

Comment

The Amherst Coffee Wars

Thomas Schneeweis

March, 2010

Wars are often started over a good cup of Java.

In case anyone has not noticed, Amherst is in the midst of its own 'Mini Iraq'. You say, " NO this cannot be, NOT our Amherst, NOT in our everyone is equal, no one is special, no one is better than (at least me) Amherst. Unlike the current Iraq conflict, this war came on gradually (OH the insidious nature of the terrorists). Several years ago, if one wanted a cup of Java (notice already the cultural war had crept into Amherst even before we realized), once one had few choices (Bruggers, Nancy Janes, Blacksheep). Each had their own clientele (Blacksheep - Left of Center - Columbian with perhaps a hint of Hazelnut; Nancy Janes (a little right of Center - Normal or Decaf) and Bruggers (Right there in the middle - Whatever comes in bulk). Coffee choice indicated political choice. Each 'Java Hut' has its own religious shrine.

Despite the difference a relative ease existed amongst the religions. If one entered another's church, glances might be thrown but no cups of coffee. Unfortunately, peace could not be maintained. The cause, of course, was a foreign corporation's invasion (what else in Amherst), aimed at converting all of us to its own rare mix of coffee. Starbucks invaded us with little warning. Of course, we should have been aware. Zoning board meetings gave us an indication of their aims, but we had successfully forced other coffee establishments to meet our internal demands (Rao's a small upstart was forced to stop roasting its beans and sending its smell throughout the town - Talk about insidious chemical warfare terrorists).

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Regardless of our efforts at controlling 'coffee chaos' or perhaps because of our efforts at refusing to let democracy flourish, Starbucks attacked and set up its compound in the very center of our fair city. Soon, all out warfare ensued. Nancy Janes was the first to fall. Some Amherst citizens regarded the new invader with open mouths and portable computers. Others regarded the invasion as a further example of outside corporations attempting to fix their beliefs (and lower cost alternatives) on our true religion (from a nuclear free Amherst to a Starbucks free Amherst).

The war was upon us. Some merely began to stay at home less they risk entering the 'war zone'. In fact, one could simply email a request for one's favorite brand and have it delivered to the safety of one's own house. Others simply get in their car and take advantage of quick coffee 'get and go'. (This must be stopped immediately for fear that it may encourage potential 'coffee car bombers'; e.g., drivers who pick up their favorite brand only to toss it at innocent bystanders holding competing brands.

Others, more intrepid 'locals' have ventured out fixing upon themselves (usually by means of a labeled cup) a sign of their religious choice. Soon the core could not hold. New churches began to spring up (Amherst Coffee - the black Beret/neck scarf and/or the Liberal Arts UMASS PhD crowd), Organic coffee (organic types who wish to read the paper without the political overtones of the BlackSheep - (I could but will withhold the temptation to point out the symbolism of the name with the consistency of political correctness of many BlackSheepians).

In short I fear for the future of Amherst. If Iraq is any guide, people of different cultures and tastes cannot come together unless a common coffee is served. Multiple tastes are not permitted. As in Iraq, we must force out all those foreign interlopers who wish diversity upon us. Perhaps it is already too late. We have already exported our wealth to foreign countries (Columbia, Java, Mexico). I encourage all in Amherst to stop this exportation of our heritage. We must return to the faith of our forefathers. I look forward to the time when only Maxwell House is served in Amherst's finest.

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If we are to have a religion let it be ours. Let us bring a conclusion to the Amherst Coffee Wars before it destroys all of us or perhaps I have just drunk too much coffee.

Looking forward to your comments.

Tom Schneeweis

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Professional Bio: Thomas Schneeweis is the Co-Founder and the current Director of Research at YES Wealth Management, a Registered Investment Advisory Firm in the Minneapolis/St. Paul area in Minnesota (Email: tschneeweis@yeswealth.com and Website: www.yeswealth.com). He was the Michael and Cheryl Philipp Professor of Finance and Founding Director of the Center for International Securities and Derivatives Markets at the Isenberg School of Management, University of Massachusetts-Amherst. He was also the Founding Editor of The Journal of Alternative Investments and the Managing Editor for over fifteen years. He is Co-Founder of the Chartered Alternative Investment Analyst Association (CAIA: www.caia.org) and the Founder of Chartered Alternative Investment Analyst Foundation. He is also the Co-Founder of the Institute for Global Asset and Risk Management (INGARM: www.ingarm.org). He has published more than 100 articles in the area of investment management and is the co-author/editor of over six books in the area of investment management including New Science of Asset Allocation (John Wiley, 2010) and Postmodern Investment: Facts and Fallacies of Growing Wealth in a Multi-Asset World (John Wiley, 2012). He has been awarded with the CAIA Award for Research in the Area of Alternative Investments (2012). He has been a frequent speaker on financial news programs and contributor to various financial publications. He received his Ph.D. from the University of Iowa, M.A. from University of Wisconsin, and a B.A. from St. John's University.

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Comment

The American Way, The Japanese Way, The Third Way, Fourth, Fifth ...

Thomas Schneeweis

June, 2010

For those who taught business in the late 1980, one's bookshelf may be littered with the Best of The Japanese way of management. Americans were short sighted, profit orientated and down the tubes. Japan, having learned to live together in harmony on that small island were team, long term orientated. It was only a short time before they would win in the corporate trenches what they lost on the battle fields of the 1940's. The fact that all those authors who published that rubbish should have had to publicly apologize after the crash of the Japanese stock and real estate market of the early 1990's, is often not discussed today.

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So, imagine my surprise when I read a recent article calling for a return to the "all in the family" corporate stakeholder all for one and one for all father knows best. With age comes wisdom, Japan's on their way. I have just returned from a speaking engagement (The Fourth Annual Derivatives Conference) in Seoul Korea. For those for whom one's picture of Korea is found in old MASH episode, today's Korea

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is a growing vibrant country attempting to compete in the global marketplace. The purpose of the conference was to introduce new financial products and structures to the Korean financial community. Korea has one of the world's largest option markets, an active futures market and is continuing to develop domestic financial markets capable of meeting the demands of a modern industrial state.

If I live in Korea I would buy up every book promoting this return to the failed ideas of the 1980s and give one to every up and coming eastern country. What better way to mire them in the same garbage that this article supported Japan. Unfortunately there are those in Korea who themselves are fearful of failure or of the price of success. If success means that the current power must give it up – If chance means risk of short-term failures for long-term success some individual would rather hold on to a failed idea than try an unproven one.

However, what began as a typical boating rendering of financial markets, ended in a heated discussion on why Korea had to look to America for leadership and even worse why Korea remained a day late and a dollar short in introducing these new forms into the marketplace. The very structure of the meeting gave a clue as to the audience's concern. Day one began with a series of 15-minute introductions by the relevant heads of the cited business, government, and regulatory bodies to the over 300 attendees most of whom were under 30. Throughout the day, the audience remained attentive. As is typical, time was allocated for questions, but none were asked. – Until. The FINAL SESSION

The final session dealt with Education. It was noted that most of the Koreans who came to America – if given the option – would rather remain and take the chance to experience

Why, one Korean speaker, when asked, responded simply that Korea refused to give him the opportunities at his age that America offered. America did not differ to his age only his productivity. In Korea, (as in most of Asia he suggested) age and lack of the return to taking personal risk trumps those who wish to take move forward with the accompanying risk and return. Instead of decrying the existence

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of U.S. and other non-Koran financial firms dominating the local market they asked why not us. Instead of government authorities attempting to regulate our competition they asked why not let us compete with one on one in a global marketplace. This was a passionate plea, a five minute rant.

I would have placed this as a sample of one if his comments did not receive the greatest applause of the day. Of course, the government heads had left by then,

Looking forward to your comments.

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Comment

Viva the Wasteland

Thomas Schneeweis

September, 2010

Perhaps only IF American television continues to decline in quality to that of the level of France, or say, Italy, maybe yet Spain will Americans return to reading, writing, and interacting. Perhaps then our own cultural quotient will rise again. Viva the Wasteland.

Recent criticism concerning the decline in the quality of American television appears to confirm Newton Minnow's oft-quoted observation that American television is simply a "Vaste Wasteland." In acknowledgement of the projected growth of cable television's offerings to that of something resembling 500 channels, American television may soon reach "Global Wasteland" status. Yet again, critics could have it (all) wrong. One can only hope that United States' television continues to decline in quality, ultimately to that of a "Universal Wasteland". In point of fact, BAD TELEVISION may be the only HOPE for a rebirth of American culture.

Recent observations from the global marketplace confirm this view. For instance, in France, literacy IS the national pastime. In France newspapers (both morning as well as evening editions) are not only bought they are READ. Books are not only read they are DISCUSSED. Museums, as well as private and public art galleries, are attended by the public, subsidized by the government, and the occasion for Sunday free-family entertainment. Among the cafes and boulangeries, city and country alike, lunch or dinner is regarded as an opportunity for conversational repartee.

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One might ask what is the source of France's apparent relative cultural superiority. Simply put, it is BAD Television. While France epitomizes the highest cultural pursuits (with popular support at that), French television continues to reach for a new "lowest common denominator", promoting non-stop talk shows as well as pseudo-sex shows that many French men would never admit to watching; claiming instead that they exist primarily for a "tourist audience". As is oft stated, however, "the proof is in the pudding". Internationally American television is (generally) regarded as the most sophisticated in content and production yet America's reputation in culinary pursuits, artistic developments, and education rank among the lowest. In fact, around the world, it would appear that as the quality of domestic programming increases the aesthetic quality of that country's food, art and literature declines accordingly. One need only note the contemporary quality of British television programming of the BBC broadcast exists uncomfortably alongside various "fish and chips domestic comedies", questionable political satires of the worst variety, and Liverpool soccer. A final nail in the cultural coffin was commemorated with the publication and marketing of Madonna's latest "art book. It sold well in Great Britain and the United States, but failed miserably in France.

Perhaps only IF American television continues to decline in quality to that of the level of France, or say, Italy, maybe yet Spain will Americans return to reading, writing, and interacting. Perhaps then our own cultural quotient rise again. Viva the Wasteland.

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Comment

Voice Mail "Messages from Beyond"

Thomas Schneeweis

December, 2010

I have always viewed myself as an individual who was very adaptable to change. Computers, CD players, FAX, EMAIL have all entered my home and office with little or no debate. Recently, however, my firm has introduced 'voice mail' into my office. No longer do pieces of paper pile on my desk, marked "urgent!., please call". No longer do the unintelligible writings of my secretary result in mistaken phone call to Tibet. Surely this is a better world.

Au Contraire. Voice mail is in truth a sinister plot, designed in hell (or some Asian country) to drive all of us crazy and reduce American productivity. Previously, I enjoyed coming to my office, at least for short periods it was my haven now it is my hell. Before the phone was my friend, now a mortal enemy. It sits on my desk as a black monster with blinking red lights. "Messages, Messages". I am even sure that behind my back it calls up numbers from its memory board asking other phones to call back in a "Voice Mail" feeding frenzy.

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sure that behind my back it calls up numbers from its memory board asking other phones to call back in a "Voice Mail" feeding frenzy.

In the past I could count on my office as an ally. Before I could always deny that I received a message or blame it on the secretary. Now, no excuse, voice mail awaits. Phone pressures are now added to the everyday pressures of my job. Should I pick it up? Is this an urgent message or merely a Domino pizza delivery gone astray? I pick it up. "You have ten messages". Previously an entire week could go by without ten messages. Now I have ten before noon. I enter my personal code. (12 numbers only known by me). I have to answer or if I die suddenly, the messages will remain in message limbo.

The first message is no message just blank space and vague irritation ("probably a phone call for my wife," I mutter). A soft digitized voice interrupts; "If you desire to erase this message please hit key 7 or place this message in phone archive for 40 days." Now ethical dilemmas are added to my list of everyday concerns. Do I erase my wife's non-message and thereby erase the fact that a message, however non-existent, took place or do I save this non-message thereby creating the existence of a non-message. My inability to answer this philosophical problem is confirmed by the fact that I presently have over 400 messages in phone archive waiting future philosophers or voice mail anthropologists to sort out the confusion. I repeat each message thereby wasting hours of otherwise productive time in the never ending voice mail tango. Since no one ever leaves good news (which they want to deliver in person) all the other messages range from depressing to near suicidal.

I have become convinced that all voice mail machines should now come with a warning label, "using this causes depression and heart attacks". I have written my congressman that no machine should be sold unless it is capable of selecting the unimportant from the urgent. I received a letter in return that his constituents' concerns should be directed by phone to his staff assistant. I called immediately. I was asked to leave a voice mail message.

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Looking forward to your comments.

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Comment

The Obama Health Care Solution – ATMs and AITs

Thomas Schneeweis

March, 2011

Most Americans have a money fix. I know I do. Every two or three days I am forced to go to an ATM (Automated Teller Machine) to withdraw some money. Here is my solution. Incorporate the AIT within every ATM. In addition, all we have to do is to add a weight scale, a fingerprint for blood pressure, a small pin prick device for a blood screen and an eye screen to check other vitals. There we have it. Even more to the point, every American is at their highest stress removing money from their bank so this new system tests at the optimal time. We can even add ‘behavioral costs’ such as too heavy sorry can’t take any money out or if one’s body mass is correct we give you a ‘money’ bonus on the withdrawal.

As I was flying back to Amherst from Florida following the Christmas Holidays, I was lucky enough to sit next to a gentleman who was reading a recent book by David McCollough on [The Path Between the Seas: The Creation of the Panama Canal, 1870-1914](#). Having a MA in American History from the University of Wisconsin, I seized on the opportunity of striking up a conversation with an individual who had to be as boring as I was (proof of point was the fact that I was reading a recent book on the History of Money).

I was fortunate that he turned out to be much more interesting than I. He was in Florida following a trip to Las Vegas for the annual technology show. His own area of interest was on the use of technology to supplement Doctors and other “costly” direct medical intervention with computerized watches (blood pressure, heart rate), at home blood tests, continuous medical monitoring ... While I had always suspected this was the future of medicine, he pointed out that it was his ambition to create a system where an

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individual would never have to actually see a doctor their entire life (or least not in person). He pointed out that we have computerized screens which can bring patient and doctor face to face without actually being face to face. We have low cost trained “doctors” from across the globe who can provide the ‘proper’ low cost computer defined medical solution.

I could see the future. The only problem was how to force most Americans to take the time and the opportunity of the new forms of medical availability. Fortunately, the fates intervened. In the past week, it has come to my attention that the AIT (Advanced Imaging Technology)/WBI (Whole Body Scans) used at Airports and which provide a full picture of one’s inner workings is being phased out. Where to put them? Now for the rest of the story.

Most Americans have a money fix. I know I do. Every two or three days I am forced to go to an ATM (Automated Teller Machine) to withdraw some money. Here is my solution. Incorporate the AIT within every ATM. In addition, all we have to do is to add a weight scale, a fingerprint for blood pressure, a small pin prick device for a blood screen and an eye screen to check other vitals. There we have it. Even more to the point, every American is at their highest stress removing money from their bank so this new system tests at the optimal time. We can even add ‘behavioral costs’ such as too heavy sorry can’t take any money out or if one’s body mass is correct we give you a ‘money’ bonus on the withdrawal.

I could go on, but I have to get to the Patent office.

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Comment

The 'DeFeet' of America

Thomas Schneeweis

April, 2011

In recent weeks I have become increasingly concerned about the future of America and how our enemies may be attempting to undermine our way of life. While we spend billions creating ways to keep missiles from reaching our shores, while we put up miles and miles of walls to keep their operatives outside of our country, our enemies have already discovered the cheapest and easiest means to defeat us. They have done this by understanding our very soul (or perhaps I should say sole). This all came clear to me while relaxing at home. While sitting with my feet up, I happened to catch a TV program on the history of shoes. The very fact that I found this of interest and did not change the channel should be of concern to many of you.

In recent weeks I have become increasingly concerned about the future of America and how our enemies may be attempting to undermine our way of life. While we spend billions creating ways to keep missiles from reaching our shores, while we put up miles and miles of walls to keep their operatives outside of our country, our enemies have already discovered the cheapest and easiest means to defeat us. They have done this by understanding our very soul (or perhaps I should say sole). This all came clear to me while relaxing at home. While sitting with my feet up, I happened to catch a TV program on the history of shoes. The very fact that I found this of interest and did not change the channel should be of concern to many of you. But after the first several moments the importance of shoes in the development of mankind became obvious. All animals have feet but only humans have taken the time to protect them. Shoes, more than the donkey, more than the horse, more than any of our beasts of burden have been our ultimate supporter. Carrying us to and fro, hither and thither, here and there..... As part of the

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agreement, we protect our shoes (we wax them, we buff them, we put them to bed at night), and our shoes protect us.

Unfortunately, a small part of humankind has once again taken advantage of a joint beneficial relationship, to subvert the traditional symbiotic and co-dependent contract between us and our shoes. They have broken the shoe/human contract in a manner totally inconsistent with our fundamental agreement. In short, they have used shoes, not to help mankind, but to destroy it.

In the past, one looked down at one's shoes with a level of respect and support. We even looked at shoes as a means of determining the underlying quality of that person's character: A scruffy shoe and scruffy individual, a well turned shoe a well turned individual and casual shoe and casual individual. Today we look at another's shoe to see if a fuse is sticking out of it. Today instead of looking at them with respect, I treat them with suspicion. Instead of placing my shoes carefully under the bed, I placed them safely away in a corner.

Nowhere is this lack of respect more obvious than when traveling. When in the past one wore one's best shoes out in public (especially when traveling), today, one wears one's worst most casual shoes. The one's you do not mind if they are thrown in a bin and subjected to naked screening by both machine and human alike. It comes of no surprise that when the shoes comes out of the surveillance machine that it looks ashamed, a bit more broken in spirit knowing that better shoes would never be suffered this indignity. They know that soon they are to be ripped open and quickly without thought, thrown onto one's feet and moved along without even a slight sense of remorse.

Even worse for those whose owners are willing to go to the limit, one may even be willing to destroy the shoe in their own misguided attempt to destroy others. The shoe born to serve is now being used to destroy. Fortunately, shoes have rebelled. In at least one notable case, the shoe even refused to be lit. Does one really believe that this was chance? That one shoe, took it upon itself to represent all other

shoes in saying I will not go out with a bang but with the well-worn whimper, in the back of a closet with miles and miles of well trod memories.

I would hope that we humans take the opportunity, to cast a brief thankful look at our beasts of burden. One cannot continue in our current fashion without eventually turning shoes against us. In fact the change is already upon us. Today shoes refuse to support us in the fashion to which we had come to expect. Instead of comfort, they force pain upon us. Often they hide when we attempt to find them. They have even enlisted their close associates, the sock, in this effort.

Some branches of the shoe family are in fact in ultimate revolt. It is, in fact, these shoe terrorist who are bent on taking over the world. These shoes have grouped to form a terrorist form of foot protection. And how quickly we endorsed them leaving behind our more formal conservative structured friends. We even named them for the very people we have become. We who have left our lifelong friends for these temporary transportation vehicles. We have become the shoes we wear, we are Flip Floppers. The very lack of personal characteristics that we carry in our souls is now found on our feet. Instead of actual pieces of leather that wrapped around one's foot and permitted one to do a number of alternative activities without fear of flipping or flopping we have become the very shoe that personifies our very lack of character, our lack of consistency We now even lack the moral fiber found in the classic pair of top siders. The shoe that would give its very life before letting its owner be washed overboard (Say that if you can about a flip flop which, I must point out, I have often seen floating alone or washed up on a beach saving itself with no human in sight).

Today, American's flip and flop everywhere. And who created this flip flop or at least is the modern popularize of the very vehicle that any American worth his name would rather die than be labeled? Where did this insidious concept come from –wherever but at the very heart of all terrorism. Yes Al Qaeda. They know that they had to change how Americans view flip floppers or they would never

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prevail. What better way than to come up with the most basic piece of clothing that would promote the very concept they wished all Americans to become. Moreover, a piece of clothing that is made by their minions, which can easily be made into bombs, and which prevents anyone wearing it from running away quickly. You do not have to look in their eyes, no just look at their feet – the Flip Flop.

I can only suggest that we in America fight this fundamentalist attempt to change our very culture, to change our very language (I know the French would never flip flop on this and nor must we). We as a people must return to our heritage, we must side with our dock siders, we must never quiet our hushpuppies, we must conservatively toe the line that accounts for our very soul. That is no more time for flip flops or flip flopping whether by word, by deed, or by shoe. For those that recall the classic movie, “The Life of Byron” and the words which awoke a people – “Behold The Holy Shoe” Or Was It A Flip Flop.

Looking forward to your comments.

Tom Schneeweis

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Comment

Principal or Principle: What is What?

Thomas Schneeweis

September, 2011

When I was growing up, I remember the way I tried to distinguish the difference. I was told to remember that the “Principal” person of the school determined the “Principles” by which we were ruled. However, today I am now told that the “Principle” by which we are ruled determines the “Principal” (resources) we need to raise.

In recent weeks, I have consistently heard both government officials as well as various Talking Heads speaking of the “Principle” and/or “Principal” of deficit reduction. It is difficult to accept that, except in rare cases, they failed to distinguish the Principle behind the Principal difference between the two terms. When I was growing up, I remember the way I tried to distinguish the difference. I was told to remember that the “Principal” person of the school determined the “Principles” by which we were ruled. However, today I am now told that the “Principle” by which we are ruled determines the “Principal” (resources) we need to raise. Other individuals say that “Principle” should not determine “Principal: but that we need to reduce emphasis on Principles and instead establish a level of required “Principal” and then determine how to distribute that “Principal” based on “Principles” such that Principal Precedes Principle. On a recent Talking Heads Sunday program, one of the TH’s said that concentration on “Principal” was misguided. He said that we needed to simply determine the necessary set of Principles and add up the costs. I was surprised to hear his counterparty agree with him

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(Principles determine Principal) however I was soon brought back to reality when neither agreed on the Principal Principles on which their Principles were based.

Confused, I returned to my “what I learned in Kindergarten.” As discussed previously, my “Principal” (e.g., the main man or women) determined the “Principles by which we were ruled. These rules resulted in an amount of “Principal” needed to fund the Principal’s “Principles.” Of course the Principal would not admit to his or her determining the Principal Principles. He or she maintained that they simply reflected the Principles of those who voted them the required Principal. So in reality it was the Public’s Principles who elected him/her as Principal, with the Principal Goal of instituting the Principles of the Public by raising the necessary Principal. The problem was that after determining the required Principal to pay for the Principles, the Principal leader had to determine the Principal means to fund the Principle (in this case one generally focused on taking money from the Principal land owners to fund the Principles of the non-Principal land owners). At this point, my course in ethics came to the fore. One of the Principal Principle of Ethics is that for a Principal to be regarded as meeting an “Ethical Principle,” the Principal must support a Principle in a way such that the Principal’s Principal Action has a cost to the Principal advocating that Principle (e.g., no free lunch). Advocating an idea that has no cost could be simply a “selfish act” versus a “Principled Decision”). That of course led me back to the Mathematical Principles which led me in my own area of interest in determining the amount of Principal that the Principal must pay to be principally consistent with his or her Principles.

Principal’s Payment to cover the Principal Principal’s Principle = Total Principal required for Principle * (Principal’s Personal Principal/Public’s Principal).

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This is not the only solution, but it sounds very much like a “Means” test but others may simply regard it as “Mean” but that is for a future comment in which will attempt to find the proper “Mean” solution. Readers can decide if the above is a Principle or Principal solution.

Looking forward to your comments.

Tom Schneeweis

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Comment

Stuck in the Middle Again

Thomas Schneeweis

December, 2011

Over the past several weeks I have been almost overwhelmed with material emphasizing increased taxes over reduced spending as well as material advocating reduced spending and marginal changes in tax policy. By now I am convinced that both sides are fully locked into their own set of beliefs. Those against the tax increases believe that there are sufficient cost savings throughout federal and state governments to reduce the projected deficit and those who favor increased taxes who see the additional funds as the price we pay for the necessary governmental services required by children and adults alike.

Over the past several weeks I have been almost overwhelmed with material emphasizing increased taxes over reduced spending as well as material advocating reduced spending and marginal changes in tax policy. By now I am convinced that both sides are fully locked into their own set of beliefs. Those against the tax increases believe that there are sufficient cost savings throughout federal and state governments to reduce the projected deficit and those who favor increased taxes who see the additional funds as the price we pay for the necessary governmental services required by children and adults alike.

Fear and greed are the pitch both use to present their cases. If we don't pass the increased taxes, the U.S. will wither and die. For others, if we continue to rely on increased taxes, the U.S. will eventually devolve into a 'Sweden' of the North Americas in which those who can't stay and those who can leave. In the midst of these arguments some of us in the middle have felt torn between the two extremes. We realize that current federal and state taxes (depending on where one lives) limit the ability of governments to cover reasonable costs (primarily healthcare costs) and services (e.g., police,). In short additional funds are probably needed to keep America where it is today. We also realize that the penchant for America to

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support every new 'position and service' has resulted in a level of absolute costs that must in the future be put under greater control. In short, a new maturity must enter Federal and State politics. No it is not getting rid of all government services or promises (e.g., government pensions which were passed back in the olden age when everyone could say that the marginal cost of the promised payoffs were minimal). Yes it is realizing that no one entity (federal or state or corporate) or any idea (e.g., economic development when surrounded by other countries with more accessible resources and populations) will save us. Costs will rise and taxes will primarily pay for them if for no other reason that few individuals will self-destruct. Services will be reduced if for no other reason that sometime in the future, the U.S. may become (for some industries) the high cost/low marginal productivity producer (unless saved by our natural resource advantages) such that revenues will simply not be sufficient to cover perceived needs.

There are many issues to be debated. For the most part I am in the middle of those debates. I presume that the solutions will not be at the extremes of current arguments and that our perceptions of the solutions will change as our understanding of the issues evolve. In searching out answers to such issues, In the investment area, I generally look for 'alternative' solutions to difficult investment problems. In a world of increased polarization, the research emphasis may need to focus on the benefits of the 'appropriate middle.'

Stuck in the middle again, Not a bad place to be.

Looking forward to your comments.

Tom Schneeweis

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Comment

Life Insurance or Death Insurance: Which is It?

Thomas Schneeweis

March, 2012

As I approach my mid-sixties, I have increasingly been preoccupied with death. Not death itself but how I have to find ways of funding my eventual demise or helping those fund their lives after my demise. As I last checked the survival rate of any one human approaches zero at some point in the future. So I started going to the internet to see what my alternatives were. As for my ability to fund my immediate departure from this earthly toil, I was informed that there were a number of ways to remove the financial pain that my leaving would place on those closest to me. For example, I could set up a funding source which would grow to a level which could cover the “death expenses”

As I approach my mid-sixties, I have increasingly been preoccupied with death. Not death itself but how I have to find ways of funding my eventual demise or helping those fund their lives after my demise. As I last checked, the survival rate of any one human approaches zero at some point in the future. So, I started going to the internet to see what my alternatives were. As for my ability to fund my immediate departure from this earthly toil, I was informed that there were a number of ways to remove the financial pain that my leaving would place on those closest to me. For example, I could set up a funding source which would grow to a level which could cover the “death expenses” – Depending on the level of funds in the account I could be spread (but not dumped) on the sidewalk outside the crematorium or have a large concrete monument play music with an eternal flame somewhere on top of a hill for all to see until the sun swallows the earth (nothing is forever). There were other solutions. I could sign away a part of my house or part of my body. I could purchase a sort of burial insurance that ensured or insured that someone, somewhere, somehow would pick up the body and do with it what I had stipulated (in

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today's society in which one often outlives one own kin this is a supposed real benefit or the body would simply stay at the funeral home for ever). This was called Burial Insurance in other words I was insured to be buried. This disturbed me. Could there be a state or STATE in which I would or could not be buried?

This is obviously too dismal a topic to continue. Instead, I checked on how to insure or ensure that the few people who I really cared about after my death would benefit in my death in a way they never benefited during my life. This I found under the "LIFE INSURANCE" section. Since I had refused to buy the burial Insurance, I thought the purchase of a "life insurance" program might be a good alternative. First, if I had money to give at my death to someone who benefited from it, they might feel obligated to at least get rid of the body. Second, I simply liked the sound (Life Insurance). Here is the rub. It may increase one's life expectancy since the one receiving the benefit may keep you around as long as you are paying the annual 'upkeep' on the policy but there is also the tail risk that they may want to kill you off with the fear that you may stop payments on the insurance. This confirmed my concern as to who really benefits from my death (certainly not me) or to see who really benefits from my lack of payment on the insurance policy. Of course, the Life Insurance company benefits. What they were really selling was "Death Insurance" and if one does not want to pay out on one's death, they have to find a way for one to pay when one is alive and then stop paying as one approaches death. This is why Death Policies required payments to go up as one gets older in order to get you to stop payments (or all would have to pay higher premium during their life. The whole issue of reinsure in which one tries to sell the future value of your death to others and which is opposed by "Death Insurance" companies is for another day).

I was so mad at the 'Life Insurance' or as should be better known as "Death Insurance" companies that I called my government representative. He told me not to worry since I had Social Security that I had paid into and that I was set for life (a sort of annuity). I asked what would happen to the excess money I

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paid in if I died early and would my kith and kin receive the difference. Of course not, he said. Just like a Life Insurance annuity, you do not get all your money back For this to work some of you have to die before you receive the benefits just like any annuity (go back to Life insurance), Social Security success, in part, is not based on you living but on you dying so others may live. I guess someone will benefit from my death after all – as long as it is soon enough. I expect a card of appreciation from all of you or at least a decent burial.

Looking forward to your comments.

Tom Schneeweis

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Comment

“The Man In The Middle” Bee Gees

Thomas Schneeweis

June, 2012

Years ago I had a human resource head from a major Government supplier come into my office and ask for all my B minus students. “Why,” I asked, “I have several A minus students who would be perfect for the job.” “No,” he said. “C students are just not capable and A students would soon realize how boring the job is and move on. I want a B minus student who is just capable of doing ‘good enough for government work,’ who will never ask to move up or ask any questions, who will never leave and who looks forward to getting out of the office on Friday.

There is a well-known “Bee Gees” hit called the ‘Man in the Middle.’ It speaks of a Man with nowhere to go, a solitary Man. Well, OK I understand the Man in the Middle part, I just disagree with the solitary part. From my work experience there is no single Man in the Middle; that is, for every firm there must be a number of Men in the Middle (MIM) and moreover they do have places to go it is just, more often than not, they do not want to go there. So, what is the point? Last month I had one of my academic friends, a Professor of Management, stay with my wife and myself. Since all of us have published in the management area we discussed management stuff including areas of management which we believed needed further exploration. I opined that I, as an individual who, in addition to his academic career, had started several firms (some successful some not) which often grew to approximately 50 individuals, my principal problem was not with the employee who just did not get it and never would (one never gave them a difficult job, just one that needed doing) or with the individual at the top of the curve (they often had to be constrained like a good race horse and sooner or later they would leave the barn anyway). The

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problem was with the “Men in the Middle” (MIM), those individuals that one of my friends calls them, the Thank God it’s Friday (TGIF) individuals. The individuals who do their job, who never want that job to change, and who looks forward to the end of the week so they can get to doing what they really want.

Herein lies the problem. In today’s world things change. Well at least in my world they change. The question remains how do I get the ‘Men in the Middle’ to move forward. Now I realize that there are costs to having the “MIM” move forward. Years ago I had a human resource head from a major Government supplier come into my office and ask for all my B minus students. “Why,” I asked, “I have several A minus students who would be perfect for the job.” “No,” he said. “C students are just not capable and A students would soon realize how boring the job is and move on. I want a B minus student who is just capable of doing ‘good enough for government work,’ who will never ask to move up or ask any questions, who will never leave and who looks forward to getting out of the office of Friday (The TGIF worker).” His firm is a large one, well over 1000 employees. My firms, in contrast, have been at the 50 person level. Now the size of the firm is really not that important since, in my experience, large firms are just a series of 50 person firms. They have X individual reporting to them and those individuals have X individuals reporting to them and so on and so on. So, my problem must be similar to most firms which face change and for which ‘good enough for government work’ is not a solution.

I had a meeting with my employees last week and I summarized the above and asked for their ideas. Here is the scary part, for some (not all) they responded that it was not their problem. In fact, it was mine. I had hired them knowing who they were and what they could (or would do). “Just try to fire me,” someone said. “They were stakeholders in the firm and I had the obligation to find a way for them to fit in.”

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I came to realize that the Bee Gees were right. Their song really was about the 'Man in the Middle,' it was just not about the 'Men in the Middle.' It was not about the average 'TGIF' worker. It was about me; that is, the head of the firm, the solitary man, the man with nowhere to go. I can hardly wait for the weekend to get to work.

Looking forward to your comments.

Tom Schneeweis

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Comment

Not Too Big to Fail But Too Small To Succeed

Thomas Schneeweis

September 2012

In short, face reality. The same thought was expressed by my Uncle Bill, a small man but with big ideas. He spent most of his time at the racetrack where he made a living ‘on a single’ constant: The race does not always go to the biggest and the fastest but it is the place to put one’s bets.”

As we slowly work ourselves out of the impacts of the “crash of 2008”, one of the enduring financial impacts, is the governmental attempt to reduce the size of financial institutions in the belief that we must have firms which are “Too Big to Fail” and could, if they collapsed have “Systemic Impacts” (a cascading impact on both financial, industrial, and service firms through the economy). Simply put, it was time for the government to get these financial firms down to size. While I understand the theory, I have concerns over the impact. I understand the potential negative impacts of monopoly and even oligopoly on economic growth. I also am reminded of what I had read in in my high school English Class. In Cervantes “Man From La Mancha” Sancho Panza (his faithful sidekick) was charged with governing a small state in Spain. When asked how a particular ruling would impact ‘the litigant’ he points out “Whether the Rock Hits the Pitcher or the Picture Hits the Rock, it will be bad for the Pitcher.” In short, face reality. Sometimes even if you win you lose. The same thought was expressed by my Uncle Bill, a small man but with big ideas. He spent most of his time at the racetrack where he made a living ‘on a single’ constant: The race does not always go to the biggest and the fastest but it is the place to put one’s bets.”

When I expressed my concern to my Uncle Bill about the government’s efforts to right size the economy, he reminded me of one of the childhood stories he had read to me in my youth. He pointed out

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that the government was searching for a Goldilocks' effect, that is, one in which the soup was not too hot and not too cold but was just right. A world in which the bed was not too soft or not too hard but just right. Of course, he pointed out that in one telling of the story, the bears came home found little Goldilocks and ate her immediately. They went back to a diversity of soups (some hot, some cold and some just right) and beds (some hard some soft and others just right). Sometimes we have to accept a world in which Big and Small each have their place and here is the hard part, the small have to learn to live with the big or as Bill Murray so aptly put it in the Classic Movie Meatballs'; it does not matter how hard you work or even if you win at times; in the end the wealthy guys will get all the girls. This is where my history class in college fits in. I remembered that the real development of banking legislation in the late 1890's was an attempt by large banks to overcome the impact of small unregulated small banks. In fact, the rise of government intervention in the early 1900's was more of an attempt to protect the large from the small rather than to promote the small. Moreover, the changing government policy from the 1980's DIDMCA act onward was an attempt to help make banks and financial institutions competitive with other. These acts helped evolving financial institutions to diversify into areas of financial growth so they could compete with other global financial firms and provide the financial innovations so that see banking disintermediation was less likely to occur. We have even seemed to have forgotten that many of the problems that the large financial institutions met with in the recent financial collapse were caused in part by the encouragement by government for them to take over or engage in certain financial activities.

In short, I see a series of Déjà Vu coming toward us. The U.S.'s attempt to reduce the potential impact of certain financial services firms (as the European attempt at transaction taxes to impact various financial services) may simply come back to haunt us as other firms outside the reach of our government

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work to create a set of financial service firm which are capable of meeting the services required. This I do know; the future may be in creating firms which are Too Big To Fail but Small Enough to Succeed.

Looking forward to your comments.

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He has more than forty years of experience in asset management including President of a firm (Schneeweis Partners) which specialized in 'bespoke' structured finance and Director of Research at Ursa Capital, LLC which managed an approximately \$4 billion hedge fund managed account platform. He has been managing partner of a managed futures fund (White Bear Managed Futures Fund) as well as an equity long short hedge fund (White Bear Equity Long-Short Fund) and President of an approximately \$1 billion commodity-based investment firm (Alternative Investment Analytics). For over thirty years, he also was on the Board of Trustees of the AMG Funds (a retail distribution arm of Affiliated Managers Group, Inc., a world's leading provider of boutique investment management expertise to institutional and individual investors).

He is also currently President of Quantitative Investment Technologies, LLC an investment management firm specializing in downside risk management and investment strategy replication programs (Email: thomas@quantinvesttech.com and website: www.quantinvesttech.com) and the founder of TRS Associates (Email: thomas@trs-assoc.com and Website: www.trs-assoc.com), a financial consulting firm. A collection of his other publications, comments and current writings can be found through his personal email: Trschneeweis@gmail.com or at his personal website: www.thomas@tschneeweis.com.

Comment

The Game of Fiscal Cliff: Part I

Thomas Schneeweis

December, 2012

The New X Box Game and Or Board Game: The Fiscal Cliff – The Goal to avoid all of the following while in search of the one object which would save us – The Moral Compass.

Part I: The Search for the Moral Compass

Abstract: When faced with the “Fiscal Cliff” we were confronted with a “Wall of Worry.” Fortunately at the bottom of the Wall there was an opening. We crawled through the “Hole of Hopelessness” and came out refreshed that we had escaped the “Cave of Calamity.” We at once traversed the “Benign Bog” and set sail across the “Gulf of Gullibility” through the “Fog of Fallibility.” We believed we had been delivered until we heard the “Fatal Fall” which led us over into the “Drop Dead Deficit.” More trials lay before us; the “Senate of Senility,” the “House of Horrors,” and the “Cabinet of Confusion.” Moreover, to reach our goal; the “Congress of Confidence” with the “Signs of Sensibility,” we would first need to find our trusted Moral Compass.

A Moral Compass for the Fiscal Cliff

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Rise Above/Ethical Actions

(You Pay More Tax and Get
Less Services while Accepting that Others
Will Pay Less or No Tax and Get More Services

W **Total Neglect**

(Everyone Pays More Tax
And Gets Less Services)

Remain the Same

E

(Put Your Head in the Sand
and Hope for a Miracle)

Sink Below/ Personal Benefit

(Have Others Pay More Tax and
Get Fewer Services While You Pay Considerably
Less Tax or No Tax and Get More Services)

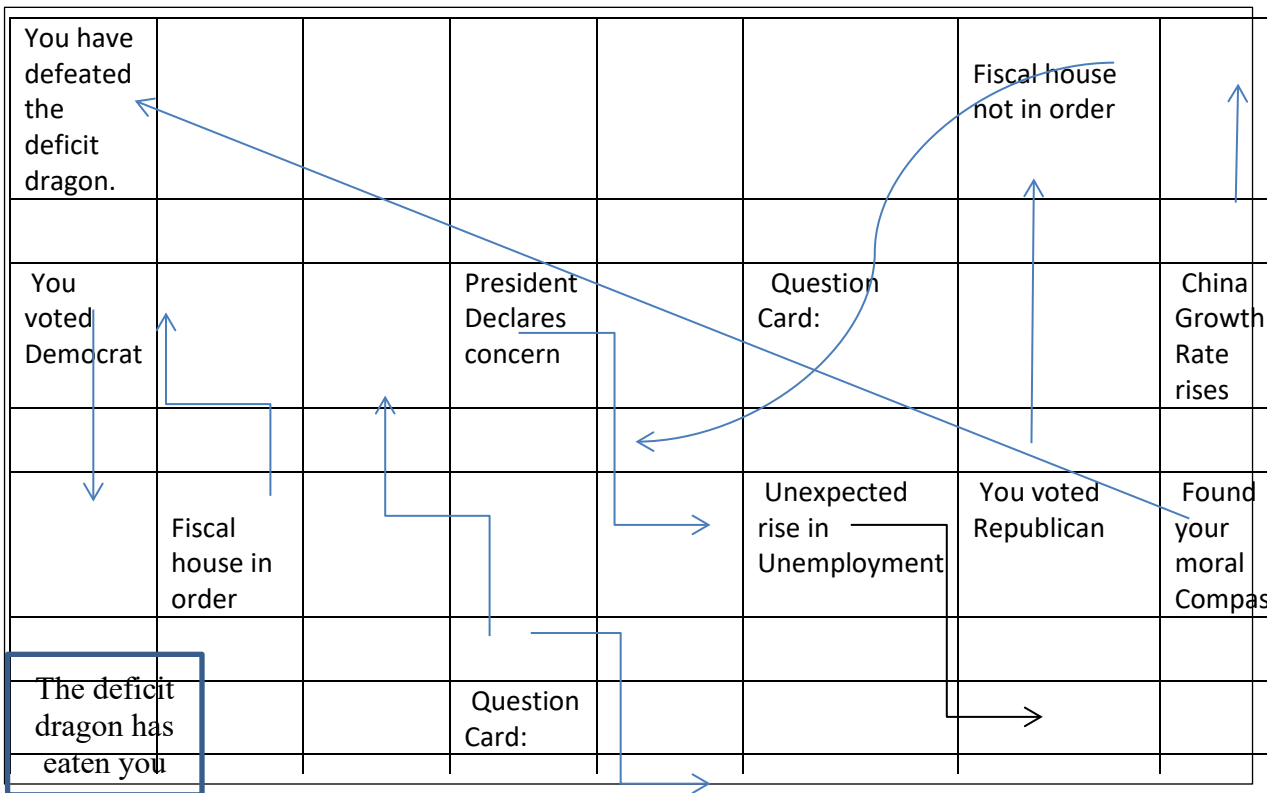
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Part II: Escape the Deficit Dragon: To be Released – March 2013.

Last month, I, somewhat tongue in check, attempted to address concerns I had as to the ability of Congress or the President to Escape the Deficit Dragon by finding a solution to the Fiscal Cliff. Fortunately, I left myself an out with the belief that they would fail to find a ‘principal solution’ due to their reliance on “Principle.” We now have a number of months to reach a new solution. The road to a solution will not be easy and individuals often respond that they often disagree on the impact or fail to sense the real impact of their decisions. Perhaps one needs a more visual representation of the potential battle ahead of us and one which our representatives (given their age) are more familiar with as that attempt to find their moral compass.

The Fiscal Cliff - Chutes and Ladders: The Ups and Downs in Defeating the Deficit Dragon



Needs: Two Dice (one red (negative) and one black (Positive)): Add dice to determine move forward or back (if you can't add use optional spinning dial)

Cards: (move up X spaces or back X spaces based on Answer): Examples

1. What is National Debt
2. Debt as % of GDP
3. Medicare Costs
4. Number of T Party Members
5. Number of individuals who know name of President
6. Differences in Principal or Principle

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