

## Michael Jackson: A Lesson in Economics

Two economists are walking down the street when one thinks he sees a \$100 bill on the ground. He points and says “is that a \$100 bill?” The other economist says, “No way. It can’t be. If it were real somebody else would have already picked it up.” Corny joke, right? But it sure helps explain the theory of efficient markets.

More than that, it explains how most economists think of the world. Typically, in terms of very impersonal forces that sum the actions of all people. It’s as if the aggregation of all our actions combined – in the form of supply and demand – somehow negates the existence of opportunity and individual achievement.

The good news is that, ultimately, real economic growth is about much more than the components of GDP, such as consumption, home building, and business investment. It’s about the productive decisions and behaviors of individuals. Really, it’s about entrepreneurs.

The reason this comes to mind is the recent death of Michael Jackson. Regardless of what one thinks of his music or his life choices, it is easy to recognize how enormously productive Jackson was. He broke all the records for album sales, put MTV on the map and propelled music videos into the mainstream.

He created something out of nothing. And the product of his talent, hard work, and creativity, focused on pleasing the ears and eyes of consumers around the globe. If Jackson – or any entrepreneur, for that matter – had

asked a certain kind of economist whether he should pursue this line of work, this innovation, he would have been told it was foolhardy. “If there really was a market for that kind of stuff, someone would have done it already,” they would say. But this is in a static world.

In reality, the economy is dynamic. And what allows that dynamism, what creates the environment for entrepreneurship is the institutional framework – property rights, the rule of law and even the level of common trust among citizens. These factors cannot be quantified or easily measured, and so are often overlooked.

And yet without these social attributes great talent goes wasted around the world. The US is blessed in countless ways, but do we really think we are just “lucky” to have so many talented people who live here? Would Michael Jackson have been just as successful if he had been born in France or Ghana? Of course not.

The good news is that singers like Shakira (Colombia) and movies like *Slumdog Millionaire*, written by an Indian, suggest the environment necessary for success is spreading – even to the developing world.

Economic laws can either enhance or undermine the vibrancy of an economy, helping or hurting individual incentives and the flow of creative ideas. Policymakers everywhere need to keep this in mind. There are \$100 bills on sidewalks all across the world. What matters is whether people have the incentive to pick them up.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
6-30 / 8:45 am	Chicago PMI - Jun	39.0	<b>41.9</b>		34.9
9:00 am	Consumer Confidence - Jun	55.3	<b>55.2</b>		54.9
7-1 / 9:00 am	ISM Index - Jun	44.6	<b>45.2</b>		42.8
9:00 am	Construction Spending - May	-0.6%	<b>-0.3%</b>		+0.8%
<i>sometime</i>	Domestic Auto Sales - Jun	3.4 Mil	<b>3.4 Mil</b>		3.3 Mil
<i>during the day</i>	Domestic Truck Sales - Jun	4.0 Mil	<b>4.2 Mil</b>		4.1 Mil
7-2 / 7:30 am	Non-Farm Payrolls - Jun	-355K	<b>-225K</b>		-345K
7:30 am	Manufacturing Payrolls - Jun	-150K	<b>-120K</b>		-156K
7:30 am	Unemployment Rate - Jun	9.6%	<b>9.6%</b>		9.4%
7:30 am	Average Hourly Earnings	+0.1%	<b>+0.2%</b>		+0.1%
7:30 am	Average Weekly Hours - Jun	33.1	<b>33.2</b>		33.1
7:30 am	Initial Claims - Jun 27	615K	<b>619K</b>		627K
9:00 am	Factory Orders - May	+0.9%	<b>+2.0%</b>		+0.7%