
Policy Gripes: The Jones Act

Sage Economics

Tue, June 2, 2026

Policy Gripes: The Jones Act

Complaining about a century-old maritime law

ANIRBAN BASU AND ZACK FRITZ



Policy Gripes is a series of posts where we combine our two highest forms of expertise: economic policy and complaining.

The Jones Act mandates that any ship taking goods from one U.S. port to another be:

1. U.S. built
2. U.S. owned (at least 75%)
3. U.S. flagged
4. U.S. crewed (at least 75%)

This law, technically called the Merchant Marine Act of 1920, is the absolute worst. Some of the drawbacks include:

- It dramatically raises shipping costs: U.S.-built container ships can cost about 5x the average global price (or more), a direct result of the protectionist policy, while U.S. crews command higher labor costs.

- Those high building costs mean there's very few Jones Act compliant ships. One source estimates there are just 92 Jones Act-compliant oceangoing cargo ships, less than 0.2% of the global fleet.
- There's not much trade activity between U.S. ports, which diverts trade to more expensive rail and truck routes.
- The law is particularly painful for isolated states and territories like Alaska, Hawaii, and Puerto Rico because international ships can't bring them goods from U.S. ports.

So yes, there are a lot of drawbacks, but at least the Jones Act has kept the U.S. shipbuilding industry healthy and hale. Except, no, it hasn't done that at all. Despite a century of protection, the U.S. commercial shipbuilding industry remains tiny by global standards, can't meet our domestic needs, and accounts for a negligible share of worldwide ship production.

Consider that "China's largest state-owned shipbuilder built more commercial vessels by tonnage in 2024 than the entire U.S. shipbuilding industry has built since the end of World War II."

What if We Repealed the Jones Act?

No need to guess! It's been suspended since March 18th to ease energy prices during the conflict with Iran, a move that confirms that the Jones Act does, indeed, raise prices.

As of May 13th, 45 foreign-flagged vessels had taken advantage of the suspension, according to this Cato review. Roughly 4x more fuel was shipped from the Gulf Coast to the western U.S. in the first 50 days of the waiver than in all of 2025.

Jones Act waiver hints at a universe of blocked American maritime trade

45 foreign-flagged tankers carried domestic U.S. cargo under an emergency §501(c) Jones Act waiver
March 17, 2026

45

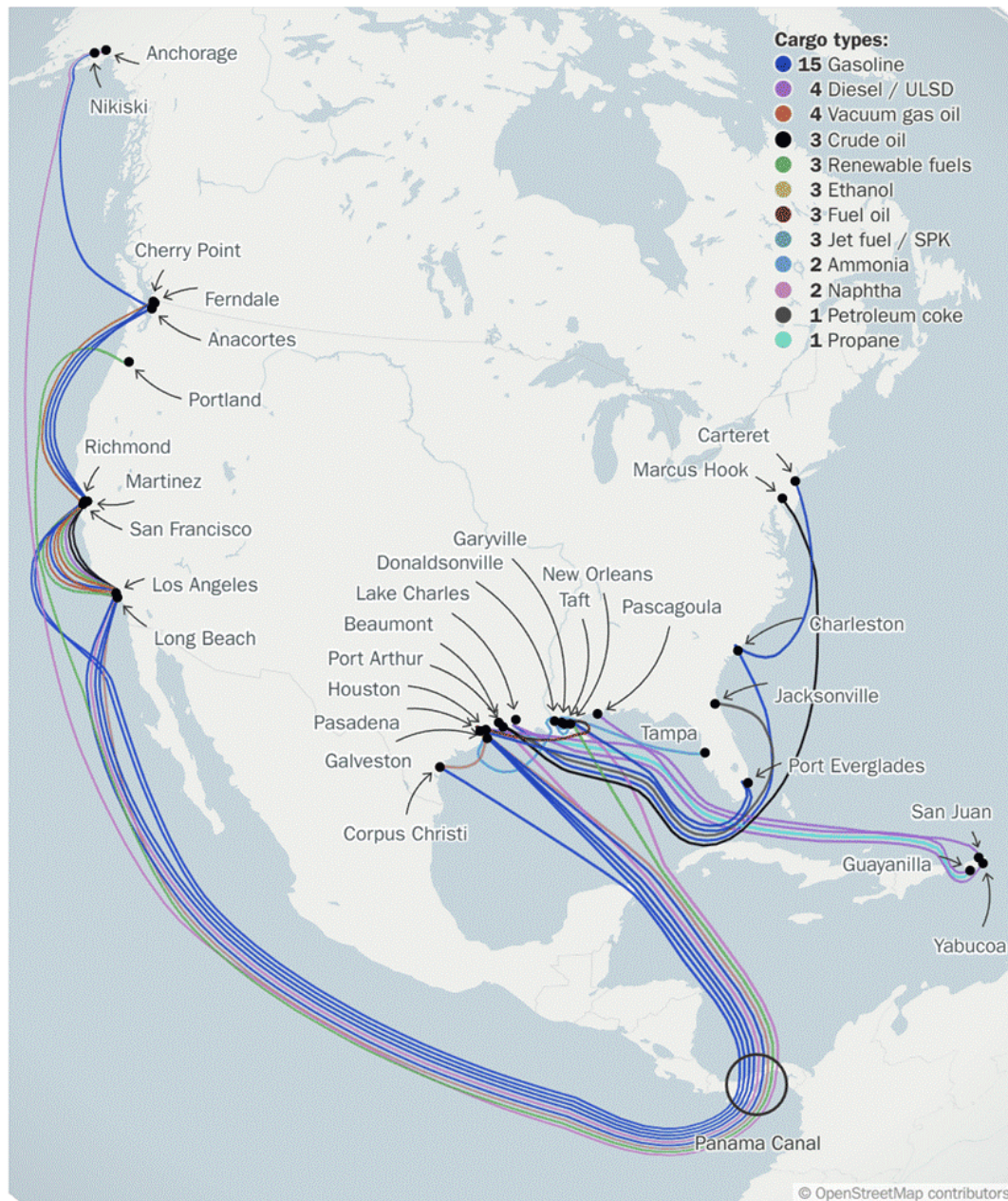
Total voyages

35

Unique vessels

9

Via Panama Canal



[Download image](#)

Source: MARAD §501(c) Waiver Report, May 6, 2026

Note: The Jones Act (46 U.S.C. §501) requires domestic waterborne cargo be carried by U.S.-flagged, -built, and -crewed vessels. The March 17, 2026 emergency waiver allowed foreign-flagged vessels to carry domestic cargo, revealing the full scope of trade normally blocked by the law.

CAIO
INSTITUTE

This has provided critical relief to prices at a time when inflation is once again on the upswing. The waiver is currently set to expire on August 16th, but it's not out of the question that it gets extended again, especially with midterm elections just a few months after that.

Regarding full repeal, don't get your hopes up. The Jones Act lobby, comprised of maritime unions and domestic shipbuilders, is a tough one to beat.

Construction's Boom of all Booms

Sage Economics

Thu, June 4, 2026

Construction's Boom of all Booms

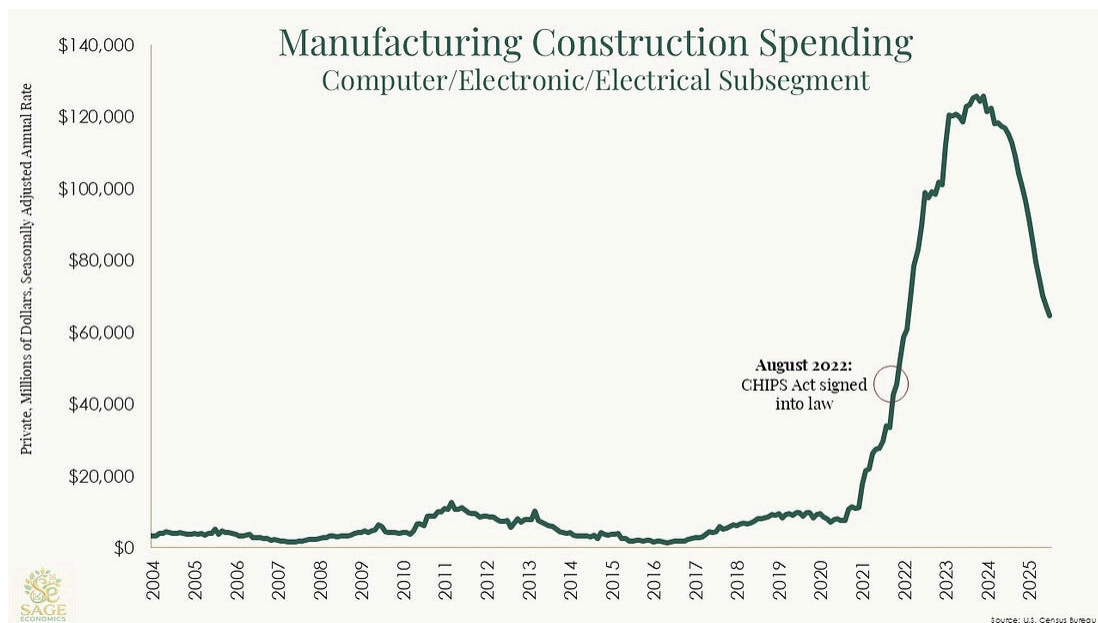
The megaprojects wind down

ZACK FRITZ AND ANIRBAN BASU



Construction Trend Tuesday—sometimes even on Thursdays!—covers one (hopefully) interesting industry trend in a quick, two-minute read. You can access the archive of [CTT posts here](#).

The computer/electronic/electrical manufacturing subsegment experienced the boom of all booms starting in mid-2021.



Spending in the category surged from less than \$8 billion per year to a peak of about \$126 billion in mid-2024, a stunning 1,500%+ increase.

The CHIPS Act deservedly gets a lot of credit for this, though it wasn't signed until August 2022, about 12 months after the meteoric rise began.

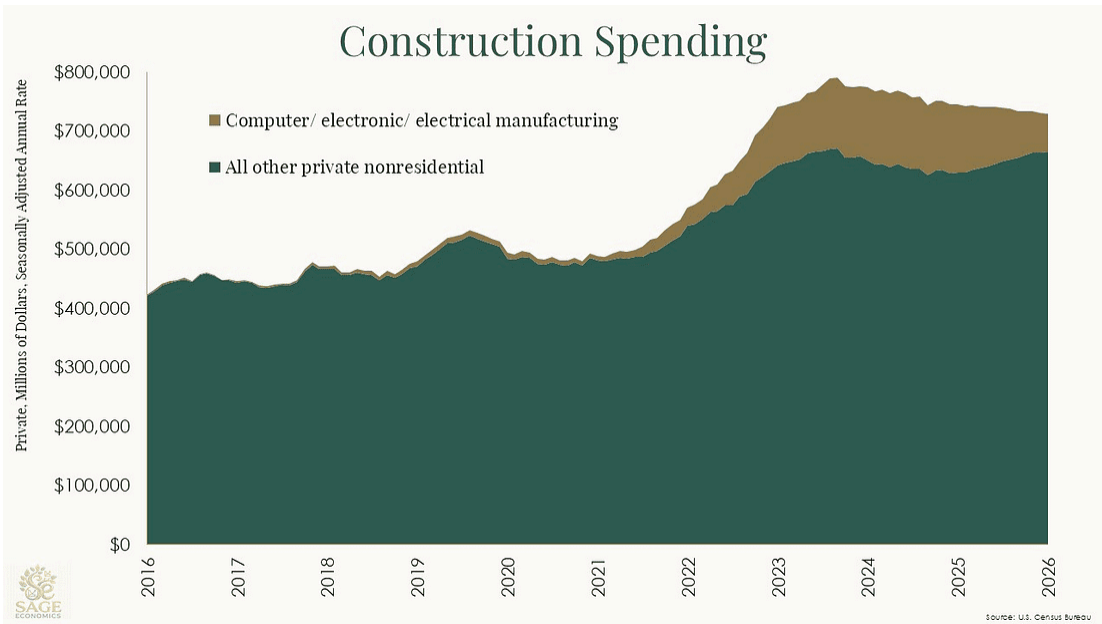
Why did the boom start before the law was signed?

1. The semiconductor shortage spurred investment
2. The CHIPS Act didn't just poof into existence in August 2022.
Companies knew that it (or something like it) was in the works
3. Interest rates were historically low
4. This category also includes batteries, so other investments (like EVs) helped
5. This data series is nominal, and construction input prices took off in early 2021

Spending in this category has been falling—nearly as quickly as it rose—since late 2024. The construction intensive part of CHIPS Act megaprojects is winding down, EV supply chain investment has slowed, and interest rates have risen sharply.

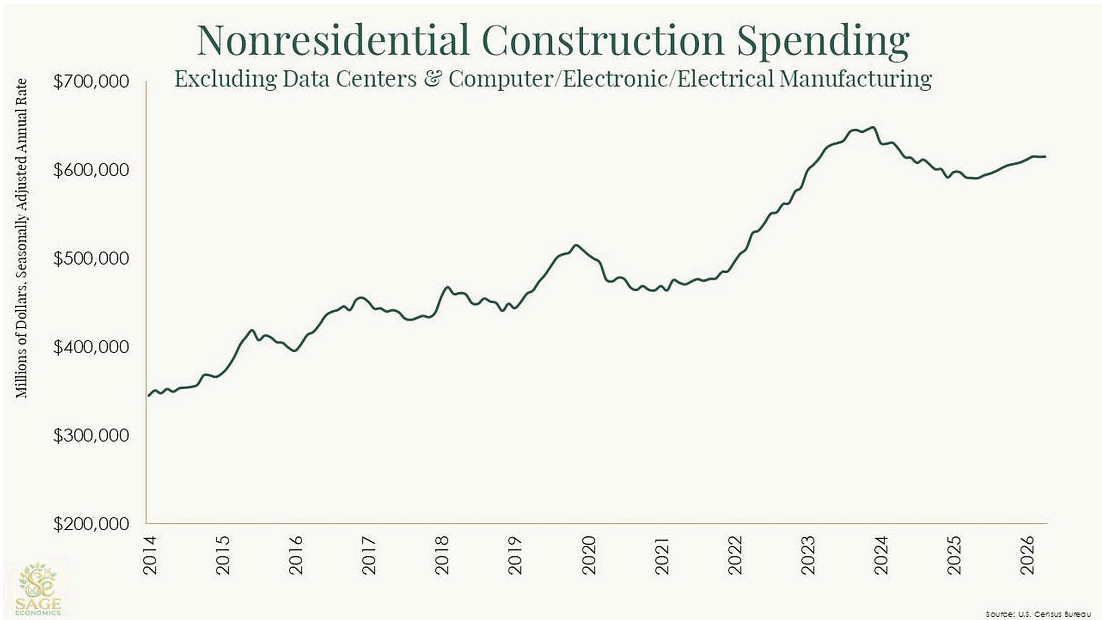
This rapid rise and fall has made it difficult to assess the broader nonresidential construction segment. Including that subsegment, private

nonresidential spending has been in decline since late 2023.



Excluding that one subsegment, however, all other private nonresidential spending began to rebound at the start of 2025 and is less than 1% below the December 2023 all-time high.

And because we know you're wondering: data centers account for 46% of the increase in all other nonresidential spending (the green part of the above graph) since January 2025. That's a lot, but there's still been modest growth across the remainder of the segment.



Big picture: the headwinds causing the computer/electronic/electrical manufacturing construction slowdown remain firmly in place, and the subsegment will continue to shrink over the next couple quarters. That will drag on total nonresidential spending, an important consideration when viewing the aggregate data.

Flesh-Eating Week in Review

Sage Economics

Fri, June 5, 2026

Flesh-Eating Week in Review

Jobs, construction spending, & more

ANIRBAN BASU AND ZACK FRITZ



Last week, we warned that the return of screwworm flies could devastate U.S. cattle herds. Sure enough, a screwworm was detected in a calf in Texas this week. The USDA will try to contain their spread, a task made more difficult by the fact that DOGE cut 25% of the Animal and Plant Health Inspection Service's staff.¹

(If you really want to be freaked out by this development, Google what a human screwworm case looks like.)

Flesh eating larvae aside, this week brought several strong data releases including on manufacturing, the labor market, and a lot more.

Monday

Construction Spending

Construction spending increased 0.4% in April and is up about 1% year over year.

Residential spending increased a healthy 0.8% for the month due to a sharp increase in single-family spending, though single-family investment remains subdued.

Nonresidential spending also increased slightly for the month, but that was entirely due to public sector activity. Private nonresidential spending actually decreased in April, although that was mostly because of manufacturing megaprojects winding down (a topic we covered at length in our [post from yesterday](#)).

ISM Manufacturing PMI

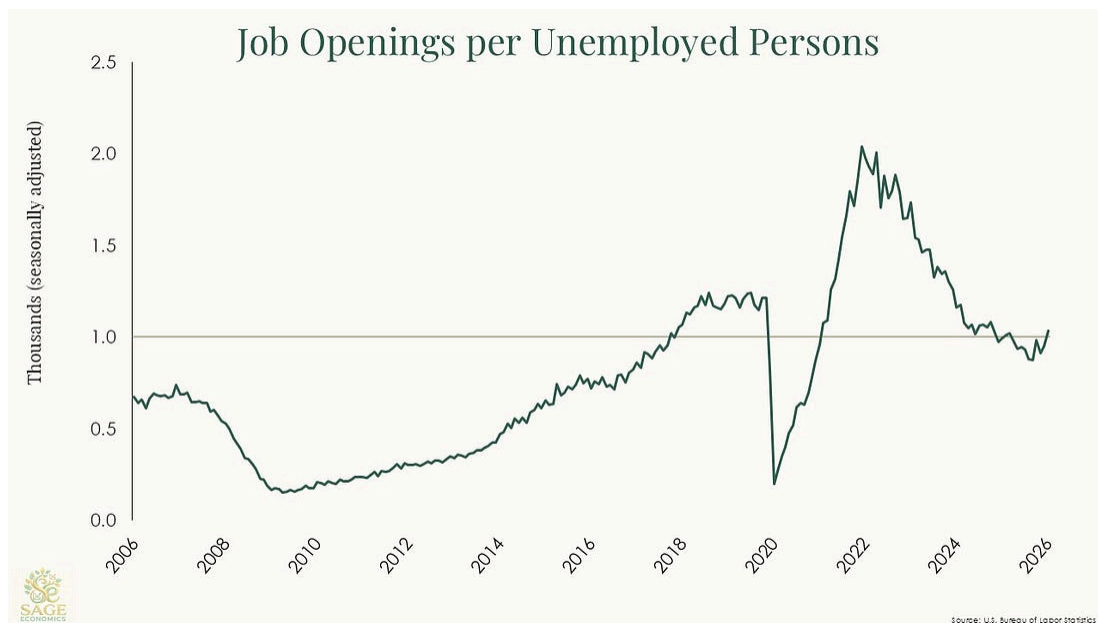
Manufacturing activity grew for the fifth straight month in May, according to [this survey](#) of industry purchasing managers (i.e., the people in charge of buying inputs). That's the good news. The bad news is that the prices component remained sky-high, and high diesel prices are really starting to hurt, according to [respondents' comments](#).

Tuesday

Job Opening & Labor Turnover Survey (JOLTS)

The number of [open, unfilled jobs](#) rose sharply in April and is now at the highest level since May 2024.

More importantly, there's now more than one job opening for every unemployed person for the first time since the middle of last year. This suggests the labor supply is tightening, and that could lead to faster wage increases over the coming months.



That increase aside, it remains a low-hire, low-fire, low-quit labor market. There just isn't a lot of churn going on at the moment.

Oil Stuff

Both gas and diesel prices fell considerably during the week ending June 1st despite the Strait of Hormuz remaining closed. Oil prices are hovering in the low \$90s, well below where they were over the past several weeks and way above where they were prior to the conflict in Iran.

Oil markets seem optimistic about a near-term resolution (or about the market's ability to adjust to a long-term closure) and unconcerned by steadily falling crude oil stockpiles.

Wednesday

ADP Employment Report

Private employers added an impressive 122,000 jobs in May, according to payroll processing firm ADP. This is yet another sign that the demand for labor is heating up, even if this estimate matters less than the Friday one from the BLS.

ISM Services PMI

The services side of the economy grew for the 23rd straight month, according to this survey of industry purchasing managers. As was the case with the

manufacturing PMI, prices are rising quickly and purchasing managers do not have good things to say about the effects of higher oil prices.

The Beige Book

The economy appears to be growing, according to this Fed-published report based on interviews with business leaders and other market experts in each of the Fed's 12 regions.

A big takeaway here is that lower income households are struggling with rising prices while higher income households are unbothered. As one Fed District noted, "Sales were also robust for some businesses that cater to higher-income consumers such as landscaping and golf simulators."

Mortgage Applications

Mortgage applications fell again despite slightly lower mortgage rates. Buyers remain uninterested in borrowing at interest rates in the mid 6% range.

Thursday

Mortgage Rates

Mortgage rates inched lower this week but are still way too high. Given recent moves in the bond market, they're going to rise again next week.

Jobless Claims

Initial jobless claims increased to the highest level since February, but that's probably just a seasonal quirk. These remain low, and there's nothing to worry about with layoffs for the time being.

Friday

BLS Jobs Report

U.S. employers added a booming 172,000 jobs in May, and the unemployment rate held steady at 4.3%. Nothing to dislike here besides what it means for interest rates: not only are rate hikes now more likely than rate cuts, they may happen sooner than previously expected.

Links of the Week

A compute tax is a REALLY dumb idea ([Economic Forces](#))

The struggle against excessive corporate power needs better standard-bearers ([Noahpinion](#))

Why Are Men So Bad at Making—and Keeping—Friends? ([Derek Thompson](#))

Final Thoughts

After this week, Anirban's outlook for the economy is: *Worse*

I know this is a shocker, but today's terrific jobs report indicates that the U.S. economy is overheating. While the summer is shaping up to be phenomenal for business investment and consumer spending, there are additional headwinds that face us going forward like sticky inflation and higher interest rates. Bottom line, the short-term outlook is great, and the longer-term one is sketchy.

After this week, Zack's outlook for the economy is: *Better*

Am I worried about rates? Sure, but even with inflation picking up I think a strong labor market is preferable to the alternative.

- 1 Some are blaming DOGE for the screwworm return, but as far as we can tell, it would have happened without the cuts. It's our ability to contain it from here that could be jeopardized by the scaled down APHIS.

A Great May Jobs Report

Sage Economics

Fri, June 5, 2026

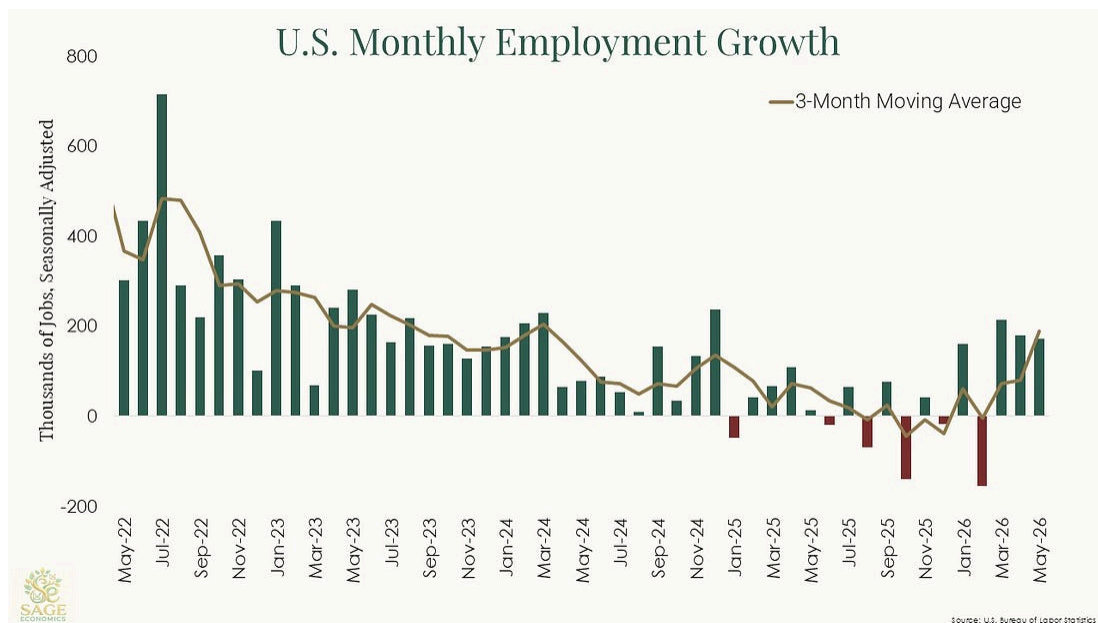
A Great May Jobs Report

Can good news be bad news?

ZACK FRITZ



U.S. employers added an impressive 172,000 jobs in May, and March and April's estimates were revised up by a combined 93,000 jobs. This tramples expectations and suggests the wobbles of 2025 and early 2026 are now decidedly behind us.

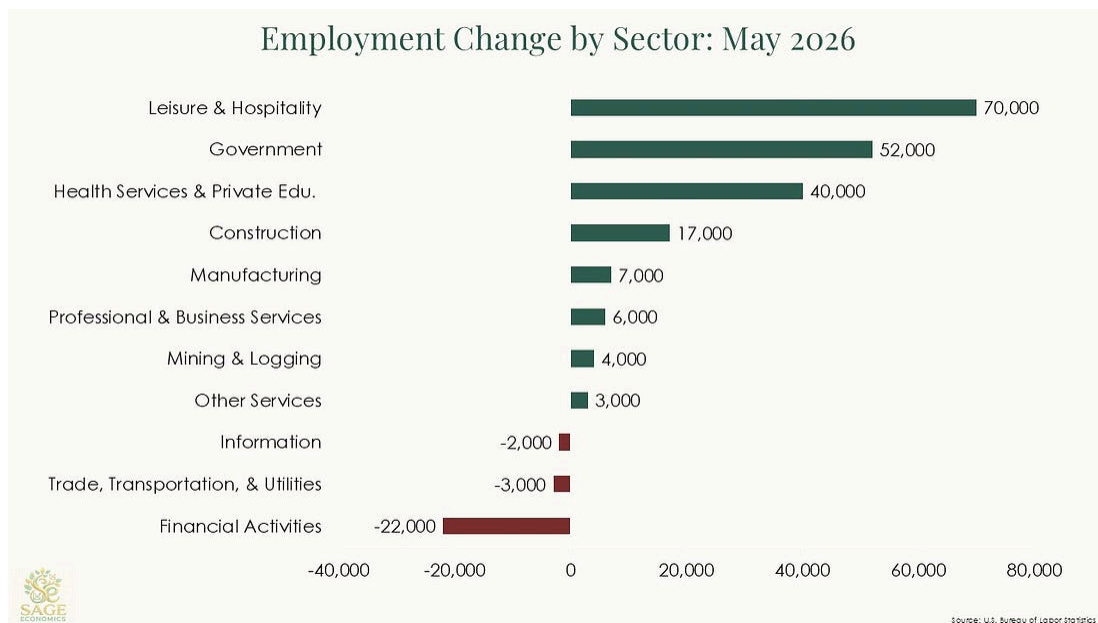


There's not much to dislike here. The unemployment rate stayed at a perfectly acceptable 4.3% (it actually fell slightly when you take it to the hundredths). Prime age (25-54) labor force participation inched up and is close to a cyclical high. Young adult unemployment improved slightly, and fewer people are working part-time for economic reasons.

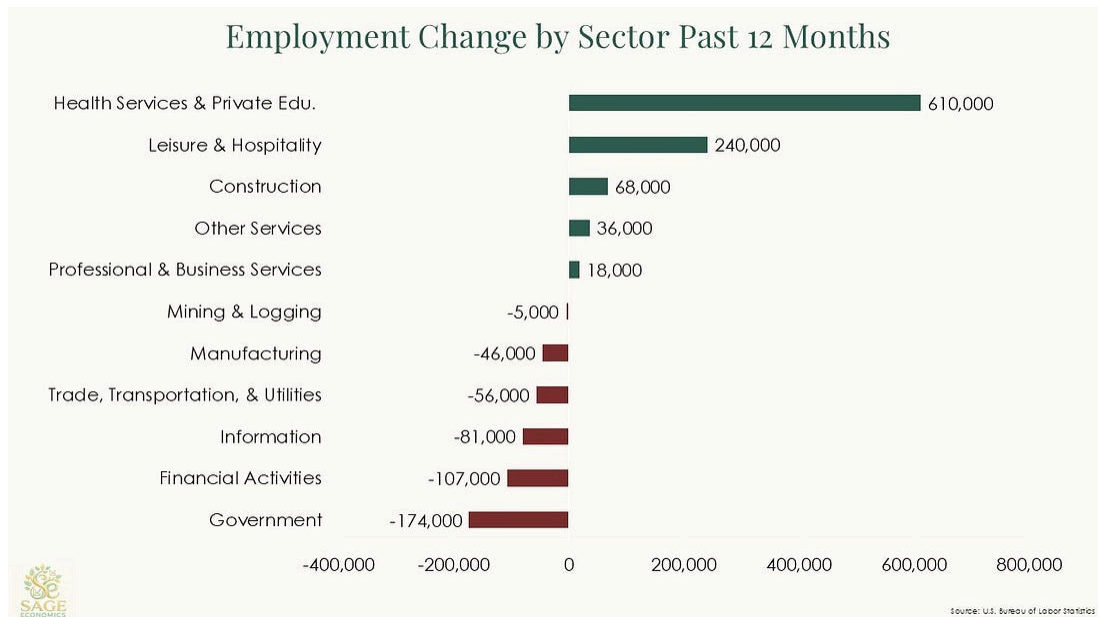
If you really want to nitpick, long-term unemployment (at least 27 weeks) inched up and is at a cyclical peak, but it's not particularly high by historical levels, about the same as it was in 2017.

And really, there's no need to nitpick. Job gains were broad-based by recent standards, though healthcare and leisure and hospitality still dominated growth.

Government also added a surprising 52,000 jobs for the month, the majority of which were noneducational local government positions.



The financial activities sector lost another 22,000 jobs for the month, and employment in that category is now down by more than 100,000 over the past year. While these losses are spread across subsectors, insurance carriers have been hit particularly hard, shedding about 73,000 jobs since May 2025.



For the labor market and broader economic resilience, today's report is purely good news. And for anyone working in an interest rate segment, today's report is...I don't want to say "bad," but decidedly less good.

Rate Hikes Are (Probably) Coming

The Fed has two jobs: maximize employment and keep inflation at a 2% annual rate. Today's blowout report suggests the employment side of the mandate is in good shape, while recent inflation data shows price increases are speeding up.

As a result the Fed is now more likely to raise rates than cut them, and those hikes could come sooner than previously expected.

Initial Public Week in Review

Sage Economics

Fri, June 12, 2026

Initial Public Week in Review

Inflation, sunscreen, & more

ANIRBAN BASU AND ZACK FRITZ



SpaceX goes public today with an implied valuation of roughly \$1.75 trillion, making it the largest IPO in market history and the 7th largest publicly traded U.S. company.

Of course, \$1.75 trillion doesn't go as far as it used to, not with prices rising the way they have the past few months. That—the ongoing reemergence of inflation—was the biggest economic story during a week that also brought updates on home sales, consumer sentiment, small business optimism, and more.

Monday

Oil Stuff

Both gas and diesel prices fell again during the week ending June 8th. The Strait of Hormuz is still closed, and yet oil prices have fallen below \$90/barrel, nearing levels not seen since early March. There are several reasons for the

surprisingly low price of oil, perhaps the greatest being a sharp decline in Chinese oil imports that has freed up supply for the rest of the world.

Regarding a deal to reopen the Strait, one could happen “soon, very soon,” which has somehow been true for most of the past three months.

TSA Checkpoint Travel Numbers

Air travel has rebounded and is now trending about 1% above year-ago levels. This slight bounce is at least partially due to the World Cup.

Tuesday

Existing Home Sales

Existing home sales (i.e. not newly built) increased about 3% in May and are up modestly on a year-over-year basis. Median sales prices are up just 1.3% year over year as home prices remain tame even as housing affordability remains a major issue.

NFIB Small Business Optimism Index

Small business owner optimism declined in May as they struggled with “significant and unpredictable hikes in fuel prices, which are more challenging for small businesses to pass on to their customers compared to their larger corporate competitors.” A net 36% of small business owners reported raising their prices in May, well above the historical average of 13%.

FDA Approves Sunscreen with Bemotrizinol

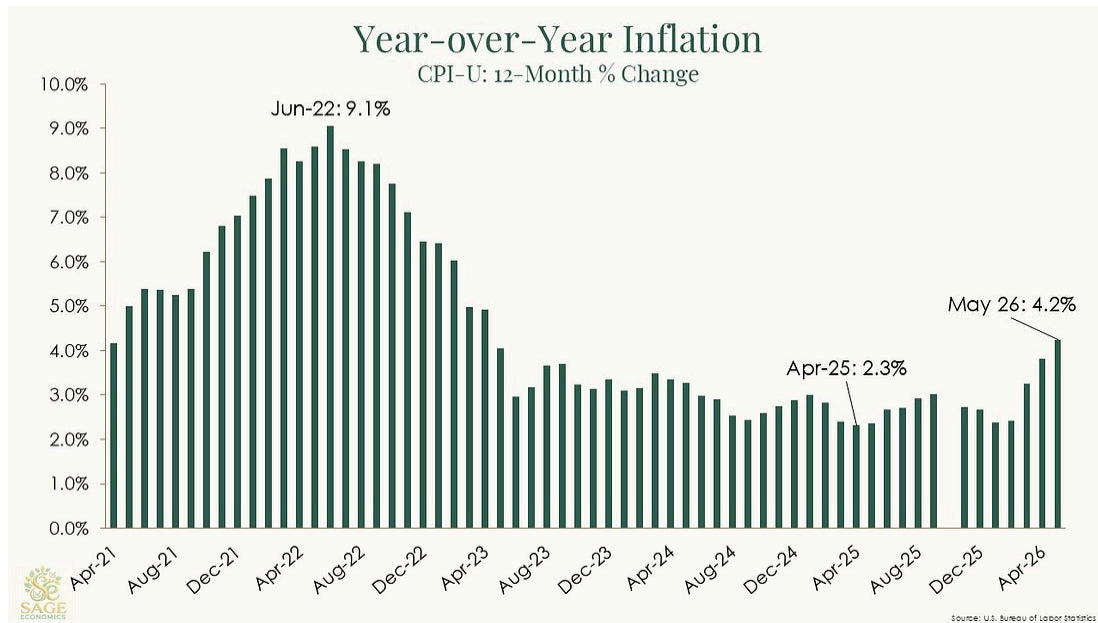
The FDA has finally approved a superior form of sunscreen. If “finally” seems dramatic, consider that the European Union approved this kind of sunscreen 26 years ago, and the FDA has been working on getting it approved for over a decade.

What does this have to do with the economy? Not much, but Zack is extraordinarily pale, so this is worth some celebration.

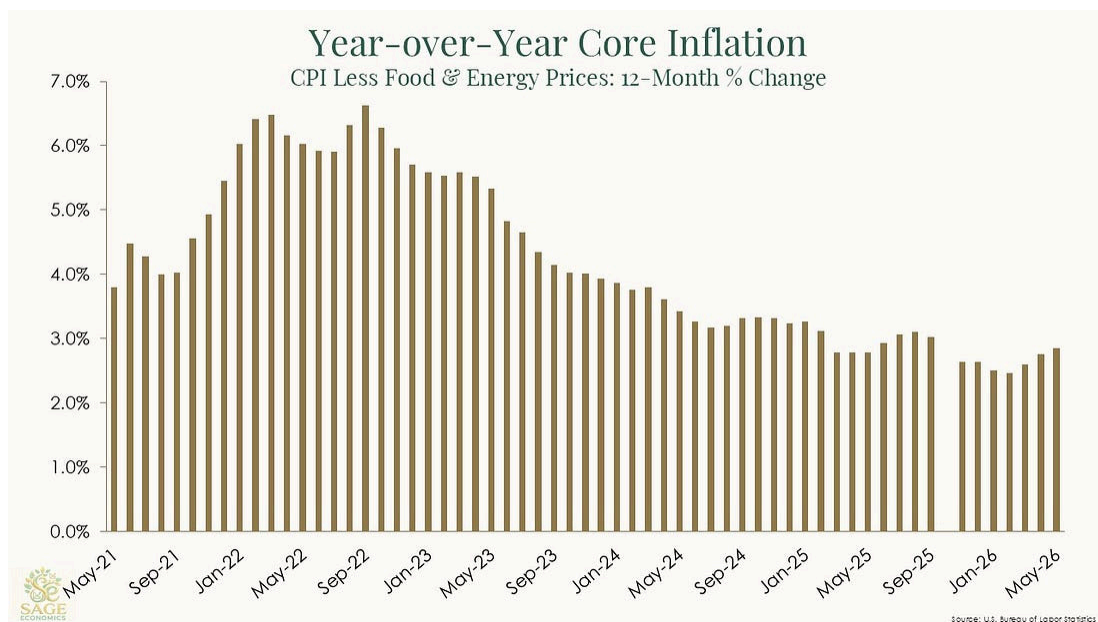
Wednesday

Consumer Price Index (inflation)

Inflation came in scorching hot again in May, and consumer prices are now up 4.2% year over year. That's the fastest increase since the year ending April 2023.

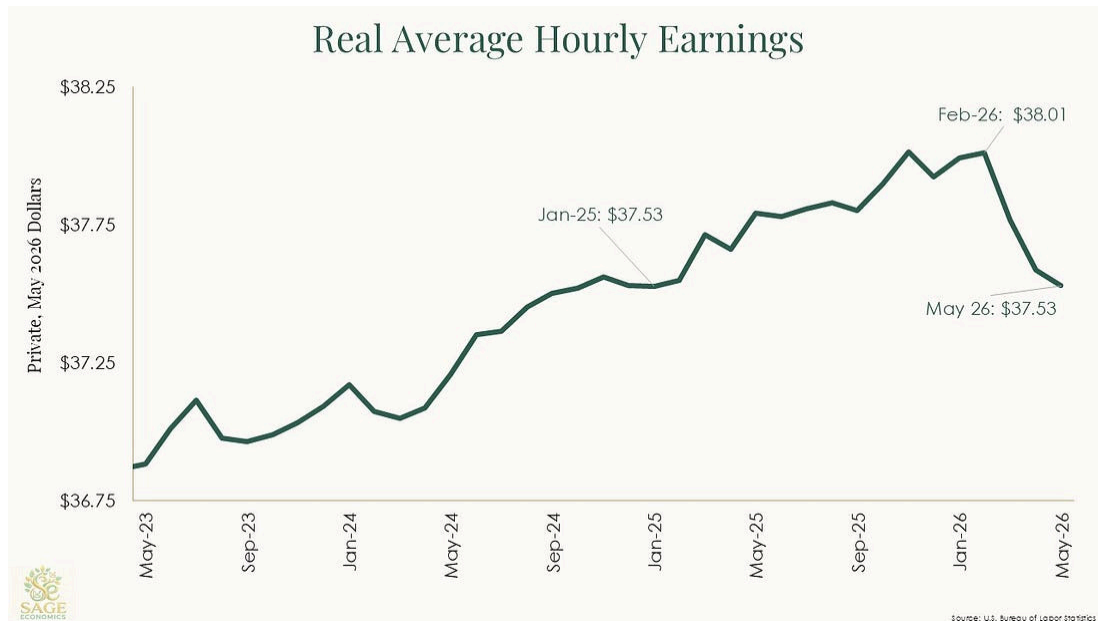


A lot of this increase came from higher gas prices. Core inflation (excludes food and energy prices) came in slightly cooler than expected, and core prices are up a more manageable 2.9% over the past year.



Despite the fact that core inflation has been tamer, that won't make consumers feel any better about their diminished purchasing power. Maybe the most important takeaway from this release is that inflation-adjusted

average hourly earnings are now the exact same as they were in January 2025.



Mortgage Applications

Mortgage applications rose this past week, with purchase applications up 4% on a year-over-year basis. That's a disappointing increase given that mortgage rates were about 0.3 percentage points higher this time last year.

Thursday

Producer Price Index

Prices received by domestic companies increased sharply in May. Yes, a lot of that had to do with fuel, but the 0.8% increase in final demand core prices (finished products minus food and energy) was the largest since March 2022.

There is ample reason to worry about inflation right now.

Mortgage Rates

Mortgage rates ticked back up, and the average 30-year fixed is now at 6.52%.

Jobless Claims

Initial jobless claims increased slightly, but that's likely due to seasonal adjustments rather than an actual underlying rise. Layoffs remain a complete

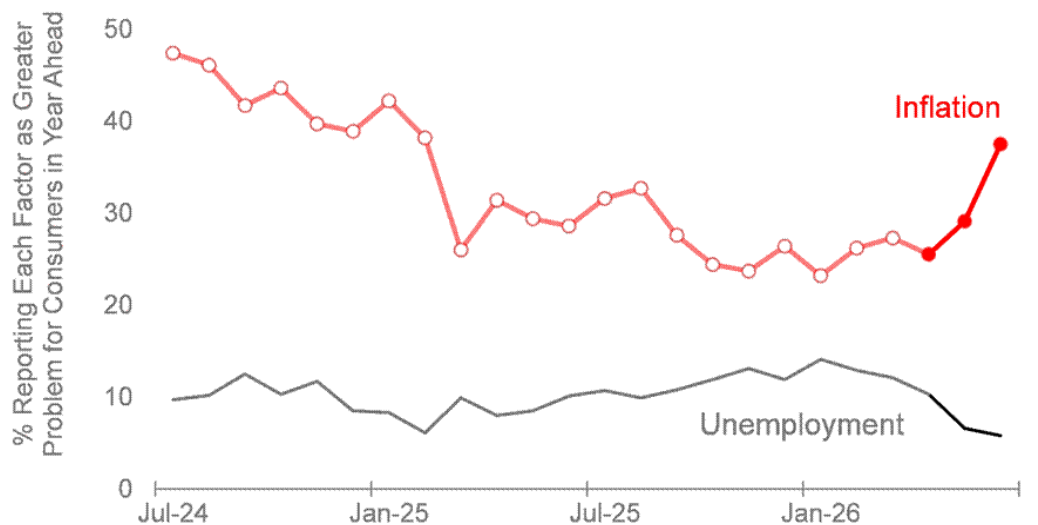
nonproblem.

Friday

University of Michigan Consumer Sentiment Index

Consumer sentiment improved in early June but is still down about 20% from the same time last year. Consumers, much like the Fed, are increasingly more concerned about inflation than unemployment.

As Iran Conflict Continues, Inflation Increasingly Seen as Greater Risk to Consumers than Unemployment



Note: "Both" response option omitted

University of Michigan, June 12, 2026

Links of the Week

Biological Evolution and Information Acquisition ([Construction Physics](#))

Inflation Is High. Is It Broad? ([Stay-At-Home-Macro](#))

Why isn't the U.S. better at soccer? ([Silver Bulletin](#))

Why can't California count? ([Silver Bulletin](#))

Clinical trial innovations don't scale. Here's why, and how to fix it. ([Policy and Practice](#))

Final Thoughts

After this week, Anirban's outlook for the economy is: *Worse*

This economy is overheating. While several weeks ago I was worried about stagflation (soft growth, fast inflation), now the concern is that the economy will continue to grow briskly while inflation persists at elevated levels. That translates into even higher interest rates than I've been contemplating recently, and that's not good for many rate-sensitive segments.

After this week, Zack's outlook for the economy is: *Worse*

I'm less worried about traditional inflation data—chalk that up to higher oil prices—and more worried about what we're seeing in surveys. Everyone, from small businesses to manufacturers to service providers, is getting hammered by higher input prices, and they're going to pass those costs on to consumers in the not-so-distant future.

Banish The "No Tax" Movement to the Depths of Hell

Sage Economics

Tue, June 16, 2026

Banish The "No Tax" Movement to the Depths of Hell

What are we doing here?

ZACK FRITZ



Policy Gripes is a series of posts where we combine our two highest forms of expertise: economic policy and complaining.

I say this as a proponent of low taxes and limited government: the “no tax on _____” movements need to end.

Over the past few years, we’ve seen least semi-serious efforts to end taxes on:

- Tips
- Overtime
- Social security income
- Bonuses
- Property
- Property, but just for seniors

- Property, but just for anyone with a paid off mortgage (wtf?)
- Sales tax, but only for diners in New Jersey that have been open for at least 25 years
- Pet food
- Car loan interest
- Boat loan interest
- Federal income tax for the entire middle class
- Federal law enforcement income
- Guns and ammo

I'm one "no tax on ____" proposal away from an aneurysm.¹

It's like the world's worst game of Musical Chairs. When the music stops, the one W-2 worker who hasn't gotten an exception will be funding the entire government.

The best taxes have low rates and broad bases, a design that leads to fewer behavioral distortions and steadier revenues. Granting exceptions to favored voters or industries necessitates higher rates on a narrower base. That leads to less predictable revenues.

At a political-level, I get it. This stuff resonates with voters. Take this quote from a New York Times' focus group:



Argenis, 35, Fla., Latino, independent, HVAC sales

I like DeSantis. One thing that I do appreciate is that he is trying to do away with property taxes. I mean, I think he has a very good point. You pay your house off, you have the deed and it's free and clear; you should not have to keep paying the government.

Except no, Governor DeSantis doesn't have a very good point . What does a mortgage have to do with property taxes? Should sales taxes only apply to people paying with credit?

[You can read the Tax Foundation's detailed analysis on Florida's property tax proposal [here](#).]

Yes, voters eat this stuff up, but we Americans notoriously eat all kinds of stuff that we really shouldn't.

Briefly, here are a few reasons to oppose these efforts.

Thinking Through Incentives

High tax rates can reduce an unwanted behaviors like smoking cigarettes, drinking, gambling, etc.

Tax deductions, credits, and exceptions can encourage desirable behaviors like charitable giving, having children, etc.

Look at the list up above. Do we really want to incentivize tips and bonuses while disincentivizing salaries? Is stimulating boat buying a worthwhile policy goal? Even pets, much as I love them, do not need tax incentives.

Fairness

I don't like fairness as a policy consideration, but come on. This is bad.

Take a teacher who makes \$50,000/year (all salary) and a bartender who makes \$50,000 (half tips). Under the OBBBA's new "no tax on tips" provision, the teacher would owe about \$4,000 in federal income tax, while the bartender would owe about \$500.

Property Taxes Are the Worst Taxes (Besides All the Others)

Property taxes should be kept low. Property taxes are also critically important because they encourage the transfer of land to higher efficiency uses and produce revenues that are exceptionally stable over time.

Without carrying costs on real estate, you'd get major land hoarding, which would make housing *less* affordable in the long run and, quite possibly, in the short run too.

There's also this notion that seniors shouldn't have to pay property taxes (many states currently limit property taxes for seniors). I sympathize with

anyone forced out of their home because of rising property taxes, but “the asset I own appreciated too quickly” isn’t the worst kind of problem.

These exemptions are hard on younger households, especially families (or would-be families) looking to become homeowners. Municipalities are forced to raise other tax rates to compensate for the lower revenues, shifting an even larger portion of the tax burden onto everyone else. This also reduces school funding while making it harder for those young families to afford a home.

California, which limits the annual increase in assessed value to 2% per year, is the poster child for how these policies can distort the real estate market.

The Government Needs to Be Funded

The federal deficit is \$39 trillion. Will getting rid of these bad tax exemptions fix it? Not even a little bit, but given that neither party has the political appetite to cut spending, avoiding needless tax carve outs is a small and easy step in the right direction.

- 1 Don’t misunderstand me, there are good tax exemptions out there. Take, for instance, the fact that virtually every state exempts manufacturing equipment from sales tax. That’s a well designed policy that incentivizes a desired form of investment.

Religious Construction Rebounds

Sage Economics

Thu, Jun 18, 2026

Religious Construction Rebounds

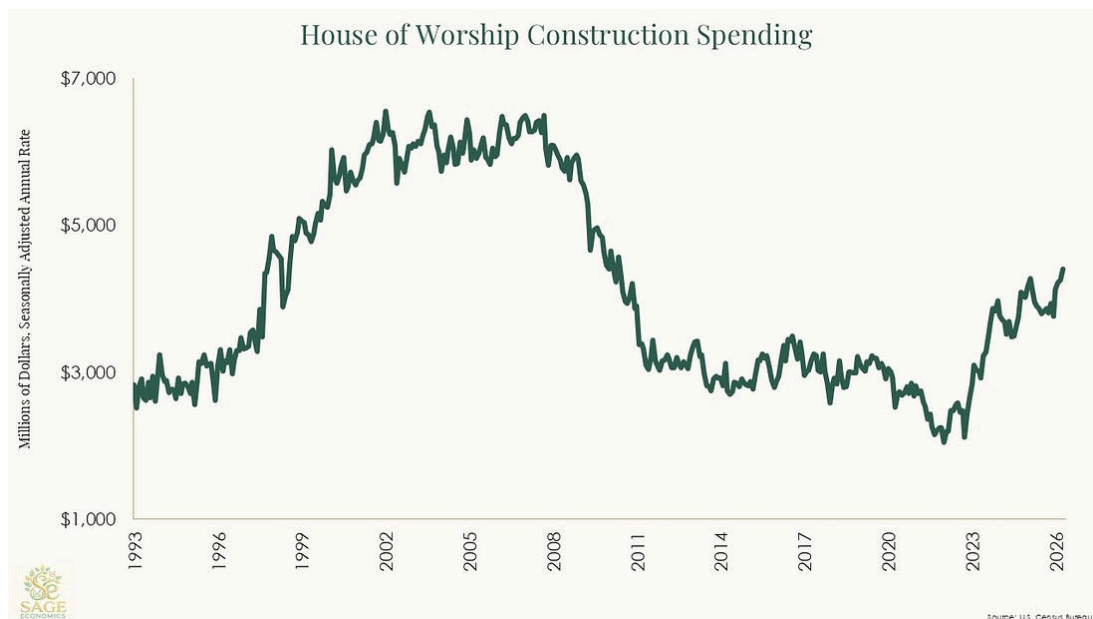
Don't call it a comeback

ANIRBAN BASU AND ZACK FRITZ



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Construction spending on houses of worship has surged since the start of 2022, rising 115% from that multi-decade low.



We're still investing about one third less in houses of worship than we were in the 2000s, and that's in nominal terms. Inflation-adjusted spending in the category is far below that peak.

Even so, it's an impressive rebound.

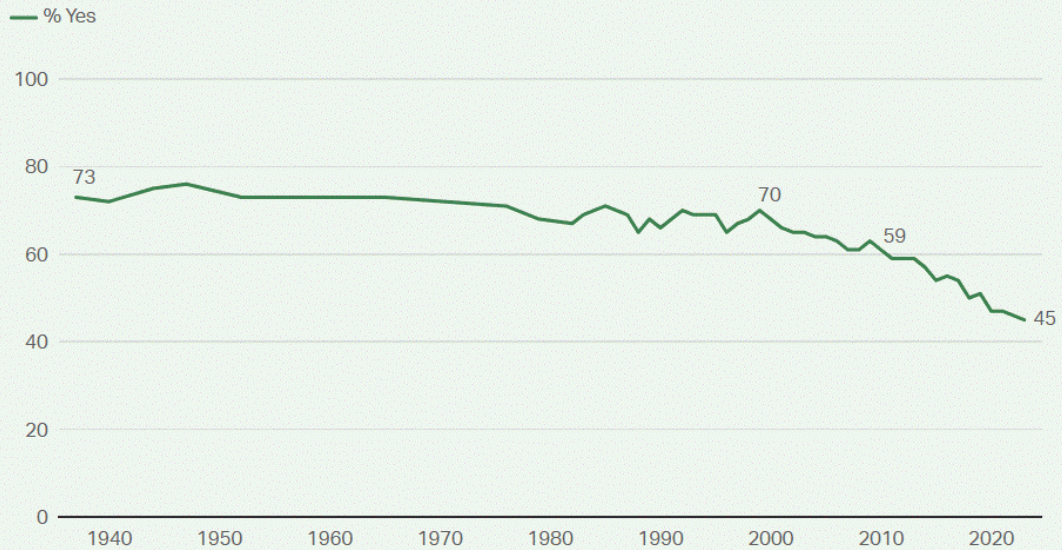
What's driving the increase? The [Washington Post](#) thinks it's a combination of migration patterns, churches opening smaller satellite sites, and renovations that were delayed during the pandemic, among others factors.

They also point to [new laws](#) that make it easier for religions to build affordable housing on their land. We're skeptical that would show up in the religious category, though it's possible that these residential developments allow for greater investment in associated houses of worship.

Could the rebound be driven by increased religiosity? It seems unlikely. Yes, there's been a [small increase in self-reported church attendance](#), but church membership continues to decline.

U.S. Church Membership, 1937-2023

Do you happen to be a member of a church, synagogue, mosque or temple?



[Get the data](#) • [Download image](#)

GALLUP

A final possible explanation: church-to-other-use conversions have become more popular (in Baltimore churches have been converted into apartments and even a brewery in recent years). That activity *shouldn't* count as religious construction spending in the Census Bureau's data, but it's possible that some small portion of it is being misclassified.

Fatherly Week in Review

Sage Economics

Fri, June 19, 2026

Fatherly Week in Review

Oil, interest rates, & more

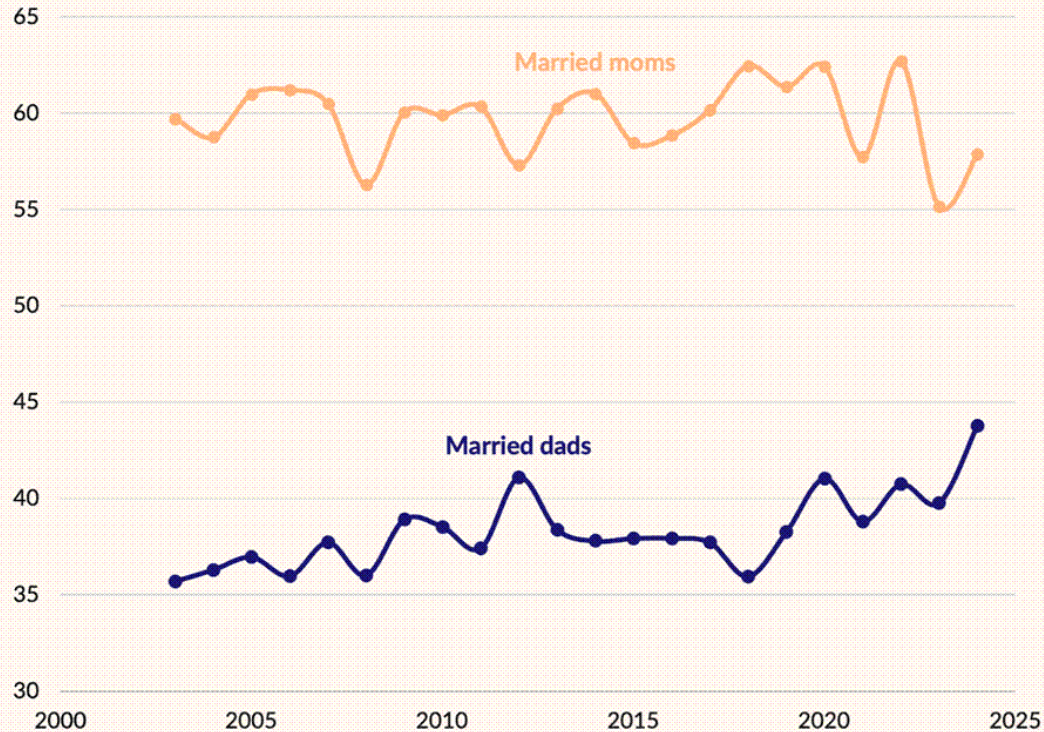
ZACK FRITZ



Modern dads spend more time than ever helping out at home, a fact I'd gloat about were it not for the pesky *Married moms* line on this chart.

Dads are spending more time with kids than ever

estimated weekly hours spent on any activity done in the presence of children



Among married respondents with children under 5 in the home. At mean of controls for month and weekday of survey.
Source: American Time Use Survey 2003-2024; queried in IPUMS Time Use.

**family
studies**

And while being thanked is nice, there's plenty to be thankful for this Father's Day, not least of all that the U.S. infant mortality rate fell to the lowest level ever in 2025.

On the economic front, this week brought us significant deescalation in Iran, lots of housing data, and update on retail spending, and more.

Monday

Industrial Production

This measure of how much our manufacturing, mining, and utility sectors produce inched up 0.1% in May and is up a modest—but pretty okay—1.7% over the past year. This is one of the indicators the NBER uses to diagnose a recession, so it's nice to see growth.

NAHB Housing Market Index

Homebuilder confidence fell in June, and the decline was due to a drop in the *Single Family Sales: Present* component of the index. High mortgage rates and gas prices have made this a dud of a summer selling season.

Oil Stuff

Oil prices have fallen to levels not seen since early March as the U.S. and Iran signed a memorandum of understanding that, among other things, reopens the Strait of Hormuz (for at least 60 days). Both gas and diesel prices fell again as a result. Note that the EIA data only goes through the 15th. Safe to say, gas is well below \$4.00/gallon and diesel is well below \$5.00/gallon now.

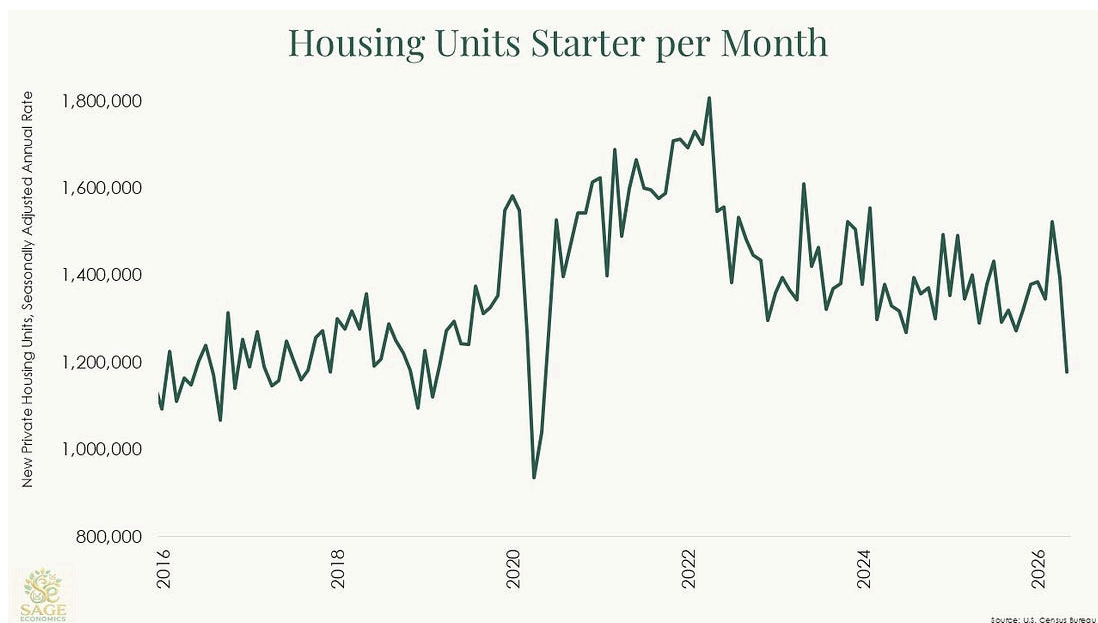
TSA Checkpoint Travel Numbers

Air travel has trended about 0.5% above year-ago levels over the past few weeks. Given the World Cup, it's a little disappointing that travel numbers are up so modestly.

Tuesday

New Residential Construction

Housing starts fell sharply in May, plunging to the lowest level since May 2020. This data series can be volatile, and there's a large (+/-9.8%) margin of error. Given broader market fundamentals, however, this isn't terribly surprising.



Wednesday

Fed Interest Rate Decision

Kevin Warsh presided over his first meeting as the new Fed chair. To absolutely nobody's surprise, they voted to hold the federal funds rate steady (check out our very basic primer if you want a refresher on the federal funds rate). The vote was unanimous, which was neither a surprise nor a forgone conclusion, but again, that's not particularly newsy.

The big story here is that Kevin Warsh is doing away with the practice of forward guidance, which is when the Fed hints at the likely future path of monetary policy to inform and influence markets. Forward guidance wasn't a thing prior to the Great Financial Crisis, so this is a return to the way things were done in the mid-2000s.

The upside of a more close-lipped Fed is that they retain more flexibility to change course, and the downside is that markets may be more volatile with less information about the future path of monetary policy.

Fed Economic Projections

The Fed's economic forecast suggests that rate hikes are very possible, bordering on probable, in 2026. Exactly half of the 18 individual forecasts expect the federal funds rate will be higher by the end of the year, while eight forecasts have rates holding steady and one has rates lower by year's end.

Compared to the March forecast, they now expect slightly slower but still adequate growth this year, slightly lower unemployment, and much faster inflation (that will still cool rapidly next year).

Retail Sales

Retail spending increased quickly in May, and that's true even if you exclude spending at gas stations. Two big takeaways here. First, U.S. consumers keep spending, and we're starting to doubt that they'll ever stop.

Second, we spent \$33.5 billion more from March to May of 2026 than we did during the same three-month period in 2025. It remains to be seen if that will dent savings or spending, though early indications point to the former.

Pending Home Sales

Pending home sales, which are supposed to show us what actual home sales will look like in a month or two, increased about 4% in May. In a week full of glum housing market data, this is a small reason for hope.

Mortgage Applications

Mortgage applications fell again this week, which is no surprise given everything else we're seeing in the housing market.

Thursday

Mortgage Rates

Mortgage rates inched down to 6.47% this week.

Jobless Claims

Initial jobless claims fell to a lovely 226,000. Whatever problems the economy may have, layoffs are not among them.

Friday

Juneteenth

Enjoy the long weekend!

Links of the Week

Why do American subways have drivers when other countries' don't?

(Andrew Miller Twitter Thread)

Converting Coal Plants to Natural Gas (Construction Physics)

AI versus the China Shock (Agglomerations)

The Cult of the Enhanced Self (Derek Thompson)

Final Thoughts

After this week, My outlook for the economy is: *Better*

I'll leave the geopolitical ramifications of the U.S.-Iran MOU to the foreign policy experts. From an economic standpoint, an open Strait of Hormuz (assuming it actually does open) is a good thing.

Death by a Thousand (Policy) Cuts

Sage Economics

Mon, June 22, 2026

Death by a Thousand (Policy) Cuts

On a crushing accumulation of costly rules

ZACK FRITZ AND ANIRBAN BASU



Policy Gripes is a series that combines our two highest forms of expertise: economic policy and complaining.

States can suffer from a crushing accumulation of well-intentioned but costly housing policies. Take Maryland, for instance, where minor housing regulations add up to major home price increases.

Sprinkling on Additional Costs

Two states require sprinklers in all new single family homes: California, where there are massive, frequent, and hellacious wildfires, and Maryland, where there aren't.

Sprinklers cost about \$2.00-\$3.00 per square foot, so a new 2,500 square foot home costs about \$5,000-\$7,500 more because of this requirement.

Yes, sprinklers significantly reduce the threat of home fire fatalities. Some estimates put the decrease at about 90%. That sounds incredible—90% less

likely to die in a home fire!—but fewer than 50 Marylanders die per year in residential fires (about 0.09% of statewide deaths).

And that's fire deaths in all housing units. New single family homes built since 2015 (the only ones subject to the sprinkler requirement) account for less than 5% of the state's housing stock.

Back of the envelope model: this requirement leads to about 1.5 fewer deaths per year. But even that's generous because new homes are almost certainly less likely to catch on fire than older ones.

Maybe you still think \$5,000 added to the cost of a new home is worth 1.5 lives saved every year. It sounds worse when you say that Maryland homebuyers are paying about \$35 million every year to maybe save one life.

But That's Just Sprinklers

Maryland is one of just five¹ states that requires EV chargers (or at least wiring for it) in new homes, and the State updates to the newest international energy conservation code faster than most others. These two policies tack on another couple thousand to the cost of a new home.

Individually, these policies can be justified, or at least excused. But policies don't exist in isolation, and an accumulation of cost-boosting regulations is particularly pernicious; overturning one bad policy is a lot easier than dozens of tiny ones.

What's Next?

We'll have a post on the amusement and recreation construction segment out tomorrow morning.

After that is Week in Review, our every-Friday post that gives you everything you need to know about the economy in a breezy, five-minute read. Week in Review is just for paying subscribers. If that's not you and you want it to be, just click the button below:

-
- 1 There's a lot of gray area with different requirements for different housing types across states. Five is about right, though.

Construction's Amusement Boom

Sage Economics

Tue, June 23, 2026

Construction's Amusement Boom

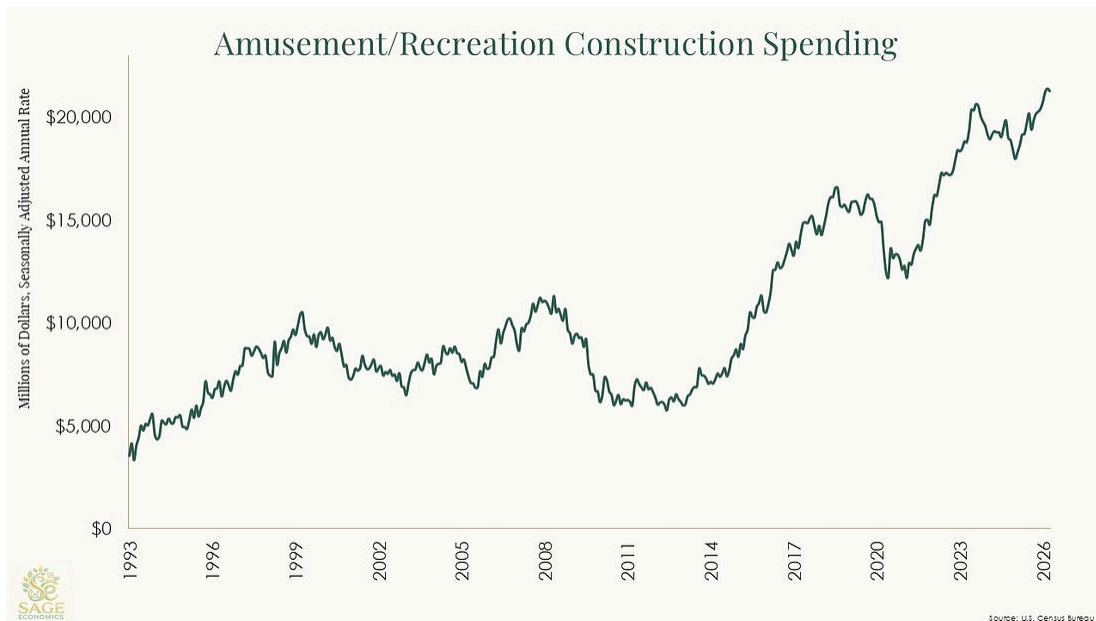
Movie theaters, gyms, stadiums, & more

ZACK FRITZ AND ANIRBAN BASU



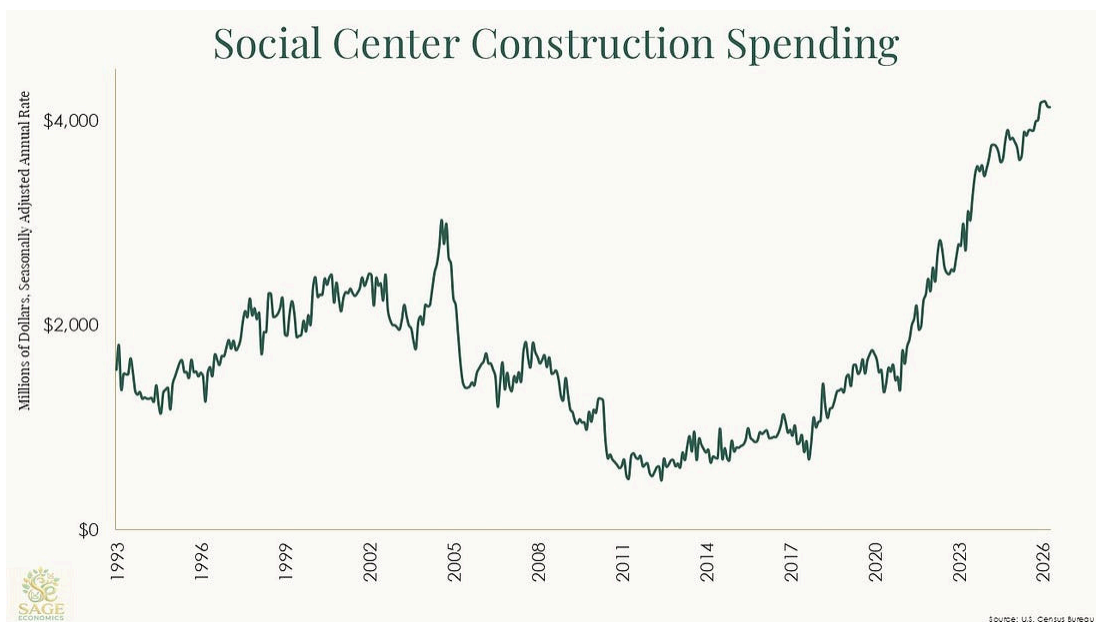
Construction Trend Tuesday covers one (hopefully) interesting industry trend in a quick, two-minute read. You can access the archive of [CTT posts here](#).

Amusement and recreation construction, a relatively small but scorching hot segment, has rocketed to a new all-time during the first half of 2026.



The biggest driver is the ambiguously named “Social Center” subsegment, which includes banquet halls, lodges, fraternal halls, community centers, and golf courses/country clubs.

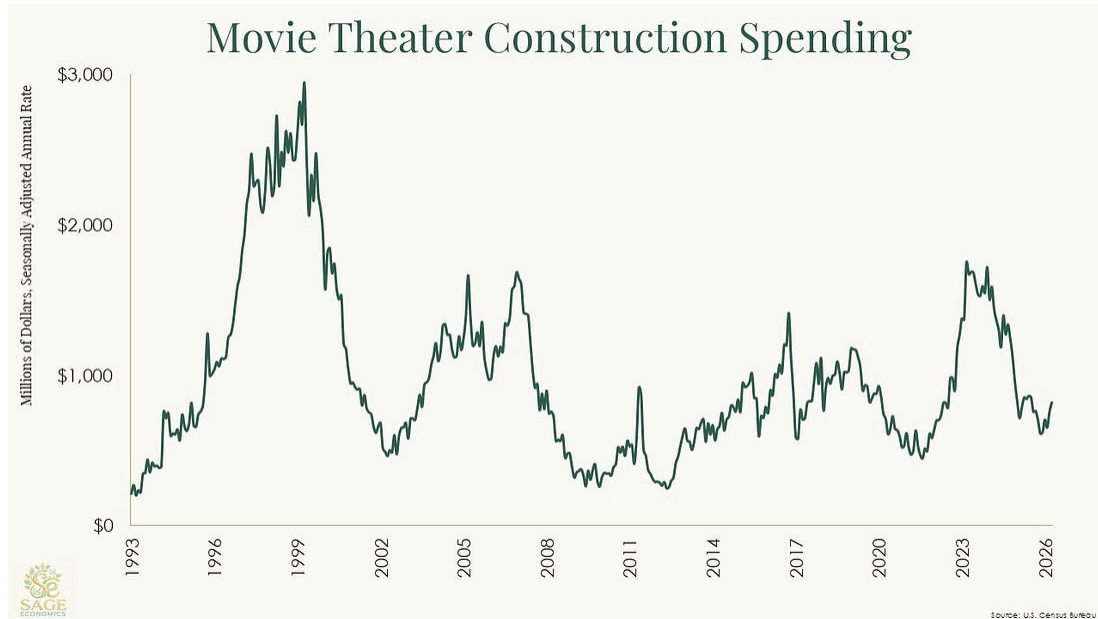
Our best guess is that this boom is driven by new neighborhood centers, particularly in age-restricted communities.



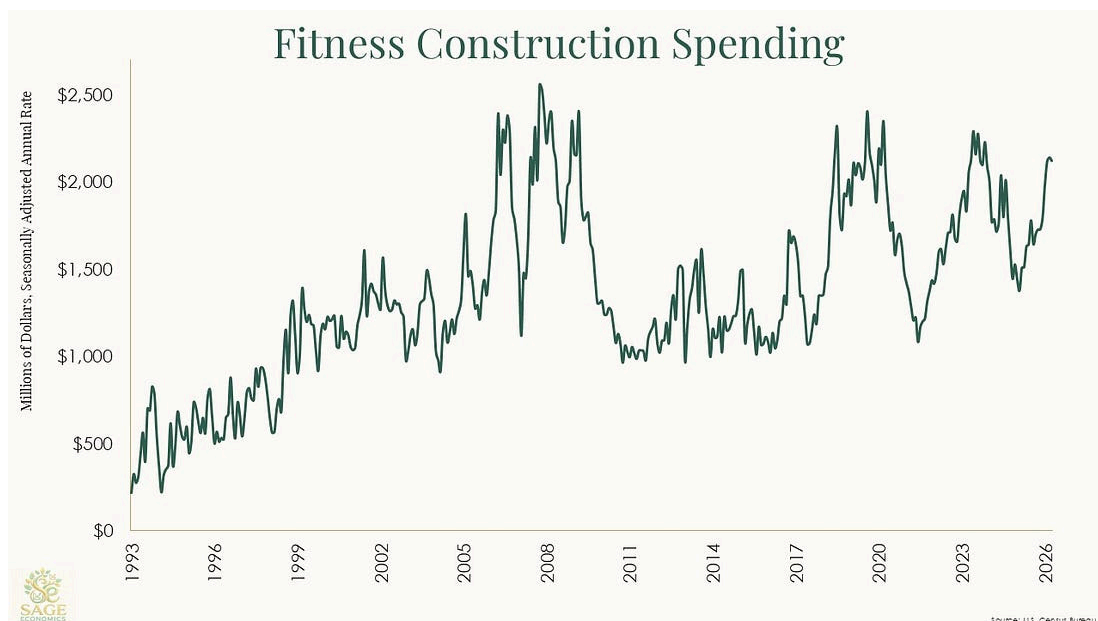
Demand has to be fairly weak for banquet and fraternal halls. While golf course openings have picked up slightly from the 2010s, with the new tracks concentrated at high end facilities in Florida, Texas, and South Carolina,

according to the NGF, they remain uncommon, especially compared to the 1990s and 2000s.

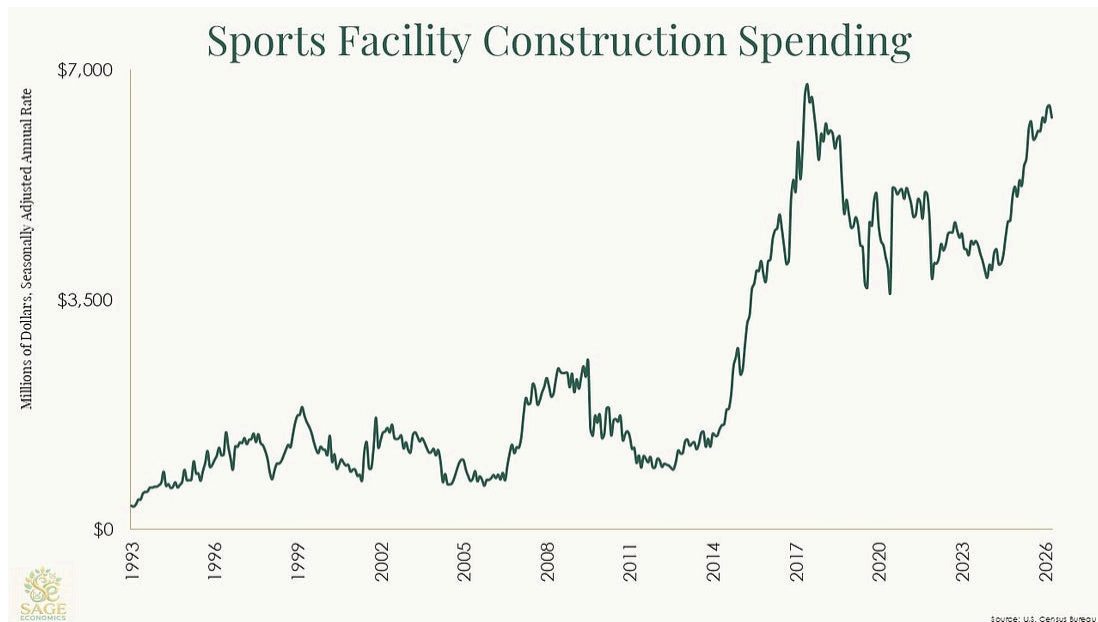
The weakest amusement subsegment is, unsurprisingly, movie theaters. Blame streaming and the proliferation of giant high def TVs.



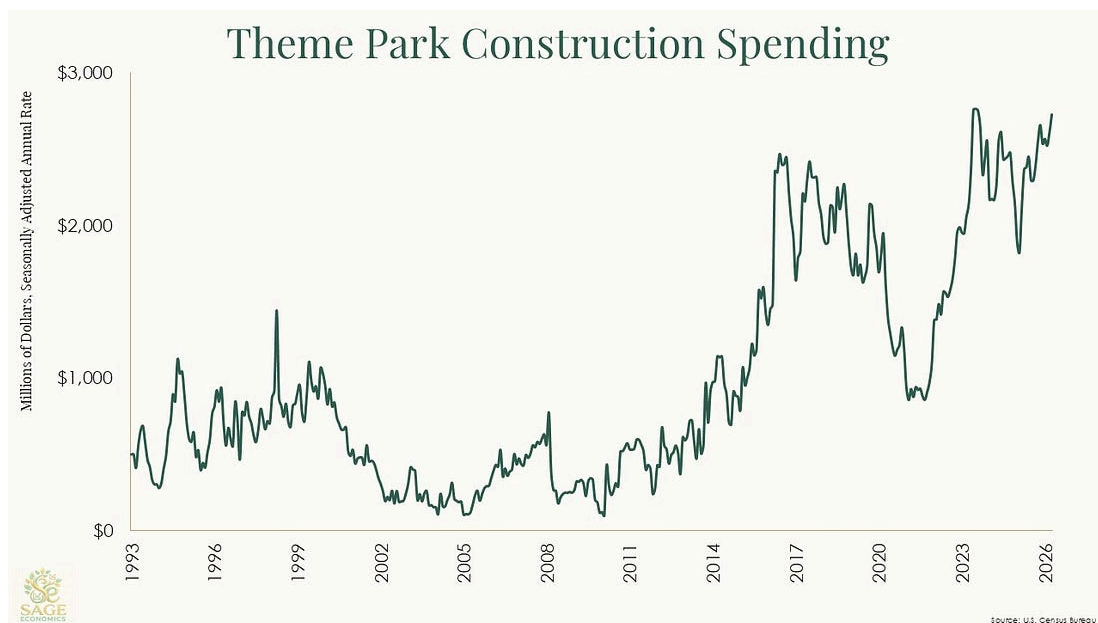
Fitness construction has been decent, though maybe a little disappointing given that gym membership is at an all-time high. Two potential explanations: first, this subsegment tracks with residential development, and second, a lot of new gyms are small studios in strip malls that don't require much if any construction activity (think Orange Theory or a yoga studio).



Sports facility spending, which includes everything from a local field to an NFL stadium (as long as they're not located at schools or colleges), has also been strong over the past few years. This is likely driven by megaprojects, like the Buffalo Bills new \$2.2 billion stadium, and also maybe pickleball.



Finally, theme park construction is also nearing an all-time high. There's been a nice wave of new/renovated parks in recent years, including Universal facilities in Texas and Florida and expansions at Disney. That said, iron and steel prices are up 70% since 2020, and that's really the only physical input to a roller coaster, so in real terms this subsegment is likely disappointing.



Quieter Week in Review

Sage Economics

Fri, June 26, 2026

Quieter Week in Review

Inflation, oil, & more

ANIRBAN BASU AND ZACK FRITZ



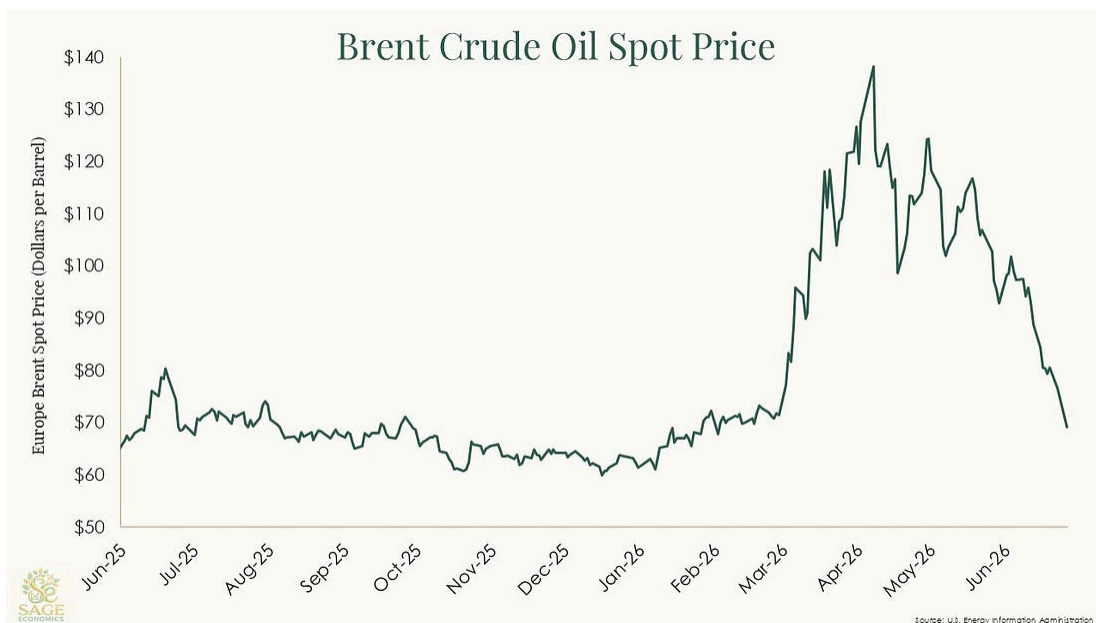
Week in Review

This was a quieter, if not exactly quiet, week for economic news and data releases that still delivered updates on inflation, some housing stats, and more. Given the roller coaster oil prices have taken over the past few months, “quieter” is just fine by us.

Monday

Oil Stuff

Oil prices have plunged back below \$70/barrel as traffic picks up through the Strait of Hormuz. Both gas and diesel prices are falling as a result, though not as quickly as some people, like the president, would like.



TSA Checkpoint Travel Numbers

Air travel has slipped below year-ago levels over the past week. This could be a little quirk, or it could be would-be travelers tapping out because of higher prices. Whether or not we get a big bounce over the July 4th weekend will be telling.

Tuesday

Congress Passes Huge Housing Bill, Trump Cancels Signing

Congress passed the 21st Century Road to Housing Act by a large and bipartisan 358-32 vote on Tuesday morning. Then, on Wednesday morning, President Trump abruptly canceled the signing ceremony and now says he won't sign it unless Congress passes the Save Act. That seems unlikely, but we're willing to bet that won't matter: President Trump probably won't veto this, so it will become law one way or another.

There's a lot of really good stuff in this bill, and even the limit on large investors aren't quite as bad as it could be. We'll try to cover this in its own post, but here's a rundown for anyone interested.

DOE Announces American Nuclear Supply Chain Loans

The Department of Energy issued \$17.5 billion in conditional loans to finance 10 AP1000 nuclear reactors across the U.S. Specifically, these loans will fund

long-lead time components, like containment vessels and turbines, that take years to get and can really slow down projects.

There's a long way to go between these loans and functional reactors—they haven't even identified the specific projects that will be receiving them—but it's an exciting program.

Wednesday

New Home Sales

New home sales (i.e., newly built houses) plunged in May, falling to the lowest level since January and the second lowest level of the past 3.5 years. The number of new homes for sale rose to the highest level since last July.

That's according to the Census Bureau's report, anyway. While it's possible that they're correct, there's a pretty big margin of error on this, and it's likely to get revised over the next few months.

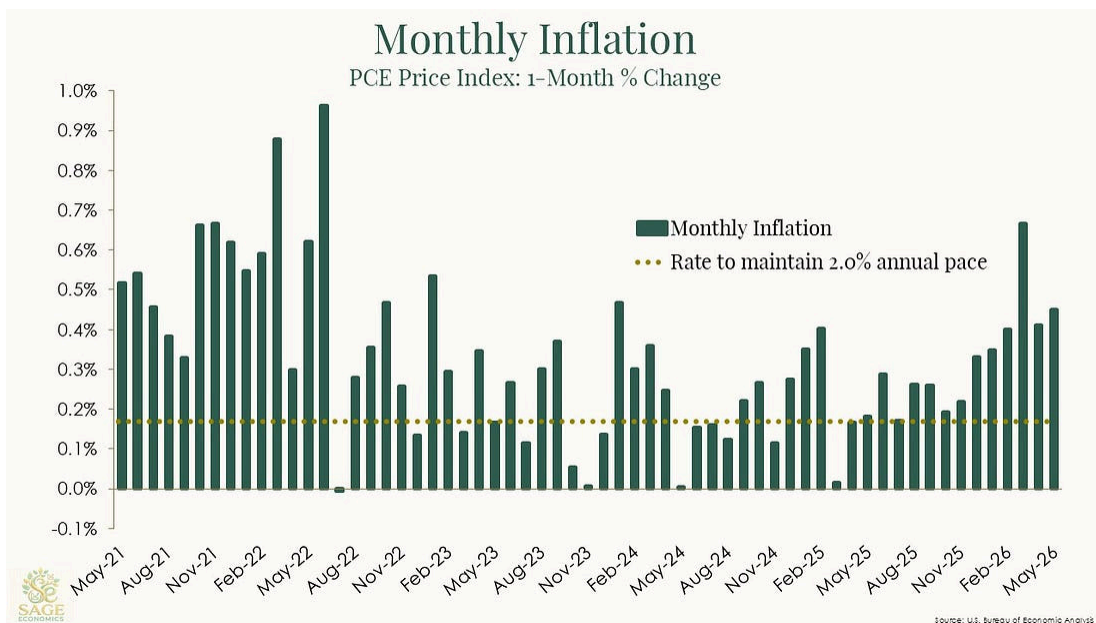
Mortgage Applications

Mortgage applications inched higher this week, though that was entirely due to refinance activity. Purchase applications fell for the week and are up just 3% year over year.

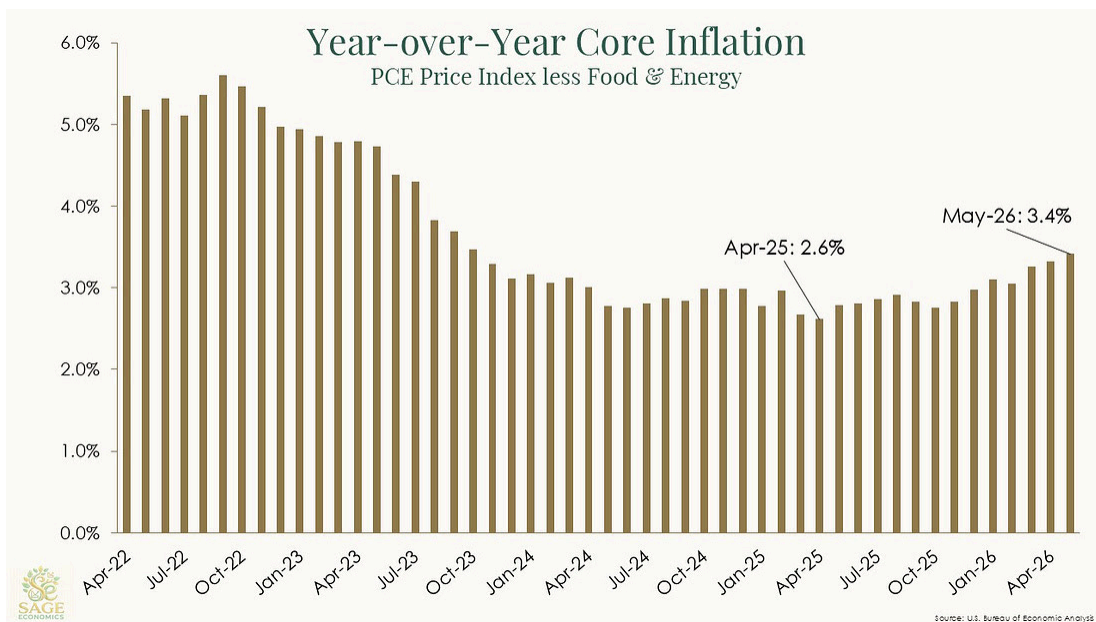
Thursday

PCE Price Index (Inflation)

Inflation came in hot in May, and prices have now risen at a faster-than-2% annualized rate in each of the past 13 months. This measure—the one the Fed targets—is now up 4.1% over the past year.



A lot of that was due to higher gas prices. While there will be some relief due to their recent decline, core inflation (which excludes energy and food prices) has risen to a 3.4% year-over-year pace.



Big picture, the inflation situation is looking less than great.

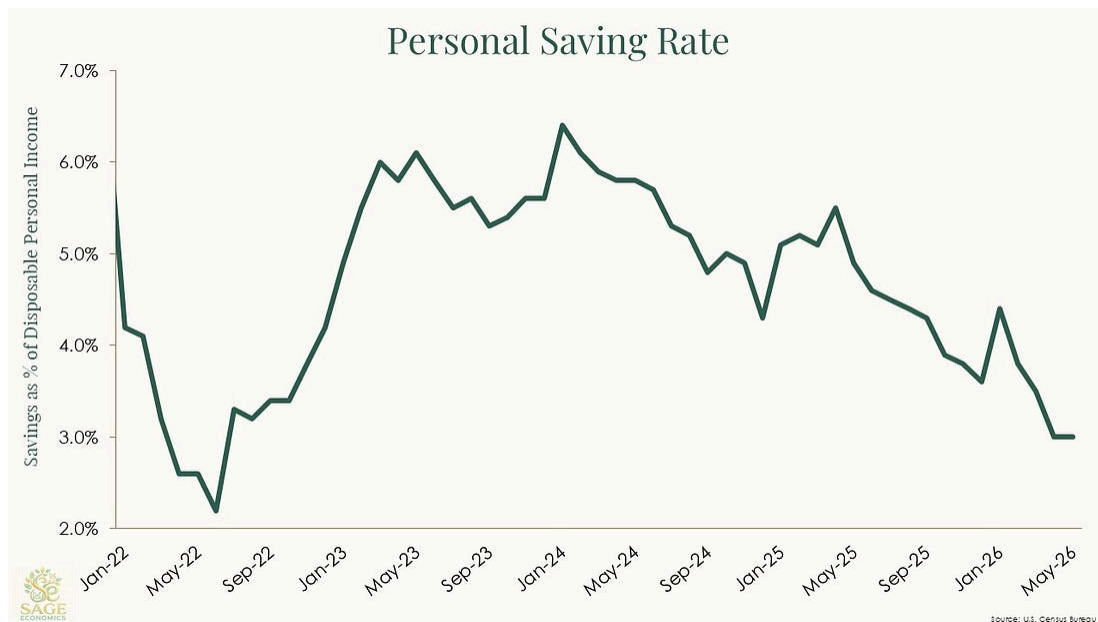
Income, Spending, & Saving

Personal income increased quickly in May and is up 4.1% over the past year. Because prices are also up 4.1% over the past year, inflation-adjusted personal income is unchanged, which is not particularly encouraging.

Spending increased quickly in May and was a blistering 6.3% higher than in May 2025, but that has a lot to do with a 37.6% year-over-year increase in gas purchases. That said, there were some pretty chunky spending increases in other categories like financial services and insurance (+10.9%) and recreation goods and vehicles (+10.2%).

The weakest spending category over the past year? Cars and car parts, which is up just 0.8% over the past 12 months.

With income and spending rising the same amount, the savings rate stayed put at a 3.5 year low. This is a clear sign of household financial stress, albeit one that people appear willing to spend through.



2025 American Time Use Survey

Every year, the BLS surveys Americans on how they use their time. There's a lot of interesting stuff in here, including:

- On days they worked, 35% of employed people did some or all of it at home, while 70% of people did some or all of their work at their workplace. Women (38%) were more likely than men (31%) to work at home.
- More than half of people with a bachelor's degree did some or all of their work at home, compared to just 19% of people with no college education.

- Adults living in a house with kids under 6 spent an average of 2.3 hours providing primary childcare to those kids. Note from Zack: that feels low, though I'm guessing a 5-year-old takes a lot less care than a toddler.

Durable Goods Orders

New orders of durable goods (things that typically last at least 3 years) fell in May, but that was entirely due to the volatile transportation equipment category. Excluding that, orders increased 1.3% and are 7.7% higher on a year-over-year basis through the first five months of 2026. This is a good sign for the U.S. manufacturing industry.

Mortgage Rates

Mortgage rates ticked up this week and have hovered in a narrow range (between 6.47% and 6.53%) over the past month). That's not ideal.

Jobless Claims

Initial jobless claims fell to a very low 215,000. Nothing to see here!

Friday

University of Michigan Consumer Sentiment Index

Consumer sentiment jumped about 11% higher in June. That has a lot to do with lower gas prices and easing Iran-related tensions. That said, sentiment is still down 19% over the past year, and "for the third straight month, over half of consumers spontaneously mentioned that high prices are weighing down their personal finances."

Links of the Week

Why the West stopped making land (Works in Progress)

50 Facts from the first half of 2026 (The Idea Farm)

How China Saved the World from Trump's Energy Crisis (HeatMap)

Should data centers pay a carbon tax? (Slow Boring)

Final Thoughts

After this week, Anirban's outlook for the economy is: *Better*

We're about to get some real relief on gasoline prices. Inflation is still too high, but consumers are spending through that and we're shaping up to have a solid summer in terms of economic growth.

After this week, Zack's outlook for the economy is: *Better*

As long as you're not an interest rate sensitive industry, the outlook is solid.

Looking Ahead

Next week brings us data on construction spending, the big June jobs report, and more.

Policy Gripes: Rent Freezes

Sage Economics

Tue, June 30, 2026

Policy Gripes: Rent Freezes

We're not angry, just disappointed

ANIRBAN BASU AND ZACK FRITZ



Policy Gripes is a series that combines our two highest forms of expertise: economic policy and complaining.

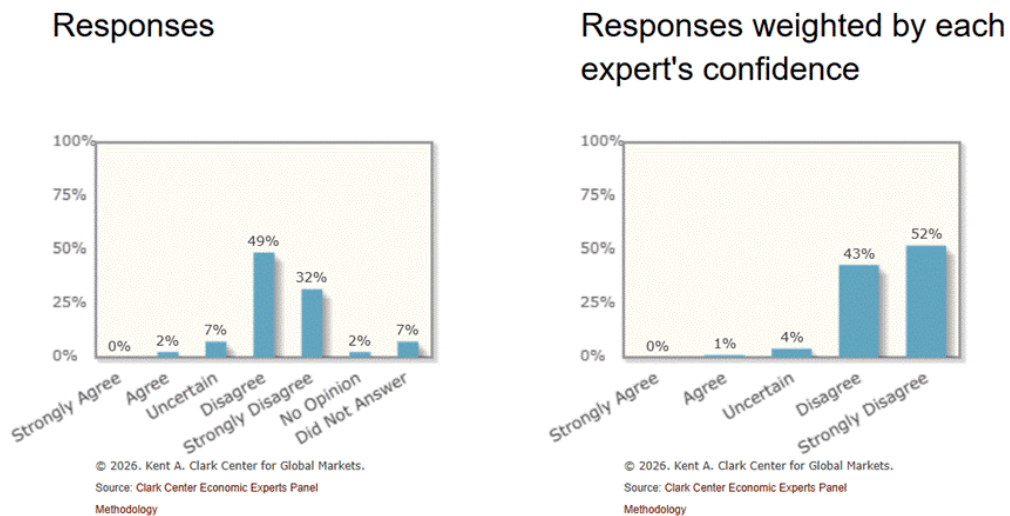
New York City just enacted a two-year rent freeze for roughly one-million rent-controlled apartments, so if you hear a low rumbling sound, it's 98% of economists and housing experts groaning in unison.

Jason Furman, chair of Obama's Council of Economic Advisers, sums it up nicely: "Rent control has been about as disgraced as any economic policy in the tool kit."

His colleagues agree. The University of Chicago asked 41 distinguished economists if they agree with the statement:

Local ordinances that limit rent increases for some rental housing units, such as in New York and San Francisco, have had a positive impact over the past three decades on the amount and quality of broadly affordable rental housing in cities that have used them.

And here are their responses:



Here are a few of the comments they offer with those responses:

- Rent controlled units do not end up in the hands of low income people. Rent control discourages landlords from creating modest priced units.
- Unless all the textbooks are wrong, this is wrong.
- The planets are lined up here: theory and evidence point in the same direction.
- Next question: does the sun revolve around the earth.

What's so bad about a rent freeze? It leads to less residential mobility, fewer available units, fewer new units, higher rents on non-controlled units, and less upkeep of rent controlled units.

We won't belabor the point. We're far from the only ones complaining about this, and the best griping on the subject actually comes from Arpit Gupta, an NYU professor and the one member of the NYC Rent Guidelines Board to vote against the freeze.