

Hello Everyone,

"If you're in the luckiest one percent of humanity, you owe it to the rest of humanity to think about the other 99 percent."

— **Warren Buffett**

"I'm all right Jack, pull up the ladder". -- **Urban Dictionary slang for "forgetting about others once you've made it."**

So there you have it. Do those who have "made it" have an obligation to others? Or, "once you have yours" is it OK to pull up the ladder and let everyone else either sink or swim?

And does the thinking change during a pandemic?

Last week we looked at how societies historically behave during pandemics. Spoiler alert. Societies behave badly. They divide. They unravel. They shred.

The social order disintegrates. This is why continuous Covid outbreaks (now it's the Omicron variant) are so concerning.

So, what does the demise of the social order look like? And how might it affect your investments?

Well, we might want to start by defining what "the social order" is. And that's not easy. Charles Hugh Smith over at oftwominds.com gave it a shot, with the following:

"...the social order is comprised of all the intangible social elements which serve to bind a nation's people beyond their legal rights."

Hmmm. Intangible. Social elements. That bind.

In old textbooks, this was called civic virtue.

Civic virtue required sacrifice for the common good. It meant putting the needs of others before those of self. Civic virtue meant there were shared values...and shared purposes.

Civic virtue demanded sacrificing in the present for a better future.

In contrast, doing the opposite---sacrificing the future for the present--- was considered abominable.

But maintaining social order went beyond individual behavior.

As a society, civic virtue was demonstrated in the legal system via **equal treatment before the law**. This was not seen as some unattainable ideal. Rather, both rich and poor were entitled to fair treatment by the courts. Favoring the wealthy and connected was sure to eventually end in chaos and upheaval.

With respect to governance, (think politicians vs. lawyers) civic virtue demanded **moral legitimacy** of the government. Political leaders were expected to serve the citizenry and not the other way around. Attaining riches while in office was deemed shameful.

The French wrapped the concept of civic virtue into one phrase. *Noblesse oblige*. Meaning, the obligations of the noble. The more you had, the more you were expected to give.

And given France's tumultuous history, *noblesse oblige* also served to discourage resentful peasants from coming up the hill with pitchforks and torches. (Let's not forget, "Let them eat cake.")

The opposite of civic virtue is self-interest...which brings us to today's conundrum.

What does the lack of civic virtue have to do with the financial markets? Does an unraveling of the social order necessarily lead to an unraveling of the financial order?

If you look at the stock and home real estate markets over the past 18 Covid-months you would have to say, no. Millions of us have been shaking our heads in disbelief as we watched the social order crumble.

- Riots became commonplace.
- Cities burned.
- Organized theft went unpunished....and was even encouraged.
- Family feuds multiplied.
- Political discourse hit the gutter.
- Lying under oath was met with shrugs of apathy.
- Trust in our institutions (think the military, press, courts, Congress, big tech, big pharma, churches, etc.) was called into question.

Yet, through all this, the markets hit all-time highs. Day after day after day. And Wall Street's answer was always the same. *"How do all those problems on Main Street affect company profits? So what if lying, cheating, and stealing are now the norm? Look at the earnings per share!"*

In short, self-interest trumps civic virtue when it comes to the bottom line.

And maybe they are right...at least in the short term.

The maxim of every publicly traded company is basically the same. ***"Our job isn't to save the world. Our job is to maximize shareholder value."***

And in a hyper-competitive global economy that is an easy maxim to defend.

- “If we don’t maximize profits, the other guy will.”
- “If the other guy gets a competitive edge, we may go out of business.”
- “If we go out of business, then we lay people off.”
- “Unemployed workers go hungry.”
- “So, don’t nag us about civic virtue. Our civic virtue is staying in business.”

I get that.

Those points, however, would be easier to accept if:

- Those profits were used for new plant and equipment rather than for share buybacks.
- Or, if armies of corporate lobbyists weren’t employed to ensure government rules, regulations, and contracts favored entrenched political donors over aspiring (and many times genius) entrepreneurs.
- Or, if “maximizing shareholder value” hadn’t morphed into crushing competition via “lawfare”, censorship, bribery, & threats.

For capitalism to work long-term, there must be some moral/ethical code that balances the creed of “maximizing shareholder value.”

Otherwise, anything goes.

Gordon Gecko’s famous quote, “*Greed is good*,” becomes the touchstone of the age.

And I know this sounds preachy. And I know you don't come to the Monday Missive for a sermon. But everything is connected. And to think that a social unraveling will not eventually affect the financial markets is naïve.

The strength of financial markets is built on the strength of the underlying society. Not the reverse. Today's financial markets are more fragile than many think.

This doesn't mean all is lost. The cycle from civic-virtue-to-extreme-self-interest-back-to-civic-virtue is well documented. We'll snap out of it.

In the meantime, this is why you are positioned as you are. Those cheering all-time stock market highs while social cohesion disintegrates aren't grasping the bigger picture.

Things can change suddenly...as the Omicron variant is showing.

Signed, Your Never-Imagined-That-Covid-Variants-Could-Teach-Me-The Greek-Alphabet Financial Advisor,

Greg

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