Brian S. Wesbury – *Chief Economist*
Robert Stein, CFA – *Dep. Chief Economist*
Strider Elass – *Senior Economist*
Andrew Opdyke, CFA – *Senior Economist*
Bryce Gill – *Economist*

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How About More Freedom?

As we celebrate 246 years of national independence, our country is now more than two years into an economic recovery from the two-month COVID Lockdown Depression. Although the economy has improved dramatically from the complete lockdown bottom in April 2020, it's still feeling lingering pain from policy mistakes made to address the pandemic.

First the good news. The unemployment rate is down to 3.6%, very close to where it was before COVID started. Manufacturing production is 3.8% above where it was pre-COVID. The problem is that a smaller share of workers are participating in the labor force and the number of jobs still hasn't fully recovered. Meanwhile, inflation is running at the fastest pace in forty years.

In our view, we are still suffering from three major policy mistakes. First, running an overly loose monetary policy. Second, handing out too many government checks, which allowed American consumers to borrow from future production and spend more in the past two years than they would have if no pandemic had ever occurred. And third, shutting down many parts of the economy through government mandates at multiple levels.

That last part, the shutdowns, is key because here we are about eighteen months after vaccines were introduced and supply chains are still a mess. We think much of this represents lingering pain from shutdowns that broke relationships among firms and within firms. This makes it much tougher for companies to keep up with demand that was temporary and artificially boosted by government stimulus checks.

Markets are extremely robust under normal circumstances. War, hurricanes, drought, power failures are all disruptive, but markets absorb them and move on. But, by taking the unprecedented path of shutting down large parts of the economy, government made the recovery process extremely hard. Markets only work when information (the pricing system) is allowed to function. It hasn't functioned properly for over two years now.

The Atlanta Federal Reserve's GDP Now model is now projecting that real GDP declined at a 2.1% annual rate in the second quarter. We think that's way too pessimistic and not consistent with continued increases in industrial production and job growth, both of which are signaling continued economic growth.

Nevertheless, the Atlanta Fed's model is picking up the cost of the shutdowns and we think the lesson for future policymakers should be obvious: let's not shutdown the US economy again. People are much smarter than policymakers think; workers, customers, and private business, all by themselves, without mandates and extra rules, could figure out when to step back from certain high-risk activities and when they don't have to.

Fortunately, some business leaders are starting to push back against political leaders who think they know how to run the US economy all by themselves. For example, a recent comment from a consortium of oil companies urged that the author of a White House statement on energy take a basic course in economics. Another example: Jeff Bezos openly disagreeing with the White House on inflation.

In a sense, the answers to our problems were all around us this past weekend, in all the celebrations of America and in all our connections with family and friends. The answer is us. What we need is more of all of us thinking things through on our own, figuring things out, with fewer Washington rules, mandates, and regulations getting in between. Freedom works.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
7-5 / 9:00 am	Factory Orders – May	+0.5%	**+0.6%**		+0.3%
7-6 / 9:00 am	ISM Non Mfg Index – Jun	54.0	**54.5**		55.9
7-7 / 7:30 am	Initial Claims - Jun 26	230K	**231K**		231K
7:30 am	Int'l Trade Balance – May	-$84.7 Bil	**-$85.4 Bil**		-$87.1 Bil
7-8 / 7:30 am	Non-Farm Payrolls – Jun	273K	**275K**		390K
7:30 am	Private Payrolls – Jun	240K	**250K**		333K
7:30 am	Manufacturing Payrolls – Jun	25K	**25K**		18K
7:30 am	Unemployment Rate – Jun	3.6%	**3.5%**		3.6%
7:30 am	Average Hourly Earnings – Jun	+0.3%	**+0.4%**		+0.3%
7:30 am	Average Weekly Hours – Jun	34.6	**34.6**		34.6
2:00 pm	Consumer Credit– May	$30.0 Bil	**$31.8 Bil**		$38.1 Bil