THE ECONOMIC SITUATION

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GETTING STARTED

As we approach the end of 2023, let me briefly summarize major elements of this year's economic roller coaster. Interestingly, when viewed through the lens of key economic indicators, the bumpy ride produced a decent outcome.

The year began with first-quarter real GDP growth registering 2.2 percent. This followed a stronger 2.65 percent growth in 2022's second half. The economy was slowing, and there were growing comments about a 2023 recession. On the inflation front, year-over-year growth in the Consumer Price Index (CPI) for first-quarter 2023 was 5.76 percent; annual growth for 2022's fourth quarter had been 7.11 percent.[1] Because of actions taken by the Federal Reserve (Fed) to slow the economy that began in March 2022, there was a growing consensus that efforts to reduce price-level growth would be effective but not successful in hitting a 2 percent inflation target.[2] There was a debate as to just which inflation measure might be used as the target, but 2 percent seemed out of reach for any of them.

Interest Rates and Other Challenges

The average yield on the 10-year treasury bond was 3.65 percent in 2023's first quarter.[3] It rose to 4.15 percent in the third quarter and was hitting 4.40 percent in November 2023. Meanwhile, rising mortgage rates had put a crimp in housing starts. The rate for a 30-year fixed-rate mortgage rose from 6.27 percent in January to 7.44 percent in November, and higher finance costs began to affect auto sales.[4]

In 2023's first few months, deep concern arose about the devastating effects of the Russia-Ukraine war, which brought untold loss of life along with disrupted energy markets, higher gasoline prices, and realignments of trade with Russia and China. The outlook for open markets and global trade was pessimistic. In 2023's second quarter, the 10-year bond average yield hit 3.6 percent and real GDP growth fell to 2.1 percent. Importantly, CPI-measured inflation declined to 4.05 percent. Taking these effects into account, in October 2023, the International Monetary Fund reduced its GDP growth estimates for world advanced economies to 1.5 percent in 2023 and to 1.4 percent in 2024.[5] As the year progressed, consumers still armed with pandemic-provided stimulus savings brought rising retail sales and travel and higher expectations for GDP growth for the United States. Forecasts for a 2023 recession were shifted forward to 2024.

Early October 2023 brought a tragic invasion of Israel by Hamas from Gaza. A Middle East war opened immediately, bringing horrible loss of life and destruction. With that came new energy market disturbances and higher risk penalties added to the debt of affected countries. In late October, the early estimate for third-quarter GDP growth came in at 4.9 percent. The third-quarter CPI inflation rate, still well below first quarter's 5.76 percent, was 3.56 percent. Then some even better inflation news arrived: the year-over-year CPI increase fell to 3.20 percent in October.[6]

Better than Expected

Considered at the macro level, the 2023 US economy performed better than many expected in terms of GDP growth and inflation. As shown in table 1, growth was up and inflation was down. Things looked good on the employment front as well. The unemployment rate moved up slightly from first quarter's 3.5 percent to third quarter's 3.7 percent.[7] The economic effects of rising interest rates on housing starts, major purchases, and student loans generate the cost for taming inflation.

No matter what the macro data tell us, according to the University of Michigan's September Consumer Sentiment Index, Americans are in a funk. At 71.6 points, the index is above the June 2022 all-time low of 50 but well below the 101 achieved in February 2020.[8] According to a related *Economist* magazine study, for the first time in more than 40 years, the sentiment index no longer tracks alongside traditional measures of economic activity such as employment, income, and GDP growth.[9] Instead, the index seems to be locked in the cellar.

The consumer funk is deep and difficult to understand. Could it be worry about inflation? Or a lost trust in government and other institutions that help people cope in troubled times and celebrate in better times? Perhaps we need to revisit Jimmy Carter's 1979 malaise speech. When struggling with an OPEC-driven energy crisis, he noted, "There is a growing disrespect for government and for churches and for schools, the news media, and other institutions. This is not a mes-

Table 1. Key Economic Data Points

	4Q 2022 (%)	1Q 2023 (%)	2Q 2023 (%)	3Q 2023 (%)
GDP Growth	2.65	2.20	2.10	4.90
CPI	7.11	5.76	4.05	3.56
Unemployment	3.60	3.50	3.60	3.70
10-Year Bonds	3.83	3.65	3.60	4.15

Source: Federal Reserve Bank of St. Louis; Federal Reserve economic data.

sage of happiness or reassurance, but it may be a warning."[10]

If consumers are in a funk, they are not alone. According to a recent National Federation of Independent Business (NFIB) survey, owners and operators of America's small businesses are worried too. The organization's "Small Business Optimism Index decreased 0.6 of a point in August to 91.3, the 20th consecutive month below the 49-year average of 98."[11] NFIB also reported that a net negative 37 percent of survey participants are looking for better business conditions over the next six months, and while struggling to fill job openings, the number of business owners expecting improved sales continues to weaken. Unfortunately, according to the Business Roundtable's third-quarter 2023 survey, CEOs of 143 of the nation's largest firms share the NFIB's negative outlook.[12]

What's Ahead?

A quick look at three forecasts for the year ahead reveals a sharp difference in what is expected. I point out that the more current forecasts are the more pessimistic. In table 2, I provide GDP growth forecasts for August by the Federal Reserve Bank of Philadelphia forecast panel, the *Wall Street Journal* panel's early October estimate, and the Wells Fargo economics late-October forecast.

I note that Wells Fargo forecasts a mild downturn in 2024's second half. Given what is happening to reduced money supply growth, I agree with the Wells Fargo forecast.

More to the Story

Of course, there is far more to the story. Part of the surge in retail sales, which was powering recent GDP growth, was generated by pandemic-related and other government stimulus payments. This and other considerations raise a serious concern about government deficits and debt.[13] Our federal government regularly subsidizes politically important industries and activities, such as for electric vehicles, infrastructure, and climate change mitigation, and sends freshly printed money to hard-pressed citizens, workers, and businesses. The year 2023 may have seen a high-water mark in this regard. Federal debt rose from $31.4 trillion in the fourth quarter of 2022 to $33.6 trillion now. The remaining sections of this report cover some of those key elements.

How This Report Is Organized

This report's next section hits the debt concern directly by tying together growth in household net worth, the rising federal deficit, and the effects on the economy generated by the surge in the number of over-65 citizens. Section 2 examines a recently released Fed report on 2022 growth in household net worth and highlights the "golden years" effects generated by a burgeoning over-65 population who are rather insensitive to higher interest and Fed efforts to slow the economy. This in turn makes the Fed effort more difficult.

Issues related to President Joe Biden's strong commitment to organized labor are the focal point of the third section. The first part of section 3

Table 2. GDP Forecasts

	4Q 2023 (%)	1Q 2024 (%)	2Q 2024 (%)	3Q 2024 (%)
Philadelphia Fed	1.20	1.10	1.00	1.30
Wall Street Journal	0.92	0.35	0.56	1.10
Wells Fargo	0.90	0.70	−0.30	−0.16

Source: Federal Reserve Bank of Philadelphia August survey; *Wall Street Journal* October survey; Wells Fargo October 27 forecast.

shows how a political preference for union worker well-being led Biden to march with members of the United Auto Workers union in Michigan when they were on strike against America's Big Three auto producers. In doing so, the president explicitly turned against American consumers as well as investors in Big Three firms, instead of recognizing that there are more than just two sides to a labor controversy. The second part of the section looks closely at executive branch decisions to impose tariffs on solar panels produced in Vietnam. Showing strong allegiance to US union workers, the tariffs make solar panels more expensive for American consumers and therefore slow the transition to non–fossil fuel energy.

The report's section 4 is really a chapter in the history of US fuel economy regulation. The section addresses a question: How did a nation struggling with periodic energy crises and rising gasoline prices end up driving some of the largest passenger vehicles in our history? Put another way, why did vehicles get larger instead of smaller? Patrick McLaughlin's perspectives on regulation form section 5, and the report ends with a visit to Yandle's reading table.

RISING HOUSEHOLD WEALTH, GROWING DEBT, AND THE GOLDEN YEARS

A much-welcomed ray of sunshine[14] descended on the news recently by way of a report from the Federal Reserve Board. Important measures of net worth of US households—our total assets minus total liabilities—rose markedly following the 2019 COVID pandemic.[15] But before popping corks and celebrating, we should look a bit closer and recognize that the source of some of those gains may come back to haunt us**.**

First, let's look at the good news. According to the Fed's report, the median American household's net worth, which is the level that evenly splits the income distribution of the nation, rose a whopping 37 percent from 2019 to 2022. This was more than double the largest increase recorded since the report was first published in 1989.[16] Not only that, but there was hardly any increase in debt, whether for mortgages, credit cards, or student loans.[17]

The increase in net worth was not only large, but widely spread among the relatively rich and poor. In a real sense, the rising tide managed to lift most boats. In fact, the percentage growth was highest for poorer families and increases were tallied across races and ethnicities.

Now, let's take a second look.

If you've paid close attention, you might not be completely surprised by this surge of well-being. After all, across 2020 and 2021, some 476 million payments totaling $814 billion in federal financial relief went to households affected by the pandemic.[18] When that much money is spread around, some of it must show up somewhere.

Happily, especially for future generations, not all the money got spent. Indeed, our savings increased; some of it is currently propelling strong retail sales, and some of it is still resting in our bank accounts.

Though the Fed report mentioned pandemic stimulus payments in passing, it gave no accounting for the increases in federal debt that funded the $814 billion in pandemic relief. Nor did it mention how that largesse must eventually be paid off by the same American households who received it. In fairness, no one that I know of makes an allowance for government debt when calculating personal net worth. From an individual standpoint, it's a debt no one takes into account.

But consider this: Between 2019 and 2022, when household wealth was rising 37 percent, the federal debt rose from $22.7 trillion to $30.8 trillion, a 35.6 percent increase.[19] Some might say not to worry. After all, isn't this debt we owe to ourselves? Well, most of it is. Of that amount, $7.2 trillion was owed to foreign sources.[20] (I should add that total federal debt is now $33.6 trillion.[21])

All of this suggests we might want to turn down the volume a bit when celebrating a suspiciously rapid rise in family net worth. After all, our government can print money by issuing new debt and shipping the resulting dollars to our bank accounts without accounting for the fact that somebody will have to pay it off.[22] But this can't go on forever. Eventually, or perhaps sooner than we think, we must confront the debt we owe and begin to pay it off with some combination of higher taxes, less government services, or more inflation. The annual interest cost of the national debt is now $659 billion, following Social Security, Medicare, and the military, the fourth-largest item in the federal budget.[23] With 131 million households to pay taxes, the $659 billion amounts to approximately $5,000 per year, on a per-household basis, just to pay the interest cost of the debt.

Like recent college graduates told by their parents that from now on, they will be responsible for paying off their own credit card purchases, we high–net worth people may eventually find out what happens when the buck stops with us.

What about the "Golden Years" Economic Effect?

According to the *Wall Street Journal*, in August, 17.7 percent of the US population was over 65 years old—the highest number since 1920 and significantly larger than 2010's 13 percent.[24] In a few words, the American population is aging rapidly,[25] and that's changing the country's mix of economic activity in unexpected ways, including which sectors are prospering most and which are not. This will affect our country in both the short run and the long run.

Consider inflation. Americans over 65—those now enjoying their golden years—are less likely to be worried about debt and the interest rates they might pay when borrowing money. This affects the ability of the Federal Reserve to use interest rates to slow the economy and reduce inflation. Indeed, while enjoying a slower-paced life, most seniors live at least partly off past savings. Higher interest rates mean they have even more money to spend.

When we add the fact that America's elected politicians taken together are, on average, close to the oldest ever, we get a political economy highly focused on short-term activities—consumption now—and less focused on making investments that may yield larger future benefits.

This graying group of consumers were key drivers of household spending in 2022, accounting for 22 percent of the total and rising. Other major demographic groups accounted for not just smaller, but falling, shares.

In a real sense, those enjoying their golden years are driving the economy. But in what direction?

Common sense and personal observations tell us that many senior citizens are not inclined to simply acquire more stuff to furnish homes, apartments, and beach cottages. Indeed, it's just the reverse. The older population is more likely to be engaged in downsizing and getting rid of stuff. The golden ones are more interested in healthcare, services, short holidays, and a good evening out on the town. And as more of us enter our post-65 years and change our spending patterns, it starts to add up and alter what gets produced in the larger economy.

We saw signs of this in the recently released Bureau of Labor Statistics September jobs report, which showed that 336,000 jobs were added in the economy for that month. Of those new jobs, some 70 percent were in government, healthcare, and hospitality and leisure. In fact, employment in the hospitality and leisure sector has recovered to prepandemic levels. However, employment sectors that support the production of stuff look rather weak. We saw something similar in September's retail sales data. Yes, Americans were out there shopping, but the larger increases were for healthcare services, travel, dining out, and new automobiles.[26] Weaker results were shown for purchases of home furnishings and other "stuff."

The overall uptick in jobs and sales was enough to scare some Fed watchers, who became a bit more worried that it would raise interest rates another notch at the next meeting instead of holding pat.[27] Indeed, now we must think about the golden-age challenge faced by the Federal Reserve Open Market Committee when it meets again to decide what to do about inflation in the face of a resilient economy. This all suggests the Fed will have to keep a light foot on the brake until tight money and higher interest rates take a larger plug out of the under-65 part of the economy. Meanwhile, the golden-age sector may go sailing along.

Finally, let's consider our golden-age politicians. Like their citizen counterparts, they hope to see the benefits of their actions while still alive and well. And, of course, they must keep the always-engaged over-65 constituency happy. This predicts a preference for expanding the benefits of Medicare, providing less-expensive prescription medicines, and finding ways to keep Social Security secure, at least for current beneficiaries, given that the program's funding will soon be compromised.[28] Meanwhile, we must all get accustomed to outcomes generated by an aging population, because this has only just begun.

BIDEN, ORGANIZED LABOR, PROTECTIONISM, AND THE REST OF US

From his administration's very beginning, Joe Biden has made it clear that he stands by organized labor. Indeed, he indicates that he wants to be known as the most union-supporting president ever.[29] Making good on his promise, Biden recently joined a United Auto Workers (UAW) picket line in Michigan in a strike against Ford, General Motors, and Stellantis.[30] His press secretary indicated the president wanted to make clear which side he supported. That "there are just two sides" oversimplifies the suggestion that the controversy is just about labor and management. There is at least one other important side: consumers, and lots of them. There are also families and communities that suffer when a major employer is shuttered, with ramifications for schools, churches, and governments.

Why would a sitting president—one who promised to be the president of "all Americans" when taking office—decide to favor the UAW alone?[31] Yes, workers have every right to strike and negotiate with their employers. And, yes, Biden has long supported labor. But the cold shoulder to consumers and affected communities across America still feels a bit blatant.

Speaking of blatant, Biden's picket line visit came one day before former president Donald Trump promised a prime-time speech to a UAW audience in Detroit. Once more focused on the *quid pro quo*, Trump made it clear that his participation was strictly political, pointing out that "[if] the UAW 'leadership' doesn't ENDORSE me, and if I don't win the Election, the Autoworkers are 'toast.'"[32]

Autoworkers, like most of us, would justifiably like shorter hours, higher pay, and improved working conditions. But let's balance that by looking at the management, or investor, side, and then the customer side.

The share prices of Ford and Stellantis have underperformed for years, and other than a value run-up and back-down in 2021, General Motors has been caught in a doldrum since 2013. Shareholders don't draw much sympathy, but will they keep providing needed investments if the cost of doing business, driven by politicians, rises?

Certainly consumers, who already face astronomical vehicle prices and understand that higher autoworker wages will lead to even higher prices, deserve some sympathy. The average new vehicle price is now above $48,000, up $10,000 since 2020.[33]

So, if Biden and Trump are taking sides, some may wonder, "Why not mine?"

The obvious answer is politics and the importance of winning union support (and winning union-heavy states in an election year). Just how consequential is this? Conveniently, a century-old policy that's playing a large role in the current situation also happens to illustrate Congress's longstanding willingness to prioritize organized workers over us unorganized consumers.

The UAW was once far more powerful than it is today. In 1979, membership peaked at 1.3 million workers; today's tally stands at 383,000.[34] According to Bureau of Labor Statistics data, there are now just over 1 million US autoworkers.[35] Simple subtraction suggests that more than 600,000 are not union members. Indeed, more are employed with firms such as BMW, Hyundai, KIA, Mercedes, Nissan, Tesla, Toyota, and Volvo than with the traditional, heavily unionized American powerhouses.

Therefore, the UAW is not able to employ the labor monopoly power required to shut down the industry. It is, however, exercising legal power to restrain trade granted by the 1914 Clayton Act and the Norris-LaGuardia Act of 1932. Before that legislation, the Supreme Court considered union attempts to restrain trade in interstate commerce as unlawful attempts to monopolize.

Congress felt differently, dictating in the Clayton Act that labor is not commerce. Now, unions may interrupt commercial activity so long as the disruption takes place within the limits of labor law. The UAW, of course, understands that its strike will not be effective unless the cost is felt.

Labor and management don't always see eye to eye, strikes happen, and unions deserve fair treatment. But would it be too much to expect our national leaders to express the hope that, for the sake of workers, their employers, and all Americans, this strike will be short? That we should remember our slogan, *e pluribus unum*? We are one nation formed from many parts, and at our best when we are as united as we can be. That means taking sides with as many Americans as possible, not just those on a picket line.

Looking for Love in All the Wrong Places, or Serving the Common Good?

Although former president Trump made it clear that he was a gatekeeper president, meaning that he would control the flow of goods and people into the country by way of tariffs and regulation, President Biden continues to favor tariffs on foreign-made goods, especially if that means assisting organized labor.[36] Those looking for hard evidence that these efforts are consistently serving the common good are sure to be disappointed. That, as country singer Johnny Lee sang, is "looking for love in all the wrong places." Special interests—those influential folks seeking a boost at the expense of others—are the ones finding comfort.

Yes, raw election politics seems to trump the public interest, whether it's a cleaner climate or lower grocery bills, nearly every time. Fortunately, all hope is not lost.

Beginning with the pessimistic side of things, the Biden administration recently announced a new round of tariffs imposed on solar panels exported to the United States from Southeast Asian countries that have been putting the final touches on Chinese components. After delays meant to give time for American industry to adjust,[37] Biden officials have added proverbial rocks to US harbors to limit the availability of solar energy to the American public, even after Biden preached that climate change is an existential threat.[38]

The tariffs are opposed by American buyers of solar panels, who are struggling to complete contracts in a competitive environment flush with Inflation Reduction Act funding. They are praised by US solar panel producers who gain when those big rocks keep foreign products out of American harbors. For whatever reason, Chinese solar panel producers have for years favored selling the United States their cheap clean-energy products. Although the administration's concerns about China's ambitions surely play some role, punishing our solar Santa Claus tells us which private interest matters most in Washington.

If one example isn't enough, around the same time, Mr. Biden's Department of Commerce announced a new round of tariffs on can-making metals from China, Germany, and Canada.[39] These tariffs, which follow an investigation requested by the United Steel Workers, are opposed by US food companies, who argue that food products will become more expensive.

Commerce countered that the three affected countries are selling their products to American firms at unfairly low prices. Interestingly, on the day of this announcement, other news stories told of how American single moms are struggling to pay rising grocery prices.[40] No concern was expressed by Federal Reserve inflation fighters.

Is this what we should expect in America? James Madison foresaw the challenge. Writing about the new nation's prospects in 1787 in *The Federalist* No. 10, he explained how broadly organized democracies would fail because of the work of tightly organized special interest groups that subvert the common good to their own liking.[41]

But, Madison argued, there is hope. He believed the new nation, a republic where power was spread among states and branches of government, would be different. Competing representatives from the various states would be caught in a constant interest-group struggle, making it difficult for any one faction to become dominant.

However, it's unlikely that Madison could have imagined the rise of an administrative state where regulators, not elected officials, are empowered to set so much policy. That's taken the influence-peddling game beyond the easy reach of voters and responsive legislators, helping to explain how special interests shove aside larger, more diverse groups of Americans to gain command over government-allocated resources. Elected leaders, though they preach otherwise, seldom have the incentives or ability to keep the common good one step ahead.

What, then, can We the People do to restore Madison's vision?

Here are two things to consider. First, recalling Madison's admonition, we note that a lack of healthy political competition in the public arena is the true problem. A simple, nonpartisan reform—requiring more legislative review of regulatory actions—would reinvigorate political competition by forcing special-interest struggles back into public view. Out in the open, messy debates and conflicting interests can dilute the effectiveness of even the most effective lobbyists. Second, because the mass of unorganized consumers is inherently at a disadvantage in regulatory struggles inspired by organized interest groups, such as when the United Steelworkers seeks tariffs on imported steel, the Federal Trade Commission might beef up its advocacy program, intervene in the proceedings of other federal agencies, and argue for more competition.[42]

As strange as it may sound, it's possible that the common interest will be better served when there is more political action involved in public decision-making, rather than less.

WHY SUCH LARGE VEHICLES? IS IT FUEL ECONOMY STANDARDS?

I recently pulled into a store parking lot and noticed a woman with a small bag of groceries heading to her car.[43] She slipped behind the steering wheel of a 5,000-pound sport utility vehicle (SUV), quickly cranked the turbocharged 200-horsepower engine, and drove away. Recognizing an engineering masterpiece that had evolved in a highly regulated world, I couldn't help thinking about the front-row seat I had to the events that accidentally spurred the rise of these vehicles. It's a lesson we should remember with the White House's ongoing moves to subsidize the domestic manufacture of electric vehicles and their batteries and write regulations calling for tougher fuel economy standards.[44]

We've been promised that all this will have a positive impact on global climate change and save us money when fueling our SUVs. Hopefully that's true, but no one in government is systematically keeping score and reporting. We really don't know what the effect on the unsubsidized, unregulated cost of vehicles will be.[45] Indeed, what might be called the unregulated "real world" was lost long ago. And we can't know exactly how it affects climate change.

Back in 1977, as a senior economist on President Carter's Council on Wage and Price Stability, I participated in Department of Transportation (DOT) proceedings that set the first fuel economy standards for the US fleet. What transpired is an amazing story of what can happen when federal regulations become completely entangled with a major economic sector. The forces set at play help to explain why a shopper happily drives a 5,000-pound SUV to transport 10 pounds of groceries.

I can assure readers that no one in those proceedings thought the Ford F-150 pickup, beginning in 1982, would top off the all-vehicle best-seller list for 41 consecutive years.[46] To the contrary, most analysts probably thought we would all be driving the equivalent of Volkswagen Beetles. And we could have never guessed that truck-like SUVs would become vehicles of choice for US consumers.[47] We couldn't have. SUVs did not exist at the time.

We expected just the reverse. Cars would get smaller, we thought; fuel economy would rise; and large, weighty vehicles would be a thing of the past, primarily because of the regulations being put in place.

The move to regulate fuel economy came about a few years earlier, in 1975, following an Arab embargo that suddenly ended the flow of oil from OPEC nations. In the face of skyrocketing oil prices, Congress froze gasoline prices to protect American consumers from pocketbook shock. Then came the hard part. Our elected guardians sought to require US auto producers to build the smaller, more economical cars that would have been built had gasoline prices been allowed to rise freely. Yet the fuel economy standards hit passenger sedans hard while leaving light trucks, which were not seen as passenger vehicles, almost untouched.[48]

As the fuel economy standards began to bite consumers, they found that trucks provided comfort and safety no longer available in the downsized sedans. Truck sales surged, and in 1991, Ford Motor Company placed a four-door body on a Ranger truck frame and introduced the Ford Explorer, a passenger vehicle that satisfied the government's truck definition. Of course, Jeep was already available in the SUV marketplace. This inspired an explosion of similar SUV production across the industry. Trucks became beautiful, expensive, and highly desirable.

All the while, the fuel economy standard for trucks remained less strict than for sedans. To make things even better for US producers, almost-prohibitive tariffs on European light trucks were extended to the rest of the world.[49] Many foreign producers eventually jumped the tariff wall and built trucks and cars here, but the home-grown industry enjoyed an early advantage.

Over the years, regulatory priorities changed. America became the world's leading oil producer. Old fuel-efficiency concerns were bolstered by concerns about smog, emissions, and climate change. Electric vehicles became the politically hoped-for solution.

But instead of overhauling the aging fuel-efficiency apparatus—perhaps even moving to a straightforward tax on carbon emissions—politicians added more ornaments to the fuel-economy Christmas tree. It now includes requirements for producers of too many gasoline-powered vehicles to subsidize those who make electric cars. Today's DOT-proposed fuel economy regulations can only be met by a significantly enlarged electric fleet.[50] These are accompanied by proposed EPA emission regulations.

What a maze we've built, without even knowing its dimensions or how to get out. I doubt anyone can fully explain all the rules and how they work. The industrial organization that results is so opaque that no one can tell what anything really costs when factoring for the credits, subsidies, or tax breaks paid for or enjoyed by all involved.

Perhaps it's time to start afresh.

Why not wipe the slate clean, support carbon and other offset markets to reduce undesirable emissions, and let the chips fall where they may?[51] It might take time, but customers and automakers can respond more effectively than the regulatory state has. We should be able to learn from the 46 countries already using market forces,[52] along with an unbiased analysis of the whole thing. This suggests calling on the Joint Economic Committee to organize a study and publish the findings. Perhaps the National Bureau of Economic Research (NBER) could become involved.

PERSPECTIVES ON REGULATION

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THE PARADOX OF REGULATION: EXPLORING THE SUBTLE IMPACT OF REGULATIONS ON AMERICA'S ECONOMIC GROWTH

Is regulation the silent saboteur of economic prosperity, or an unsung hero ensuring fairness and safety? America's economic landscape is a complex puzzle, where the pieces of policy and growth interlock in unexpected ways. The Bureau of Economic Analysis's late-October announcement[53] of a 4.9 percent annualized growth rate for the third quarter, up from a 2.1 percent in the second quarter, has ignited a debate among scholars, policymakers, and pundits. Yet, beneath these top-line numbers lies a nuanced narrative of the effect of regulations.

THE DEBATE

Stuart Shapiro of Rutgers University, in an op-ed for *The Hill*,[54] recently suggested that the Biden administration's regulatory policies, widely perceived as prolific, are not hindering economic growth. His argument seems grounded in the positive correlation between regulatory and economic growth. That is, he observed that the US economy seems to grow more often than not, and that regulations seem to grow more often than not—therefore, maybe regulations are not the economic problem that some people claim they are. However, this perspective oversimplifies the intricate dance between regulation and growth.

Economists, dismal scientists that they are, constantly remind us that correlation does not necessarily imply causation. The economy, like the human body, is a complex system. A child might thrive on a diet high in sugar and simple carbohydrates, but the long-term impacts of such a diet are well documented. It would be unwise to conclude that sugar is harmless on the basis of an observed correlation between childhood growth and high sugar consumption. Similarly, might the economy temporarily withstand a regulatory burden before feeling its weight?

Dissecting economic growth requires considering the various underlying forces. Macroeconomics entails aggregating data about microeconomic actors (e.g., individuals, businesses, governments) acting and reacting to prices and other informative stimuli—for example, interest rates, which are currently at a 22-year high. The Federal Reserve has been combating inflation with increased rates, yet we've witnessed robust economic growth. Should we conclude that high interest rates bolster growth? That would be a dismissal of economic theory, empirical evidence, and common sense. A scientific approach would search for other factors contributing to growth despite high interest rates.

The same logic applies to understanding the effects of regulation on economic growth. We shouldn't rely on top-line numbers to draw a conclusion about the relationship between the two. To do so would be to ignore theory, empirical evidence, and common sense—not to mention the majority of peer-reviewed literature on the relationship between economic growth and regulatory policy. Broughel and Hahn surveyed peer-reviewed studies that look at the relationship between economic regulation and growth, and they found those studies "seem to reflect a consensus that entry regulation and anticompetitive product and labor market regulations are generally harmful to growth."[55] To be sure, those studies don't look at all regulations. Even so, the consistent results are hard to ignore.

Other studies, however, do look at all regulations, and the results are consistent: more regulations, less growth. Dawson and Seater; Coffey, McLaughlin, and Peretto; and Coffey and McLaughlin provide three studies that fit into this category.[56] All three look at regulatory accumulation—the totality of regulation that has built up over decades—and how it affects growth. They find a death-by-a-thousand cuts effect. It's not necessarily any single regulation that is obviously job-killing or economy-slowing, but the cumulative burden of thousands of small regulations.

ENGAGING WITH COMPLEXITY

The intricate relationship between regulations and economic growth challenges us to engage with economic complexities. Although the narrative of a robust economy might paint a picture of relatively harmless regulatory policy, serious research in this area suggests a more intricate story. Economists have been building their science in this direction for several years now, as suggested by the fact that NBER assembled a working group[57] focused on sharing the latest research and methods that can be used in an economic analysis of regulations. And the science to date, as the studies highlighted above show, should make anyone hesitate to draw conclusions based on the correlation of top-line numbers alone.

YANDLE'S READING STAND

I had just read Calvin University history professor Kristin Kobes Du Mez's fascinating 2020 book, *Jesus and John Wayne: How White Evangelicals Corrupted a Faith and Fractured a Nation* and decided I would not do a review.[58] This was not because the book lacked evidence of solid scholarship or that it was not well written. No, the author is obviously a well-trained scholar, and her writing flows nicely. But I thought the topic was not well connected to my interests in political economy and public choice, and though it is an account of a quiet political revolution that has occurred during my adult years, I felt I would move on and review another recently read tome.

But then, on October 25, Louisiana Congressman Mike Johnson, a man short in political experience but long in all the characteristics predicted by Du Mez, was elected Speaker of the House. The event was compelling. Though I make no scholarly claims for being equipped to judge the book's historic content, though having lived through it, I still believe the book deserves to be read and discussed.

Du Mez has a key thesis that relates to commentary found on the book's fly cover: "How did a libertine who lacks even the most basic knowledge of the Christian faith win 81 percent of the white evangelical vote in 2016? And why have white evangelicals become a presidential reprobate's staunchest supporters? Du Mez reveals that Donald Trump in fact represents the fulfillment, rather than the betrayal, of white evangelicals' most deeply held values."

Reaching back to the 1940s and the rise of a national evangelical movement, *Jesus and John Wayne* is an account of a socio-political process that lifted the importance of a male-dominated, white evangelical, ruggedly individualistic electorate that would be willing to fight against perceived evils—as seen through the eyes of its leadership—that were destroying what was believed to be America's unique greatness. At stake was the primacy of the traditional family—male and female—with a male breadwinner and a female wife and mother who played a vital homemaker role. As the title suggests, the modern evangelical movement, as told by the author, begins with the emergence of evangelist Billy Graham in the late 1940s. The movement is based by its leaders on biblical interpretations that lead to a portrayal of Jesus as being rugged, willing to struggle desperately to build a movement, and, of course, willing to die for a cause.

But as the author points out, there are 31,000 verses in the Bible, and, I would add, they cover a vast domain of sometimes contradictory human action. In any case, Graham's successful world evangelism attracted popular singers and movie stars, such as Pat Boone and John Wayne, who signaled the importance of always standing on the side of right against wrong, providing a secure and safe domicile, and being proud to be an American.

The rising evangelical movement was led and promoted by national organizations that, among other activities including radio and TV broadcasting, were building a nationwide Christian bookstore network filled with materials that supported the movement's espoused values. As the author points out, books on Christian masculinity began to roll off the presses. Key among these were books promoting the idea of the "tender warrior" and, within that category, a highly successful book, *Healing the Masculine Soul* by Gordon Dalbey.[59]

Organizations such as the Promise Keepers arose; it saw 700,000 men march to the nation's capital in 1997, and more later. They avowed commitment to faithful family leadership. There was interaction across these efforts with other Christian organizations, such as Campus Crusade for Christ and Jerry Falwell's Moral Majority political action group. As might be expected, with a major part of the population involved and sensitive to evangelical issues, sitting presidents and those who aspired to lead the nation embraced prayer breakfasts and welcomed world-celebrated evangelists to their midst.

To this point, I see Du Mez's story as one of an evangelical movement, what might be thought of as another Great Awakening in US history. These Great Awakenings have occurred in waves across the centuries. What was it that caused this particular wave of enhanced Christian evangelism to become more like John Wayne than Jesus? The answer, we find, turns on 9/11, the first attack on US soil in modern times, which created in people a deeply and politically felt need to strike out against the terrorist enemy who struck us. Suddenly, protecting home and hearth became a high calling, striking back with force became a necessity, and asserting good against evil gave almost divine purpose to the US cause. John Wayne, despite any human warts he might have had, stands tall, six-shooter in hand.

My short summary does not do justice to the author's richly told story, but the book does enable an understanding as to "how . . . a libertine who lacks even the most basic knowledge of the Christian faith won 81 percent of the white evangelical vote in 2016." As Du Mez indicates, there are obvious tradeoffs made by the evangelical leadership when choosing to become the vanguard for Donald Trump's Make America Great Again campaign. What might be thought of as personification of family values, Christian generosity, and truth telling was moved to a lower setting than the willingness to fight those who are set to destroy the city on a hill, overrun borders, and deny the primacy of the family, as defined by the movement itself.

The book is timely—to say the least—informative, and challenging. I recommend it.

Occasionally, each of us stumbles on a classic, perhaps from another field of study than one's own, and on sampling it, reaches the conclusion, "I wish I had read this earlier." So it is for me with Swiss psychoanalyst Carl Jung's *The Undiscovered Self*.[60] Just 113 pages long, the 1957 book, according to Jung authorities, represents Jung's lifelong effort to understand the conscious and unconscious human mind and conveys his concerns about the human prospect, especially the restive relationship between mass society and the individual.

In some ways, the book is a lamentation. Jung grieves about humanity's dimming prospect as high-tech weaponry emerges, nuclear bombs are used, and man's apparently unavoidable primitive tendencies to raid and take instead of make and trade seem to continue unabated. Early on, he asks about the split symbolized by the "Iron Curtain," which divides humanity into two halves. He asks, "What will become of our civilization, and of man himself, if the hydrogen bombs begin to go off, or if the spiritual and moral darkness of State absolutism should spread across Europe?"[61] With definitions of friend and foe now being realigned and with American combat prospects discussed on three fronts, we might appropriately ask the same chilling question about our world today.

Although the book may be thought of as a lamentation, it is more. Jung discusses the limits of how reason can be applied to collective decision-making, where emotion takes over with slogans to form psychic epidemics that necessarily seem to need a group to oppose or, even worse, to destroy. When this happens, what in normal situations may be thought of as antisocial comes to the top, and, in Jung's view, a large share of the population that is borderline mentally ill—people with latent psychoses—will join and give meaning to social and political movements.

Jung argues that ordinary people in a way allow such movements to gain momentum and succeed because their more dangerous tendencies are held at bay under a cloak of reason and insight. As the book's title suggests, these normal people possess limited self-knowledge. Speaking as a psychiatrist, Jung points out that we "mentally healthy" ones are generally ignorant of what exists in the unconscious mind. As suggested by others, we "normal" people may have a highly developed and socially necessary illusion of innocence and virtue that is erroneously projected to all others as well.

Of Jung's more interesting discussions—he has chapters on religion as a counterbalance to slogan-driven mass-mindedness, the individual's understanding of himself, and the meaning of self-knowledge—I found his discussion of the difference between knowledge and understanding to be fascinating. The author argues that what we call knowledge—perhaps "data" would be a better choice of words here—in a scientific sense is statistical in nature, which is to say the result of large experiments that provide estimates of statistical tendencies. Because of this, knowledge must be applied cautiously when engaging with individual people. Successful interaction with individuals requires understanding.

Unfortunately, of course, actions taken by the state are generally based on special studies, testimony, and commentary that cannot resolve what F. A. Hayek calls the ongoing "knowledge problem," which is effectively solved by markets. State actions tend to provide one-suit-fits-all solutions to social problems, and then, I would add, perhaps because of "bootlegger and Baptist" tendencies that operate politically, the nation/state takes on a moral mantle and politicians become preachers. Sometimes, of course, preachers become politicians.

Jung expands on this point and offers a public-choice interpretation of failed collective decision-making, which is the case where mass decision-making engaged in by the state relies on statistical data. For example, a definition of poverty based on income requires the state to gather data to determine whether political goals are being achieved. In this way, Jung argues, the state becomes the supreme moral agent replacing the moral responsibility of the individual or smaller communities to provide care and find happiness.

As one reviewer summarized, Jung's book "argues that civilization's future depends on our ability as individuals to resist the collective forces of society. Only by gaining an awareness . . . of one's unconscious mind . . . —'the undiscovered self'— can we as individuals acquire the self-knowledge that is antithetical to ideological fanaticism."[62]

Jung's book is short, but the profound issues explored in it are perhaps eternal.

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