

Hello Everyone,

Today's subject is a tough one. How do we, as investors, respond to authority without abrogating responsibility? Like the centurion in the Bible, most of us are entrusted with some authority, yet we also respect (or, are under) authority. Tough balance.

Today's missive tips toward responsibility---and warns about placing too much faith in financial authority figures.

Signed, Your Grateful-For-All-The-Rain-This-Weekend Financial Advisor,

Greg

## **KKOB 06.18.2018 Over-Regarding Authority**

**Pat:** So, Greg, it seems you are giving us a series of weather advisories, but instead of rain, you are warning about what will separate our listeners from their wealth. And, to make your point today, you want to tell an earthquake story...is that right?

**Greg:** It is. Back in 2010, an 8.8 earthquake hit at around 3:00 AM in Concepcion, Argentina. At the time, there was an American tourist group staying at a local hotel. They were all OK--- but were obviously shaken up---no pun intended. Anyway, they gathered in the lobby and crowded around the bellboy...who was the only employee on duty at that hour. They pleaded with him to tell them what to do.

Pat, he was a bellboy. He was probably all of 18 or 20 years old. But, because he wore a uniform, the tourists thought he had answers. Anyway, two or three men separated from the group, went outside, saw the devastation, and realized if they were going to get home, they had to act quickly. So, they bribed a man who had a working car. They maneuvered out of the city, traveled 200 miles to a functioning airport, and caught a plane back to the US. Those who relied on the bellboy for direction spent a month amidst the rubble before they got home.

**Pat:** I can see where you are going with this. Investors shouldn't wait for financial authorities to tell them what to do. They should survey the investment landscape themselves and then make decisions.

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**Greg:** I agree with that, but, I am going to take it one step further. Americans have traditionally had a healthy suspicion of authority figures...whether it's here or abroad. And, since this is a financial report, let's apply this thinking to my industry and start in Europe where, during one of their recent financial crises, the President of the European Commission, Jean-Claude Juncker said, "When it becomes serious, you have to lie."

And, Pat, he meant it. In his mind, it was better for investors to suffer, than for people to question the strength of the EU. In that same vein, if you ever get unified and calming messages from Wall Street, your radar should go up.

For example, back in 1929, just before the great market crash, the famous Yale economist, Irving Fisher, was jubilant telling the New York Times, "*Stock prices have reached what looks like a permanently high plateau.*" And, he wasn't alone. Prior to that, the famed economist John Maynard Keynes had said, "We will not have any more crashes in our time."

**Pat:** Sure. But that was a long time ago and in the era of the Internet where everything can be checked, it would be hard to get away with that kind of thing today.

**Greg:** Maybe, but I'm not so sure. We now know that in August of '08—just one month prior to the Lehman collapse---the insiders at Goldman and JP Morgan knew Lehman was going down. Pat, they told no one... not even their biggest clients. Nope. They did the best they could to cover their own bank's exposure.

Oh, and people forget what happened earlier that same year.... both Bear Sterns and AIG failed. In each instance, we were told the damage was "contained". There was no systemic risk. Even Ben Bernanke, the then Chairman of the Federal Reserve, trotted out soothing palliatives, saying all was well, since housing prices had never fallen. Uhhhh, OK.

**Pat:** But, you're not saying we can never trust what financial experts say, are you? I mean they aren't always lying.

**Greg:** You're right....and I didn't mean to imply that. Most people try do the right thing. In times of stress, however, I've noticed people in positions of authority tend to defend their institutions, their livelihoods, and their reputations first. Maybe that's just human nature. That means it is incumbent upon your listeners to constantly regard authority figures with an objective eye. And, if they do so, they will become better investors for it.

**Pat:** Agreed. So, the moral of the story is, don't blindly trust Fed Chairmen under stress or 18-year-old bell boys after earthquakes. How do people reach you?

**Greg:** Exactly. My number is 508-5550. 508 Triple 5 zero.

**Pat:** Thanks Greg, let's talk again on Friday.

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