentage of disposable income averaged 7.4 percent, with a brief low of 5.6 percent in early 2013 as the emaciated recovery from the Great Recession began. As of June 2022, US personal savings sit at 5.1 percent of disposable income, the lowest level since October 2009, shortly after Lehman Brothers collapsed. It bears mentioning that, contrary to currently spiking prices, the former drop in savings took place while a brief deflation was occurring, possibly offsetting the household budget impact of increased spending.

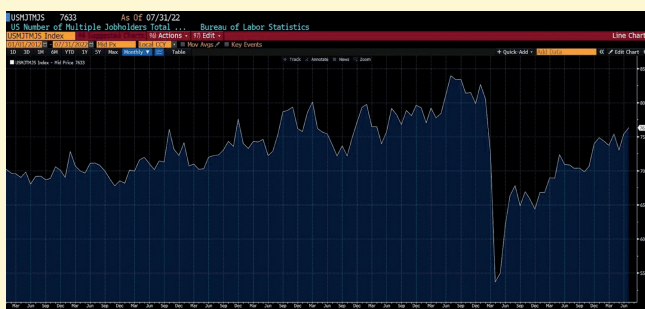
US Personal Saving as a Percent of Disposable Income (2012 – present)



(Source: Bloomberg Finance, LP)

4. It is no surprise that the number of Americans with two jobs is rising. The all-time high number of Americans with two jobs was hit in September 2019. While that number has not been reached, the rate of US workers taking second jobs has vaulted. The increase in the number of Americans with two jobs has increased by 1.1 million over the fourteen months since the start of 2021. Prior to the pandemic, it took five to six years (roughly between 2013 and mid-2019) for the same number of individuals to take two jobs. It is additionally likely that this data greatly underestimates the actual number of individuals with two forms of employment, since many (if not most) secondary jobs are on a cash basis, thus “off the books.”

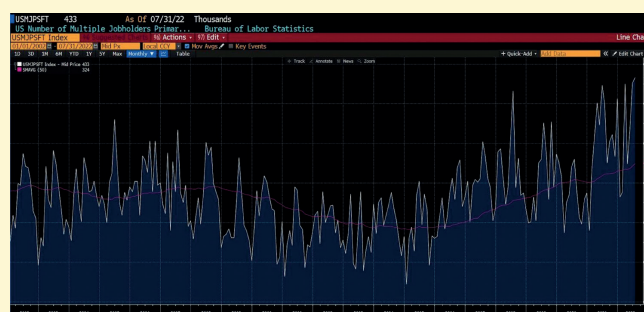
US Number of Multiple Jobholders (2012 – present)



(Source: Bloomberg Finance, LP)

But most surprising of all is that in July 2022, the number of Americans not only working two jobs, but *two full-time jobs*, reached a record high. (The twenty-year trend and a simple moving average are shown here.)

US Number of Multiple Jobholders with Primary & Secondary Full-Time Jobs (2002 – present)



(Source: Bloomberg Finance, LP)

Growing uncertainty may explain the seemingly discordant labor market. The rapid onset of concern over eroding purchasing power, diminishing retirement prospects, and sagging growth may be jolting passivity into action. Individuals may be responding to mounting financial insecurity by securing, improving, or adding to their employment.

Much of this explanation is at odds with classic manifestations of uncertainty in economics. Typically, dubitation among workers, consumers or producers manifests as delayed consumption, postponed hiring plans, or canceled business expansion plans. The avoidance of irreversible investments is frequently cited. Within the masses currently hustling back into the job market, no doubt, are some of the millions who retired early during the pandemic. Also many of the women who, unable to secure childcare during pandemic school closures, were forced to abandon their jobs.

The Great Reconsideration is likely over. But none of this necessarily implies an impending catastrophe, economic or otherwise. The case presented

here is intended to call into question the automatic assumption that the current set of economic circumstances, notably in the job market, nullifies the possibility or even probability of a classic economic recession. Unemployment, for good reason, lags the onset of recessions. And assuming that a widespread burst in employment categorically signifies optimism or portends a quick resumption of economic growth is simply unwarranted.

– August 10, 2022



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