



22nd October 2012

Chaos

“Can an economy that has become dependent on lies, misrepresentation, ‘fudging’ of numbers, fraud, embezzlement and a multitude of skimming and scamming operations escape the moral and financial black hole it has created ? The self-evident answer is ‘no.’”

- Charles Hugh Smith, 28 August 2012, as quoted in [Edelweiss Journal](#).

When the parent company of Universal Pictures bought the rights to Michael Crichton’s novel ‘Jurassic Park’, by all accounts they insisted that the slated director, Steven Spielberg, make that film **before** the film he had earlier wanted to make, namely Schindler’s List. Anybody who has seen Schindler’s List, or for that matter anyone who is even loosely familiar with the Holocaust, will understand why.

We mention Schindler’s List because a broadly related piece by Simon London in the Financial Times from June 2005 asked:

“What is your favourite business book ?”

Simon London went on to answer his own question, citing, for example, ‘The Living Company’ by Arie de Geus (business strategy seen through the prism of Anglo-Dutch corporate giant Royal Dutch Shell), and ‘Good to Great’ by Jim Collins (a snapshot of then successful US businesses that may or may not have possessed unique corporate DNA). But he went on to highlight a book that, despite being widely translated and an international bestseller, is (in the opinion of this writer) insufficiently well known to readers today.

Viktor Frankl’s ‘Man’s Search For Meaning’ is described as “the classic tribute to hope from the Holocaust”. As Simon London then observed, this description is “both true and insufficient”. As Simon London then wrote, we concur: if you have not read it yet, it cannot be recommended too highly.

Viktor Frankl was a graduate in medicine from the University of Vienna. He ended up imprisoned in Auschwitz, Dachau and other concentration camps. He survived against extraordinary odds and in the face of unimaginable physical and mental hardships, and went on to return after the war to the University of Vienna where he served as professor of neurology and psychiatry.

During his time in the concentration camps, Frankl observed, as Simon London writes, in the most extreme conditions, human beings at the very limit of what is imaginable and what can be suffered:

“The chances of survival were negligible and the temptations to despair overwhelming.”

But Viktor Frankl’s survival was not the most extraordinary thing about his experiences during one of humanity’s darkest periods. Rather,

“Frankl, who died in 1997 at the fine old age of 92, was an optimist.. but he was clear that you could not order or will yourself to be optimistic.”

As London writes,

“He noted, disapprovingly, the American idea of the pursuit of happiness. “Happiness cannot be pursued; it must ensue.. A human being is not one in pursuit of happiness but rather in search of a reason to become happy.”

This may sound confusing. But Frankl’s philosophy could not have been clearer: how does one find reasons to be happy ? **By attempting to detect meaning in work and in life.** An ongoing search for meaning is what makes us human, and happy. Simplistically, material goods and wealth may give us brief joy. Profound happiness might come from the search for what might make us happy, or alleviate our sadness, in the first place.

I found the following example from Frankl’s book especially insightful, and amongst the most moving things I have ever read:

“Once, an elderly general practitioner consulted me because of his severe depression. He could not overcome the loss of his wife who had died two years before and whom he had loved above all else. Now, how could I help him ?

“Well, I refrained from telling him anything but instead confronted him with the question:

“What would have happened, Doctor, if you had died first, and your wife would have had to survive you ?”

“Oh,” he said, “for her this would have been terrible; how she would have suffered!”

“Whereupon I replied, “You see Doctor, such a suffering has been spared her, and it was you who have spared her this suffering – at the price that now you have to survive and mourn her.”

“He said no word but shook my hand and calmly left my office. In some way, suffering ceases to be suffering at the moment it finds a meaning, such as the meaning of a sacrifice.”

Frankl’s philosophy is called [logotherapy](#): the meaning of life, in other words, is to find the meaning in life.

From the sublime..

In the film ‘Jurassic Park’, Jeff Goldblum plays Dr Ian Malcolm, someone proficient in so-called chaos theory. Simplistically, chaos theory deals with complexity in complex systems. Popular media tend to refer to chaos theory by way of the ‘butterfly effect’: a butterfly flaps its wings in Peking (or insert international city of choice), and New York gets rain instead of sunshine. Or a hurricane. According to the precepts of chaos theory, small initial changes within a non-linear system can give rise to dramatic changes in the same system later on.

Weather systems are complex. So are financial markets. So are economies. The pyrrhic victory of central planning throughout essentially bankrupt western economies has permitted central bankers to play with the dials and wheels of a delicate machine, in Keynes' words, the working of which they simply do not understand.

Dr Ian Malcolm, fictional though he may be, is a scientist. Science has testable theories. Karl Popper, **yet another** Austrian thinker – regular readers may identify a trend here – argued that no number of positive outcomes of experimental theories could confirm a theory: what is required is a single counter-example. When a theory is proven false, it is (or should be) wiped from the slate. Or as Max Planck apparently remarked: science advances one funeral at a time, as long-term adherents to a false premise die off and are replaced by something closer to objective truth.

The author of this commentary has been working in the financial markets for 21 years, for (variously and successively) investment banks, private banks and private partnerships. For more than half of that period, there was (or seemed) a sense that there was some vague order at least to the nature of the financial markets. For sure, markets are prone to overshoot and undershoot, because they are a literal reflection of the various oscillations of greed and fear in the human psyche.

But since the financial crisis of “2007” (we would blame a motley combination not restricted to but primarily comprising banks and western governments), the financial markets have been driven by state compulsion. The prices of residential property and commercial bank equity should be artificially supported? Print money and gift it to the banks. (If the populace really knew what sins were being committed in order to secure Nathaniel's year-end bonus, there would undoubtedly be revolution.) But governments have overreached themselves. State benefits have been promised and must be delivered. So where will the revenues come from? In the words of Dylan Grice, again cited in the most recent Edelweiss Journal,

“The 99% blame the 1%, the 1% blame the 47%, the private sector blames the public sector, the public sector returns the sentiment.. the young blame the old, everyone blames the rich.. yet few question the ideas behind government or central banks.”

This is as close to chaos as makes no odds, socially and financially. What we urgently need is a return to something even approaching sound money. The very concept of savings – the lifeblood of a healthy economy – is being destroyed by central planners who do not even have a plan, but feel obligated to do something – anything. What we are getting from clueless monetary authorities in thrall to a craven, morally bankrupt and literally bankrupt banking class is anything but sound money. Absent some form of political reset, all we can do is seek shelter for our savings and investments in objectively safe havens (as opposed to the conventional, but inappropriate ones). We have been writing about such investments for at least the past five years, so for regular readers they shouldn't come as too much of a surprise.

Our great economists and commentators advocate more of the same failed and discredited policy. QE not working to inspire growth? (Strange that printing more money simply devalues everyone's existing pile and destroys, rather than creates, wealth.) If it doesn't work, well, the beatings will continue until morale improves. And we have reached an eerie impasse. A synchronised global economic slowdown points to more monetary madness ahead. Markets are temporarily at ease but will not be fooled forever. During this temporary period of calm, only Imelda Marcos during an earthquake can have waited for more shoes to drop.

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