

## Uncertainty Not All Bad

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If you listen to elite policymakers around the globe, they all seem to agree on one thing: the need to avoid “uncertainty.” In their thinking the battle against uncertainty is a never-ending struggle, and if only the world were more certain the economy would be doing much better.

Which is kind of odd when you think about it, because if you really want certainty you couldn’t get much more of it than in the old Soviet Union or present day North Korea. Those economies minimize flexibility, choice, and freedom, while maximizing certainty. It’s the certainty of the prison cell, but it’s certainty nonetheless.

By contrast, free-market capitalism is the opposite of a system built on certainty. No one knows what will be invented or discovered next – otherwise it already would have been invented or discovered – or how consumer appetites will change in the future. In free-market capitalism, uncertainty is a feature, not a bug.

Obviously, not all certainty is bad. People are more industrious and more inventive when they can rely on the certainty that their property rights will be respected by both the government and their fellow countrymen. That kind of certainty is good, and governments that respect the rule of law, while minimizing corruption and the impact of political correctness, help maximize the risk-taking that boosts standards of living.

In the end, it’s really about “faith” more than “certainty.” If investors, entrepreneurs, and workers can operate with justifiable faith that the government will protect their freedom, they will always attempt to boost economic growth.

That’s why we think the recent vote by the UK to leave the European Union is not the problem some analysts and

investors think. The British people found themselves increasingly enmeshed in rules and regulations not of their own making, and lacking the representation of democratically elected leaders.

For example, in the topsy-turvy world of bureaucratic double-speak, EU rules required the British government to treat immigrants seeking welfare similarly to British citizens seeking welfare, because to treat them differently was supposedly an infringement on the right of people to travel in the EU.

Yes, the coming weeks will bring angst over what the future holds. But, ultimately, a freer and more independent Britain, one that has control over its own political destiny, is likely to be a more responsible and prosperous one as well. The EU, which runs a large trade surplus with the UK, has every incentive to negotiate a free trade deal. Meanwhile, the UK has an opening to expand free trade with the US and Canada, which the EU was making more difficult.

The recent sell-off in equities based on Brexit is a buying opportunity. Look for the UK’s position relative to the EU to evolve toward that of Norway or Switzerland, which have voted to not be members of the EU. So, the EU created a “social” membership in the European Economic Area, with free trade and easier border crossings, but a buffer from the political whims of Brussels. The UK is bigger than Norway or Switzerland, which gives it more leverage. The EU has created a bureaucracy which makes the costs of being a member greater than the benefits for the average citizen. Politicians, on the other hand, love big bureaucracies. This time the people spoke. And, that’s why Brexit is good.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
6-28 / 7:30 am	Q1 GDP Final Report	1.0%	<b>1.1%</b>		0.8%
7:30 am	Q1 GDP Chain Price Index	0.6%	<b>0.6%</b>		0.6%
9:00 am	Consumer Confidence – Jun	93.5	<b>93.6</b>		92.6
6-29 / 7:30 am	Personal Income – May	+0.3%	<b>+0.3%</b>		+0.4%
7:30 am	Personal Spending – May	+0.4%	<b>+0.4%</b>		+1.0%
6-30 / 7:30 am	Initial Claims - Jun 25	267K	<b>267K</b>		259K
8:45 am	Chicago PMI	51.0	<b>50.4</b>		49.3
7-1 / 9:00 am	ISM Index – June	51.4	<b>51.4</b>		51.3
9:00 am	Construction Spending – May	+0.6%	<b>+0.3%</b>		-1.8%
afternoon	Total Car/Truck Sales – June	17.3 Mil	<b>17.1 Mil</b>		17.4 Mil
afternoon	Domestic Car/Truck Sales – June	13.4 Mil	<b>13.5 Mil</b>		13.3 Mil