

Something to Think About



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COMMON CENTS

I have watched the Olympics with some regularity over the last two weeks, and will be sorry when they are over this weekend. It has been a nice break from what passes as prime time entertainment these days, even if NBC makes it a nightly habit of serving up heaping helpings of schmaltz. However, you can't please everyone.

One of the things that fascinates me is the individual economic impact of winning a medal. For certain sports, an American athlete almost has to win a gold to reap any sort of significant endorsement deals. I mean Justin Gatlin probably isn't going to get an eight figure contract with Nike for winning the silver in the 100 meter dash. However, there are some sports where the right athlete standing on the podium, in any position, can make a little bank.

To that end, NBC went out of its way during the diving competition to highlight a woman named Kassidy Cook. Why it did so was pretty obvious. She apparently had a decent shot of contending for a medal, probably a bronze, and she is what people might call marketable. That is a somewhat less offensive, if that is the right word, way of saying attractive and well-spoken.

Unfortunately for Ms. Cook, during the semifinal round, she really blew a dive, almost doing a back buster, which kept her out of the finals. Now, American marketers can do something with an athlete who contends for a medal, if it is the right athlete; just ask Lolo Jones. However, they can't do much with one who is sitting in the stands for the finals. After all, when the final round started, I had the same chance of winning a medal in the women's 3-meter springboard diving at the Rio Olympics as Kassidy Cook.

This is reality, good or bad. In fact, when Cook botched that one dive, I turned to my son and said: "remember that one, because it probably just cost that young woman \$1 million, if not more."

Then there is the curious case of Ryan Lochte, who is more of a household name than Kassidy Cook. Lochte would be the best known American male swimmer since Mark Spitz if it weren't for Michael Phelps. Truly, he is that good, and has certainly had some endorsements along the way. A few more medals this Olympics, and Lochte probably wouldn't have had to work as hard as John Everyman for a long period of time. Oh, we aren't talking Phelps' money, but a decent paycheck nonetheless. After all, like Cook, Lochte is, um, marketable.

So, why did he show up in Rio with a silver dye job with a blue tinge? It was weird looking, but not as weird as allegedly busting up a bathroom at a convenience store and basically getting kicked out of the country. Yeah, he and some buddies supposedly did that, and then made up some crazy alibi about getting robbed to cover their tracks. Ryan? Brother, you might have to find a day job now, despite winning a few medals. What were you thinking?

If this seems unfair, it really isn't. It reflects an uncomfortable truth: there are few businesses and/or workers who aren't redundant in some form or fashion **and** at some price. To that end, there are precious few medal winning Olympic divers who are both attractive and well-spoken (particularly in English) from which American companies have to choose. However, there are any number, literally millions upon millions, of attractive, well-spoken American women who won't win an Olympic diving medal in Rio. Further, there are millions of attractive American men who

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Economics is a subject that does not greatly respect one's wishes.

Nikita Khrushchev

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don't swim as well as Michael Phelps, let alone who don't vandalize convenience stores in foreign countries, etc. Sure, we are all special in our own ways, but businesses usually won't pay for those.

I wrote, somewhat tangentially, about the concept of redundancy in my upcoming column in the Montgomery Advertiser. The impetus was a visit to a local grocery to get strawberries and a couple of frozen casseroles for simple "school night" dinners. Here it is:

"I recently went to one of the supposedly hip groceries in town to get a few items. It is anyone's best guess why a supermarket needs to be a cool, but I had heard good things and decided to go. I will keep a long story short, and tell you I was less than enthusiastic.

With the world music blaring at near concert pitch throughout the store, I sorted through the never ending assortment of vaguely Asian themed foods. Do people in China really eat this stuff, or do we like to pretend they do? Why do I need all this fuss to buy a package of strawberries and a frozen casserole?

Let's just say it was a good thing I didn't need a can of cream of mushroom soup. There is a real chance I would have left with a black eye had I asked for one.

Admittedly, I am increasingly a curmudgeonly old man. However, much of what passes for economic growth at the local level these days is little more than a variation on a theme. I mean there was much buzz and excitement when this particular chain came to town, and the store was indeed packed. Still, every dollar you spend at the hipster grocery is one you likely won't spend at the Winn-Dixie. You dig?

Essentially, you can now buy popcorn with curry powder, wasabi, or even pixie dust on it, but your budget for food is still your budget for food. So, the net impact on the economy? About the same as the number of items in my basket when I left that store; zero.

Although the current example is a grocery, I could make the same argument about any number of businesses; take your pick. The new place will probably sell something you can already get elsewhere. Isn't this a fine kettle of fish coming from someone who helped start a bank?

Now, I have written on this topic in the past, but I continue to get the same question: "isn't XYZ opening in town good for the economy?" Sure, it is better than businesses closing. However, it isn't as good as the military expanding the local base, or the auto company doubling capacity at the nearby plant. That type of stuff really drives economic growth in a big way.

Some time ago, the powers that be managed to convince us we can consume our way to prosperity. This is only partially true, and only when the increase in local consumption is a direct result of an increase in local production. Just like I have never seen anyone lose weight by drinking cases of light beer, I have never seen anyone become stinking rich by gobbling up more than they create.

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Something to Think About Cont.

Unless the new grocery or burger joint causes a sharp increase in local agricultural output, their net economic impact will likely be somewhat muted. Therefore, I encourage you to buy local produce and protein when you can. Further, tell your local grocer to start carrying Southern Flavor seasonings; grill a Conecuh sausage or three at every opportunity, and make sure Alaga syrup is on the breakfast table when you have pancakes.

Moving forward, make it a point to make it local, no matter what it is. The more we consume of what we make in Alabama, the more we will have to produce. Trust me, this is a lot cooler than buying Asian inspired appetizers made in California.”

Now, I occasionally like to shop at fancy pants groceries for specialty items. However, not when I am going for basic things like Wednesday night dinner fixings and strawberries. With that said, although groceries are ordinarily substitutes for one another, selling essentially the same thing at the same price, I can honestly say I have never seen popcorn with curry powder on it anyplace else.

But, how much of the funky stuff must they have to sell, what portion of total sales, before they are truly different than the Publix or Winn-Dixie? Before they are something more than a substitute or alternative? That is a great question, and the answer, as it pertains to the average American worker is: how much can you produce relative to other workers at the same paid grade? Basically, what is the unit labor cost of your output, whether it be widgets, legal briefs, black current mango chutney, or vaguely economic newsletters?

In other words, are you better, worse, or the same as your co-workers? Is your employer better, worse, or the same as other businesses in the same sector? Is your local economy better, worse, or the same as surrounding economies? Is your national economy better, worse, or the same as other countries' economies? Can you produce more for less? If so, you have a job. If not, you either won't or won't be on the right track for large pay increases and promotions.

This is an increasingly difficult concept to preach and for people to believe in today's society. Talking about outworking and/or crushing your completion comes across as something as though from outer space when I present to some, particularly younger, groups. When I say it is far more likely men's wages will come DOWN or stagnate, as opposed to women's wages going UP, if Washington passes a law mandating across the board gender income equality, you would think it had never crossed anyone's mind. When I tell folks businesses won't pay more than the marginal value of a worker's output, regardless of the set minimum wage, you would think I am the most evil person on earth. Finally, when I wonder how significantly raising taxes, on anyone, will spur economic activity, the audience will look at me quizzically.

However, if I were to tell them an attractive US diver probably lost out on endorsement deals by doing a back buster in Rio or that Lolo Jones' marketability dimmed after finishing 4th in the London Olympics and 11th in bobsled in Sochi, they would understand completely. In fact, they might even say: “duh!” In essence, basic economic truths get lost in translation when you roll individuals up into a much larger economy.

As one of my favorite lines from Dr. Zhivago's brother (the communist) goes: “I told myself it was beneath my dignity to arrest a man for pilfering firewood. But nothing ordered by the party is beneath the dignity of any man, and the party was right: One man desperate for a bit of fuel is pathetic. Five million people desperate for fuel will destroy a city.” On this, at least, the commies were right. However, they failed miserably at economics by using blanket policies and attempting to ensure the equality of outcomes when addressing supposed inequalities at the worker level. This can't be done, as individual workers will have individual unit labor costs and unique levels of output. Business owners and employers will, and should be allowed, to pay for this accordingly.

In the end, one thing remains constant across all levels of the economy; from diving to making cane syrup to even stuffing boxes with vaguely Asian themed appetizers: the more you produce and the more you win, the more you will make. This is the same now as it was in Biblical times, and there just isn't a proven (or even desired) way around it.

...unless, of course, you want to dye your hair bluish silver and get in trouble with the law in foreign countries over vandalizing bathrooms. That still boggles the mind. As for Ms. Cook, there will be 2020.