July 17, 2026

"If I seem unduly clear to you, you must have misunderstood what I said."
— Alan Greenspan

Long before Estée Lauder became one of the most recognizable names in the world, she was Josephine Esther Mentzer, the daughter of immigrants growing up in Queens, New York. Her father ran a neighborhood hardware store. Her uncle mixed creams and lotions in a small "laboratory" behind the family home. Estée became fascinated with one of those creams, which she later said made a woman's face feel like "spun silk."

As World War II drew near a close, she was making the rounds of New York beauty salons, demonstrating her products while customers sat beneath hair dryers. She understood something that would eventually build a global company: people do not buy ingredients. They buy on emotion, how it makes them feel or a reaction to how they feel.

Her son Leonard turned that insight into an economic indicator. During the 2001 recession, he noticed lipstick sales were rising. His theory: when consumers grow uncertain about the economy, they postpone the vacation, the expensive dress, the piece of jewelry—but still allow themselves one small luxury. He called it the Lipstick Index.[1]

It reflected something important. Economic data is ultimately a record of human behavior—what people are buying, what they are postponing, and how confident they feel about tomorrow.

Alan Greenspan, who passed away June 22 at age 100, understood this as well as anyone. He led the Federal Reserve from 1987 through 2006, serving under four presidents and guiding the country through the 1987 crash, the technology boom and bust, and the economic aftermath of September 11. Investors called him "the Maestro." They studied his speeches, his facial expressions and, according to Wall Street legend, even the thickness of the briefcase he carried into Fed meetings.

Greenspan had his own version of the Lipstick Index. He reportedly watched the sales of men's underwear. The theory: underwear sales stay steady in normal times, but when household budgets tighten, men decide the pairs already in the drawer can survive another few months. Because underwear is mostly unseen, replacing it is easy to postpone.[2]

It sounds humorous, but the idea behind it is serious. The government produces enormous amounts of economic data, and nearly all of it tells us what people did last month or last quarter. Small purchasing decisions can sometimes reveal how people are feeling right now.

Which brings us to Kevin Warsh, who became the 17th chairman of the Federal Reserve on May 22—and who happens to be married to Jane Lauder, Estée's granddaughter. Jane spent nearly three decades in the family company and remains on its board. So there is at least a slight possibility that our new Fed chairman has better access to the Lipstick Index than any of his predecessors.

We tend to know a great deal about the person commonly described as the most powerful in the world. We know considerably less about the person who may hold the second most powerful position: the chairman of the Federal Reserve. He does not set tax rates or write the budget, and rate decisions are made by a committee. But the chairman sets the tone for an institution whose decisions touch mortgages, business expansion, financial markets, the dollar and our national debt. A single sentence at a press conference can move trillions.

Warsh knows the building. He served as a Fed governor from 2006 to 2011—inside the central bank during the financial crisis—with stops at Morgan Stanley, the Bush White House, Stanford and Stanley Druckenmiller's family office along the way. He inherits the chair from Jerome Powell, whose record was mixed: too slow to recognize that inflation was not temporary, but forceful once the Fed acted—and inflation came down without the deep recession many predicted.

Warsh's challenge will be different. Price stability without unnecessarily damaging employment. Independence while serving a president who makes his interest-rate preferences clear. And a labor market being reshaped by artificial intelligence—a question Warsh raised in his first testimony as chairman, delivered just this week.[3]

The Fed today has more data than Estée Lauder or Alan Greenspan could have imagined. But data does not eliminate uncertainty. The economy is still millions of people deciding whether to hire another employee, buy a house, expand a factory, replace their underwear, or allow themselves one small tube of lipstick.

As always, please let me know if you would like to discuss lipstick, Fed policy, or anything else on your mind.

My Very Best,

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[1] Lipstick Index. Sourced from: https://www.deseret.com/2001/11/26/19618753/in-a-pouting-economy-there-s-always-lipstick/
[2] Men's Underwear. Sourced from: https://finance.yahoo.com/news/one-legendary-fed-chair-alan-132317494.html
[3] Warsh Testimony. Sourced from: https://www.federalreserve.gov/newsevents/testimony/warsh20260714a.htm