First Trust
Monday Morning OUTLOOK
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Robots Create Jobs, Don't Steal Them

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If robots are supposed to take all our jobs, they're not very good at it. Nonfarm payrolls rose 235,000 in February, rising faster than even the computer models thought they would. This was the 84th month in a row of private sector job growth, the longest streak on record.

Maybe analysts should start reading Adam Smith, Friedrich Hayek, or Milton Friedman instead of watching sequels of The Terminator. Automation does not steal jobs, it boosts efficiency and wealth, which, in turn, creates more jobs.

In spite of the evidence, many (most prominently Mark Cuban) voice the same Luddite worldview that's confronted technological change since the Industrial Revolution, when followers of Ned Ludd burned looms to save jobs.

Remember how a few decades ago ATMs were supposed to destroy teller jobs at banks? Instead, what actually happened is that ATMs cut the cost of opening branches and commercial banks have more employees today and provide wider and less expensive services than they did 25 years ago.

Supply creates its own demand. Robots and automation increase supply. The tractor increased supply. And this drives down the price of some goods and services leaving consumers with more remaining income to spend on other items. If entrepreneurs had never invented the tractor, telephone, or automobile, they never would have invented the iPad, smartphone or the barista robot.

No one knows the future. But human nature takes two major forms when it comes to the future. We either fear it or embrace it. Those who fear it are much more willing to want to manage it, which means more government involvement to counteract the fear. These people have "faith" in government.

Those who embrace it are more willing to trust that ingenuity and creativity are permanent. These people have "faith" in their fellow man and markets.

Yes, robots and automation create winners and losers! But they may not be who many suspect. The next stage of automation may move up the income distribution, substituting for doctors (think reading an X-ray, CT scan, or MRI), lawyers, economists (!) and professors.

In other words, rather than widening the income distribution, new technology may increase the supply of tasks now performed by high-income workers, meaning their *relative* prices fall and the income distribution narrows. No, this doesn't mean doctors, for example, find themselves poor. It just means they might find themselves a little less rich relative to the middle class, because all this new technology will boost living standards for everyone.

Consistent gales of creative destruction have swept through our economic system for hundreds of years. So far, every technological innovation has been met by fear in some quarters. We're sure blacksmiths and buggy whip manufacturers were not happy about the automobile.

And yet these innovations continue to boost our standard of living. It's NOT different this time. We should be welcoming the robots, not fretting about them.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-14 / 7:30 am	PPI – Feb	+0.1%	**+0.1%**		+0.6%
7:30 am	"Core" PPI – Feb	+0.2%	**+0.2%**		+0.4%
3-15 / 7:30 am	CPI – Feb	0.0%	**+0.1%**		+0.6%
7:30 am	"Core" CPI – Feb	+0.2%	**+0.2%**		+0.3%
7:30 am	Retail Sales – Feb	+0.1%	**+0.2%**		+0.4%
7:30 am	Retail Sales Ex-Auto – Feb	+0.1%	**+0.3%**		+0.8%
7:30 am	Empire State Mfg Survey - Mar	15.0	**18.5**		18.7
9:00 am	Business Inventories – Jan	+0.3%	**+0.3%**		+0.4%
3-16 / 7:30 am	Initial Claims – Mar 11	240K	**240K**		243K
7:30 am	Housing Starts – Feb	1.260 Mil	**1.279 Mil**		1.246 Mil
7:30 am	Philly Fed Survey – Mar	28.0	**41.2**		43.3
3-17 / 8:15 am	Industrial Production – Feb	+0.2%	**+0.3%**		-0.3%
8:15 am	Capacity Utilization – Feb	75.5%	**75.5%**		75.3%
9:00 am	U. Mich Consumer Sentiment- Mar	97.0	**97.0**		96.3