

## CHAPTER 6

### Rules 1, 2, and 3

*The man who grasps principles can successfully select his own methods. The man who tries methods, ignoring principles, is sure to have trouble.*

—American proverb

WHEN WAYNE GRETZKY was learning his sport as a youngster, he was famously taught to skate to where the puck is going, not to where it's been. If only it were that easy. If you and I were to grab sticks and gloves and take to the ice, our first question might be, "How the heck do we know where the puck is going?" Surely the Great One picked up many tricks along the way. He may not define them precisely, but let's call them *rules*.

Why do Gretzky's rules have anything to do with economics?

Well, our goal as analysts is essentially the same thing—to figure out where the economy is going, not where it's been—and sound rules can help us achieve that goal. I'll recommend ten in total. Think of them as principles for prioritizing information and developing a forward-looking view. Later in the book, I'll show how we can use them to assess recession risks. We'll look at the three most basic rules in this chapter. . . .