Comment

Investment Basics Redacted: Everything You Wanted [redacted] to Know About [redacted] Investing

Thomas Schneeweis
March, 2019

This article is 'Not" about What to Say and How to Say It. It is about how to say something about something you do not know something about without embarrassing yourself or others. The secret is simply to hide the truth and the easiest way to hide something is simply to hide it.

Recent events surrounding the President as well as the Congress and various government agencies, has led me to rethink about how I communicate with my associates as well as my clients. Often If receive emails or phone calls asking my opinion on something. Regardless of my level of knowledge on a subject I have found out that they expect an answer. The most recent request was my thoughts about Investment Basics. In order to ensure that I offend no one or that I do not raise issues better left for another day, I have taken the lead from my governmental officials and 'redacted" those parts that my response that offend others. The following discussion centers on:

Investment Basics: Everything You Wanted [redacted] to Know About [redacted] Investing or Investments Dedacted, Redacted or Inacted.

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For most investors, investing is about how [redacted] to invest and what to invest in. For most investors, the answers are [redacted] simple [redacted]. One invests through a trusted and knowledgeable local RIA or Broker who provides a complete range of well researched and suitable for investment. Given the background of most investors, these investment advisors [redacted] will fully explain the underlying sources of return [redacted] for each investment and help the investors determine the level of [redacted] return the investor desires and what investments are consistent with the [redacted] return goals of the investor. In the determining which products to offer the investor, the local 'investment advisor' [redacted] relies on products [redacted] for which he has [redacted] direct knowledge of how the products' work.

For many investors, the decision as to what to invest in is basic; [redacted]; that is stocks or bonds. For either type of investment one is often offered a series of investment alternatives such as individual stocks or bonds or products that offer a portfolio of stocks or bonds (often in the form of [redacted]…). Investors are often given a set of material which enables them to determine the relative performance of each product. This is [redacted] determined by looking that the return [redacted] that [redacted] the investor has most recently seen [redacted]. For future information simply email me at [redacted]. You will receive a response from one of our [redacted] knowledgeable representatives who will offer to visit

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you [redacted]. This representative is [redacted] behind you 100%.

For those who were expecting a little more than the above, just remember a comment from one of my earlier instructional videos. “The Truth is Simply a Lie Well Told” or as Red Green would advise; “Keep your stick on the ice. We are all in this Together.” For the advanced investor, just fill in the redacted elements. Answers will [redacted] be provided upon request.

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).

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Comment

The Last Wave: A Simple Proposal for an Aging Population

An Economic Solution

Thomas Schneeweis

June, 2019

What is to become of the aging population as the wave finally washes ashore? Will aged religious pamphlet sellers outnumber the previously nimble umbrella salesmen on the sidewalks of New York. Will aged muggers grasp as often but miss even more often. Meanwhile as the young become increasingly bitter over their role of care providers for this aging mass of humanity, what is to keep them from abandoning us or us from committing 'ageacide'? The solution? A hint: the Ant was wrong the Grasshopper was right.

Not withstanding, MTV, rap music, and hats worn backwards, we, as the entire world, are growing older, both absolutely and relatively. By the year 2020, the number of Americans over 60 has increased by over 25%, in the UK the number will have grown from 25 to over 35 %. Other dramatic increases are found throughout the globe. Think of it, in many countries (UK. Ireland, France . . .) one-third of the population will be over 60. Already we support senior golf, senior tennis, as our population wave ages and crests, we can anticipate watching the elder tours complete with wheelchairs and loudspeakers for the hearing impaired.

What is to become of us as this wave finally washes ashore? Will aged religious pamphlet sellers outnumber the previously nimble umbrella salesmen on the sidewalks of New York. Will aged muggers rasp as often but miss even more often. Meanwhile as the young become increasingly bitter over their role

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of care providers for this aging mass of humanity, what is to keep them from abandoning us or us from committing ageacide?

The solution may simply be in the old (no pun intended) idea of reversing the time of our participation in the work force. Simply put, one plays from thirty to sixty and works from sixty to ninety. As one who has spent most of his thirties and forties inside corporate prisons, I but wished to be outside sailing and skiing. I looked forward to retirement only to find I was no longer capable of reliving my youth. As an aged man of seventy I now find myself longing for the air conditions office, the three martini lunch, the week long trip away from my wife and grandchildren.

What I ask for is simple. To work in my dotage and play in my youth. What of the story of the grasshopper who wastes his\her youth in gay abandon only to find there is no hope in his golden years? What ant who saved in his youth but in his/her dotage found the playground closed. Would the ant not wish to return to their corporate prison? In truth, I see none of my contemporaries who desire to spend another hour upon the park bench. Give them a duty, a task and watch their eyes light up. Moreover, the youth would be relieved of the burden of learning specific skills only to have those skills no longer required as they age. If the aged learned these skills in their seventies by the time the skill was no longer required, they are more likely to be dead. Surely, the thunder of the aging population wave is really only a message. "Free the youth to play and free the aged to work." Let's get us off the golf course and back into the air condition offices where we belong. Just remember the Aesop's classic "The Ant and the Grasshopper" but please put it into reverse.

Looking forward to your comments.

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The Importance of Math Education - STEM: For Dummies
or
Beware Math Awareness Month

Thomas Schneeweis

September, 2019

In the end it all comes down to numbers

For many who read this article, I suspect they are hoping to find that STEM offers some information on 'How to Grow Something out of Something or 'Summer Offshoots…' For others who do not have a life, they may believe that we are trying to refocus us on the importance of new technologies and their impact on our lives or even to learn enough to carry on a conversation with their kids when they bring home their "Math Awareness Month' project. Note my kids did not expect me to have a discussion on any project they were prepared to do. They realize that we have created a World in Which we are simply no longer needed; We are not needed in Science (S), we are not needed in Technology (T), no one needs us in Engineering (E), and we are certainly not needed in Math (M). For others, such as myself, I left the dining room table with the full understanding that I was no longer needed as a parent.

This End of Life Scenario is the result of our own doing. We are all carrying with us the cause of this destruction – The Cell Phone and the World Wide Web. Want to know something about some disease, just Search for it. Want to Know How to run any new machine just go to WWW.UserManual.org. It is all there. Engineering or how does something really work. Simply Put no one cares. Look for a Car's

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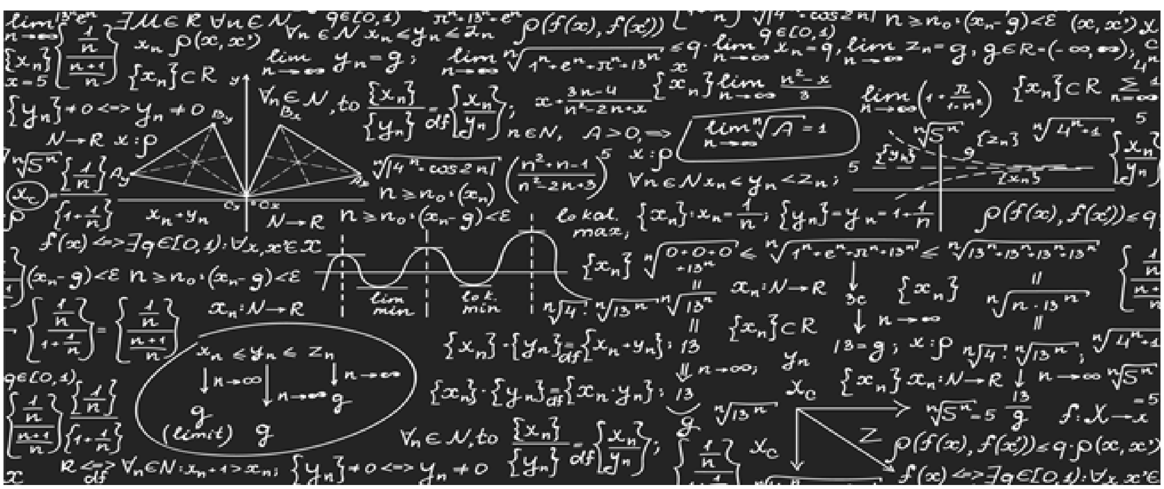
Engine – I almost have no idea what I am looking at and some Cars (those with a long extension cord) don’t even have one. Does anyone really understand how Nuclear Power, Wind Power, or Solar Power works? No one asks how they get started in the morning if there is no Wind, or No Sun (its dark at night) or if the Nerds at the local energy plant decide to go to a Nerds convention. This gets me to the real part of the story. We are never going to learn enough to be scientists, technology wizards or engineers but maybe, just maybe we can learn enough math to have a discussion with our kids at the evening repose. How hard can it be? A recent walk-through Amazon produced a host of Math for Dummies Books but no Science for Dummies, or Engineering For Dummies, or even Technology for Dummies so obviously the “Word” is out.

What did I find out from my foray into the World of Math? I obviously am on the wrong Educational Channel. I should have been on the SYFY Channel. This stuff is from outer Space or at the very least Today’s Math is something entirely different from the old “One plus One equals” or even the X+Y= Z type of stuff. I was even ready to tackle a few [X*X]/(Dm) or somethings with little numbers above them but this is what I got.



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The only answer is for me to open up my old ‘Boy Scouts in the Wilderness’ handbook and learn to start rubbing a couple of sticks together and wait for the Apocalypse. If all goes, as I fear it might, it really will be needed.

Looking forward to your comments.

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Comment

A Sign of the Times

Thomas Schneeweis

December, 2019

How one communicates reflects much of that person. How one reacts to the form of communication and as important what it is trying to communicate says as much about us. In short are we looking for a Positive message (+) or are we simply negative (-) about whatever we hear.

In recent weeks, financial pundits, commentators, academics as well as the man in the street, has been amazed, amused as well as confounded by the existence of negative interest rates. It is not that the existence of negative numbers is unknown to the average person. Everyone has an old exam in their attic that has a large -10 or -5 (usually in red) at the top of a page of one, signifying less than something; less than perfect, less the “some number”. Most individuals have even come to accept negative in their daily life as a concept of owing something to some one else, usually in the concept of accounting so that what I owe may balance out what is owed to me with the hope that the difference or at net is positive (if I owe more than I am owed the future is bleak with all of its “negative implications”).

I hope the reader has noted a subtle or not so subtle shift in the use of the negative – we have moved from the concept of the negative sign as a mathematical concept, accounting, or financial concept to one of “psychological meaning.” Even more importantly, we, as a people, are increasingly coming to accept it in everyday life. According to Wikipedia, the earliest use of negative numbers around

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3rd or 4th century BC in Greece (primarily among philosophers for whom such concepts were fun playthings since the ordinary merchant could not waste his/her time on it (for all readers I am politically correct in the use of his/her although historically inaccurate since in truth there were very few women merchants in Greek times with the exception of a few priestess at a place call Delphius – but let us continue). It was the responsibility of the Chinese around zero (that between BC (Before Circuses) and AD (After Dem) Circuses) to bring negative number into every day us. Some Western writers maintain this was consistent with the Chinese view of the duality of the world (Yin and Yang ….). In any event it took over 1800 years for the concept to win over Western minds to accept negative numbers as "no longer absurd" or something beneath or inadequate compared to natural numbers (1, 2, 3, 4). It took in fact the growth the calculus which required negative numbers in its formulation before the Western world came to accept their use and began to accept numbers such as zero or -2 in their everyday activities.

Now accepting does not mean "Accepting." Just as 'accepting' negative interest rates does not mean "Accepting" negative interest rates. To many people their existence reflects something absurd (if negative prices is going on somewhere, some place, somehow and someone should be tasked with finding out who or whom is benefiting (back to our positive number on the bottom of the right-hand side of the balance sheet). But back to the point or " - sign" of this Comment. The concept of negative numbers has been in existence for over 2000 years; however, its development was as much a sign of the development of man's everyday life as it was his everyday mind. Moreover, only when the everyday need for the concept evolved did our mind come to accept it as part of everyday life. Today the acceptance of the "-" as in "negative interest rates' is indicative of a changing psychology and it should

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be of concern to us all. Prior to the modern era, no one in western civilization was concerned with negative numbers because we believed we were either damned or given a free pass to heaven so who cared. As we entered the 19th and 20th century everything looked positive, so the concept of negative was an inconsequential part of the equation of life as in the common comment "don't be so negative". Today the "-" is a common part of everyday life since the negative dominates all activity. We see the negative before the positive. Individuals carry the negative (e.g., Covid-19) with them, they pass it around. If the negative is in every part of our everyday life, why not in interest rates as well. It may be just a sign "-" of the times.

Looking forward to your comments.

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Comment

The Others

Thomas Schneeweis

March, 2020

When one is writing about the past, one must make choices as to what to leave in and what to leave out. Of course, one leaves in what one thinks is important and leaves out what one thinks is less important. This is not to say that those who are left out were unimportant just that they were not as important as those whose actions or ideas that were promoted. The unfortunate result is that what we sell as of primary significance of the moment is found later to have little if any lasting impact while at times what is originally cast aside is later to have been discovered to be of primary importance. So, what is a person to do? I suggest that we create a series of national repositories with the sole purpose of preserving the past for potential future use. These repositories could include a "Center of the Ordinary."

When one is writing about the past, one must make choices as to what to leave in and what to leave out. Of course, one leaves in what one thinks is important and leaves out what one thinks is less important. This is not to say that those who are left out were unimportant just that they were not as important as those whose actions or ideas that were promoted. In today's world, what is left out is often later found on the cutting room floor or placed in a vault potentially for future use.

The unfortunate result is that what we sell as of primary significance of the moment is found later to have little if any lasting impact while at times what is originally cast aside is later to have been discovered to be of primary importance. So, what is a person to do? I suggest that we create a series of national repositories with the sole purpose of preserving the past for potential future use. These repositories could include a “Center of the Ordinary.” This institution is where old ideas would go to die but could are kept alive for just the chance that they may be of value some day into the future. The Center would be staff by individuals who had direct experience with those objects regarded as no longer of value. This list includes push lawn mowers, cranked based phonographs, various manuals such as ‘How to grow you own, make your own…….” Much of this may have value if the world has to return to a simpler life in a post ‘environmental’ crisis landscape. We also need a “Government Bureau of the Castasided.” The individuals who manage or monitor this center should themselves be the ‘castaways’ of society. What better individuals to know what it feels to be considered of little immediate benefit or importance but who know deep in their soul that they have value. The offices I presume would be deep underground since current society does not want to be reminded that it shows little concern for these individuals or what they promote. I need not remind the reader of the ‘Twilight Zone’ episode that after a global conflagration the castaways were the savors of the world (also I wish to remind others of the WWII TV program where the patients of an Italian Sanitorium were release and took over the devastated city. They later returned to the ‘looney’ bin when they found out they they were saner than any of the populace of the city).

Lastly, I am calling for an official “Office of the Other.” Most successful ideas are successful because they are felt to solve a need of the moment or are of such low immediate cost that they shove aside more interesting and perhaps more valuable but costly long-term solutions. As important, many successful objects have additional uses which while not primary, have ‘Optionality’ in other states of the world. Rod Sterling had several episode of Twilight Zone where individuals found themselves on other worlds where what was significant on our world is of no use on the ‘other’ world and visa versa. I remember one episode in particular where the newly arrived were very concerned since they had no

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glasses, microscopes, … Only to find that the populace of this planet was like us in every way but had no eyes.

As the editor of an academic journal for over twenty years as well as filling up the pages of other journals for over 40 years, I understand how many ideas I read that were certainly more interesting and perhaps would illicit more ideas of value but just could not make it past the "top five'. I wonder about the academics who but for that one article would have gained tenure and move on to great renown. I wonder how many "black swan' events were passed over simply because one had to get home for dinner. This "Center for the Other" would provide an annual award for what was once regarded as secondary but now is seen as vital for the future of its field. Perhaps a TV show could find its way onto the airways in which for every successful idea we provide the "ordinary idea" it replaced, the idea that was not fashionable and "castaside", or the object was simply rejected for a number of "Other" reasons. Just an 'another ordinary idea' that is obviously not in fashion and will probably be castaside for a number of "Other Reasons".

Looking forward to your comments.

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Comment

Walls Make Good Neighbors

"Something there is that doesn't love a *wall* ." Mending Wall, Robert Frost

Thomas Schneeweis

June, 2020

In the great U.S. 'Wall Debate,' the issues often come down to culture and money. Some argue that it is against our culture to create such a barrier. Simply put, we are a country of inclusion not exclusion. Others argue that it simply costs too much money and the resources spent could be better used elsewhere. In short, money matters. I would beg to differ with the proponents of either concern (culture or cost). I maintain that such a wall could be built that is exactly symbiotic with our national culture and at little or no cost to the U.S. Treasury. As to those who have concern as to what the wall would mean to the "American Brand," what is more American than promoting the American Experience.

Given the number of important issues that government, business and the public airwaves could be covering over the past several months, it amazes me the amount of time spent on the proposition that we create or extend a portion of a barrier that is used to divide the southern border of the USA from Mexico. In the famous poem "Mending Wall" by Robert Frost, it is stated that "Good Fences Make Good Neighbors." However, even in that poem many individuals have different interpretations of the Poem's meaning. Some see the poem as pro wall and others as anti-wall. The disagreement continues. To the point of this comment however, for most keep other people out or keep some people in. There are many examples of such walls. They include such historical edifices such as Hadrian's individuals, one's support or concern is based on where it is built and what is its intended purpose. Sometimes barriers are simply to demarcate a line of ownership. At other times they are meant for more serious purposes such as to

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wall (a line of demarcation), the Berlin Wall (keep people in) and the Great Wall of China (keep people out). All exist today and all in various stages of repair.

In the great U.S. 'Wall Debate,' the issues often come down to culture and money. Some argue that it is against our culture to create such a barrier. Simply put, we are a country of inclusion not exclusion. Others argue that it simply costs too much money and the resources spent could be better used elsewhere. In short, money matters. I would beg to differ with the proponents of either concern (culture or cost). I maintain that such a wall could be built that is exactly symbiotic with our national culture and at little or no cost to the U.S. Treasury. As to those who have concern as to what the wall would mean to the "American Brand," what is more American than promoting the American Experience. The great American Monuments (Lincoln Memorial, Black Hills memorial ….) are on every 'National Bus Tour" agenda. Some might argue that those Monuments are inclusive not exclusive, but we can turn the focus of the "U.S./Mexico" wall from an exclusive monument to one which tells a more positive vision of the Mexican/American Experience. Along the Texas boarder it could be renamed the Santa Anna Memorial (the memorial could include films such as the Alamo as well as those more favorable to the Mexican view). Near New Mexico/Arizona we could have special sections which focus on Pancho Villa and his attempts to promote democracy including an annual film festival with "Viva Villa, the Wild Bunch... ". Near San Diego the memorial would promote an entire a film center dedicated to the eradication of drugs with films such as Cocaine Cowboys. In short, the barrier could be used to create closer sense of community between Mexico and the U.S. and could be a 'Memorial" which is used to unite our historical cultures.

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As indicated above, some would argue that despite the benefits of using the wall to confront past and current cultural issues (see Berlin Wall), the cost would be simply too much. Where is Trump's commitment that the Mexican's pay for it? In my proposal, they will but so will everyone else. The Wall can be built not only to encourage an understanding of our joint history but in a way that encourages Americans, Mexican, European, and Asians to visit the barrier and use some of their hard-earned money in that visit. How many Americans go to China without a visit to the Great Wall, to Germany without a visit to the Berlin Wall, etc. Of course, we could use our own national talents to promote the Wall. The Wall could be built to encourage its use as a 'Thrill ride a al Disney land' (which has its own wall to make sure those who do not pay cannot visit), the Rio Grande could be re-routed or dammed to promote water park entertainments, hotels would have to be built for visitors and 'coffee' huts and visitor support services would have to be encouraged. The pros are endless.

'What is more American than wanting to good deal at a low cost and which promotes the American brand of an honest pro-business future which also includes a vision of inclusion, education, and entertainment …. Viva la Wall.

Looking forward to your comments.

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Comment

The Facts and Figures of Income and Wealth Transfer

Thomas Schneeweis

September, 2020

Figures Don't Lie Especially A Really "Good Looking" Figure

In recent months, the question of the benefits of increased income and wealth transfer has seen renewed interest. Some government officials have proposed a 70% tax on incomes over $1,000,000 while others have supported an increased wealth taxes on individuals with a net worth of over $10,000.000. Here is the issue. As has been said "Talk is easy, but actions cost money." More importantly, there exists a large segment of Americans who feel they are not in line for or have been excluded from the American Dream.

Why not $250,00 for an individual and $1,000,000 in net Worth for the household? If it is right for the upper 2% why not they upper 20% and if 70% of income or 50% of net worth is not enough why not 100%. Now to be honest since above the plans target individuals that do not cover most individuals. Now I have now retired. So since I am or will soon be in the getting more fact I am benefited by income and wealth transfer. But I understand the problem. So I adhere to the Story of Socialism when an individual has asked if they supported anyone with 20 goats to give half of them to those with no goats, he said yes. Did he support sharing 10 goats, he said "Yes". Did he support sharing 2 goats? He said "No." Why? he

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was asked. Because I have 2 goats he answered. Any rational person would like to get more than they give, as long as there is no major cost or impact to society.

OK, no one cares for any of the above. Many individuals with less feel abused or taken advantage of. In short, “Why should they have so much when I have so little.” Ok away with the Rights and Wrongs of Wealth differentials, if we proceed with income and wealth redistribution that really affect Americans (100% of all household income above $250,000 and 100% of all income above $1,000,000 for an individual).

1. From Wikipedia, Annual U.S. budget (Approximately 5 Trillion).

2. From Wikipedia: the number of households with an income over 250,000 is 3757 (in thousands) with a mean income of $400,000. In short if one had a 100% tax on all households with more than 250,000 one would only receive $1.5 Trillion or less than three months of the budget and would only cover this year’s deficit which is expected to rise (1 trillion). millionaires would only fund government for less than ½ a year. The current annual U.S. budget is near 4 trillion a year. In short, taking all the money would not offer new services to others unless one were willing to keep the deficient at current and future levels.

3. Wealth transfer: Okay if taking all the money from individuals with greater than $250,000 does not do it what if we take all the money from individuals with a Net worth of more than Let us Say $10,000,000 (That is everything, house, land, savings, jewelry …). There are approximately 15,000,000 households or one would get almost $15 trillion. But that is a one time gain and would only cover three years of the current budget and less than seven years of the future deficit. Even worse if one passed this law the net worth of the above $1,000,000 would collapses as individuals had to sell all or transfer it to the U.S. Who would it sell it to and no one would ever act to have a net worth above $10,00000 in the future. (The money that the U.S. gains form a 100% wealth tax decline dramatically as one raises the level).

4. In short, the lower income households deserve basic levels – but who are the poor (e.g., less than 25,000 with kids or without), what services (free college or just trade school – how much and where and what if colleges or trade schools increase tuition since someone else (government thus the taxpayer) pay for it – by the way this happens – costs go up if the government provides it). even if one did the above please read Wikipedia – certain states get more while certain states loose more so if certain individuals in certain states want current levels of services state income taxes would have to rise to meet current needs (by the way: Minnesota is one of them – Sorry).

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Ok there we have it, 100% of all income above $250,000 for a household, 100% of all net worth above $1,000,000) has little impact on paying for long term U.S. budget or budget deficit. Even if one believes there is no impact on U.S. Growth or Asset Values. U.S. citizens deserve better plans (grow real income by education, efficiency). Plans have impacts, show me the numbers not just the word of mouth. In short, full transparency is required.

Looking forward to your comments.

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Comment

Capitalism in Question: Where Did Management Lose Its Way?

Thomas Schneeweis

December, 2020

One of the most pivotal novels written is Cervantes' Don Quixote. From this book, one may come to realize both the foolishness and utter waste of time it is to tilt at windmills yet to admire the effort of those who do. We all have a little Don Quixote in us. . Lastly, since we are supposedly attempting to describe a world as it is and to let others define it as it should be, our profession should attempt to try to best describe how to improve the management process as it fits into a world in which 'in the long run' success depends on cost and quality and in which the management process is a primary determinant of that cost and quality.

One of the most pivotal novels written is Cervantes' Don Quixote. From this book, one may come to realize both the foolishness and utter waste of time it is to tilt at windmills yet to admire the effort of those who do. We all have a little Don Quixote in us. . As both an academic who has published numerous articles both in top level finance and management journals and as a practitioner who has run several successful for profit and not for profit enterprises, I realize that finance people finance, accountants account, marketing people market and hopefully, managers manage. Also, I have come to accept that all discourse is in some sense political, however, I also believe that we should be forthright in what those sentiments are and in our own limited world, attempt to detail the first order and second order effects of our actions. Lastly, since we are supposedly attempting to describe a world as it is and to let others define it as it should be, our profession should attempt to try to best describe how to improve the management process as it fits into a world in which 'in the long run' success depends on cost and quality and in which the management process is a primary determinant of that cost and quality.

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It is in this world of business reality that I recently had the opportunity of reviewing the agenda and sessions in the August 2013 ‘Academy of Management Annual Meeting’ in Orlando, Florida in hope of finding some examples of how various management theories may increase my opportunity for success. The theme of the conference was “Capitalism in Crisis.” Now I like a good joke as well as the next person. Given the host of ‘real’ issues surrounding management and management theory (globalization of the workforce, impact of regulation on corporate form and structure, education and its dissemination globally, religion and its impact on management structure, … and all the aforementioned potential impacts on the cost and quality of production, what I saw was an agenda and a program right out of the “Grapes of Wrath” in which the ‘management industry’ must join with other ‘academic and practitioner leaders’ to help the workers of the world to correct what supposedly has been the obvious failure of government and the business world to provide ‘a good job at good wage’. Management luminaries such as Gar Alperovitz were invited as Keynote Speakers to provide their unique insights.

OK – all well and good so far. As I said I like a good joke as well as anyone (Last week I was asked to attend with some fellow academics a workshop on the Prospects for Academic Austerity hosted at our local Lord Jeffrey Inn (wine included)). Now I have learned to live in a world of the Washington Lie, in which you lie as to your real vision; I understand that you lie and you know that I know that you are lying. In this case, the Annual Academy of Management meeting provides me with the opportunity to meet with my fellow academics, financed by the taxes of the working class (and in some cases the taxes of those that don’t) while feeling that I am “one with the people and their struggles”. At the very least, I can sit in on seminars while sympathizing with the Joads (see Grapes of Wrath) and feel the pain of their struggles vicariously.

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For those who think I exaggerate. Simply look through the ads of the various corporate bodies which supported the Annual Academy meeting – No capitalism there! Think of the hotel rooms, airline tickets at reduced rates for the participants for which, I suspect, few of the savings found their way to the working poor. And while Orlando in August may not be regarded as a 'choice location,' I do believe the rooms were air conditioned and the pool full of water, and if one wished to, one would attend a seminar or two – such as the following (and I do not joke):

Agenda: Section A page 15: "Finally the division has a special PDW (author's sidebar – I have no idea what a PDW is) planned for Saturday Aug 10 entitled Disney's Epcot History and Experience. This experimental workshop starts at the Disney Yacht and Beach Complex at 2:00 pm with a presentation by past and present Disney staff on the history and the management of the magic at Epcot. At 3:45 pm (author's sidebar: that is 1 hour and 45 minutes of magic) participants will be escorted to Epcot for a "Magic of Epcot" scavenger hunt where participants will be organized into small groups to see and learn about the unique features of Epcot that make the guest experience magical. After having dinner on their own, participants assemble at the United Kingdom Pavilion Lochside Terrace (on the France Pavilion side of the UK) for a special water front viewing of the illuminations fireworks and Reflections of Earth Program which ends the day at Epcot with a *sumptuous (*Italics mine) coffee and dessert Buffet (author's sidebar:: better have left some room after dinner).

Please, reread the above. I was not there but I have to presume both John Steinbeck and Peter Drucker are turning in their graves for different reasons. What I failed to see in the 496 pages of the agenda PDF was a focus on ways in which management theory can 1) change the management process in those high schools which fail to graduate 50% or so their high school students, 2) determine the means by which educational management specialists can encourage the 50% or more young women (who lock

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themselves out of the highest paying future jobs (STEM jobs) by the time they are sixteen by failing to take the requisite math and science courses) that enable them to enter their University specialty, 3) discover various management techniques to insure that U.S. corporations can continue to compete in a world of intense global competition or 4) determine if one should even question the idea should America "Management Academics" help the America worker compete in contrast to helping the Korean (or put a country here) worker compete for the good of the global downtrodden.

I may have to wait until this year's meeting in Philadelphia, Pennsylvania (the birthplace of American Democracy), where the 'central focus" is "The Power of the Word." I am not holding my breath to see if by "Power of the Word" they mean the Declaration of Independence. If not, I would like any contemporary management theorist to remember that the "Word" in 'Academy of' is *Management* and if they wish their 'industry' (and it is an industry) to continue it must focus on providing 'management solutions' and not "discourses on discourse." If not I can only hope that some young, energetic group of academics will start their own TEA and/or TEAM Party – Teaching Executives Accurately on Management.' If we continue to spend hours and/or pages on "Capitalism in Question" or "The Power of the Word" I suspect the "Epcotian Magic" of Management (or at least the Academic Version) will disappear as it rightfully should.

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Comment

The Tail of Two Months

Thomas Schneeweis

March, 2021

If we must relive bad experiences to learn for the future and the potential for good experiences, must we also relive good experiences which suggests we must expect bad experiences which leads us to better understand future good experiences which leads, to …….

I have been told that being forced to relive a bad experience is never good for the soul, unless it can help us in the future. December, 2018 was a bad experience for most equity investors. So, the question must be asked why relive it. In truth, while in December, investors in most traditional long only equity investment such as the S&P 500 experienced negative returns; there were equity based investments that reported positive returns for the month and many equity based investments that did not experience returns as negative as the S&P 500 and here is the good news, their relatively less negative returns were expected.

These equity based instruments were constructed so that they would perform less poorly than the S&P 500 in extremely negative equity markets. Equity investments such as Equity Long/Short are constructed to have investments that generally make money when equity markets decline and as shown in Exhibit 1, our two sample ELS securities had fewer negative returns than the S&P 500. Similarly, Collared Put Spreads in which one buys a put (insurance) and pays for it, in part, by selling a call (limits upside return), had fewer negative returns. Equity market neutral investments which pair long and short

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positions so as to have almost no market exposure and merger arbitrage and event driven strategies which also attempt to reduce market exposure also had dramatically lower negative returns.

The Answer is simple, diversify, but diversifying into risky bonds such as High Risk Bonds may not do it. High yield bonds also had negative returns in December. So ask your advisor if they are truly diversified and not just diversified into risky bonds. Simply put, stock and risky bond diversification is not sufficient.

Oh, and by the way, for full disclosure there is no free lunch. January 2018 provides the perfect counter example. In January, the S&P 500 was up dramatically. In contrast, the ELS were not as positive and many of the other alternative investment strategies (merger arbitrage, event driven, collared put spreads, had even lower returns (although never negative). Perhaps the saving grace for them is that many at least outperformed the high risk Junk bond ETF both in December and in January.

Conclusion. Unless you can call the market perfectly and no one can (ask Mr. Buffett) one needs more than just risky bonds to provide diversification in Up and Down markets. Modern alternative investments are also required. Make sure your Advisors understands and offers them.

Looking forward to your comments.

Tom Schneeweis

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Exhibit 1: December, 2018 Performance

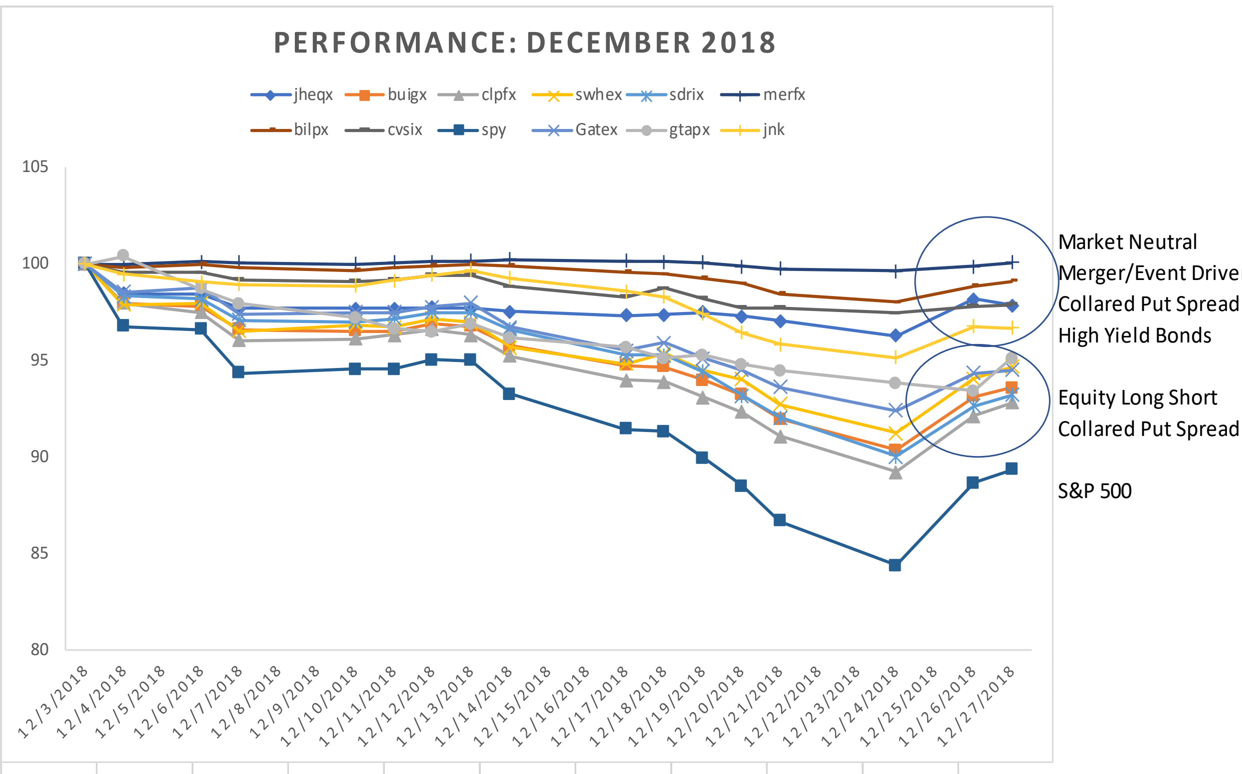

Exhibit 2: January, 2018 Performance

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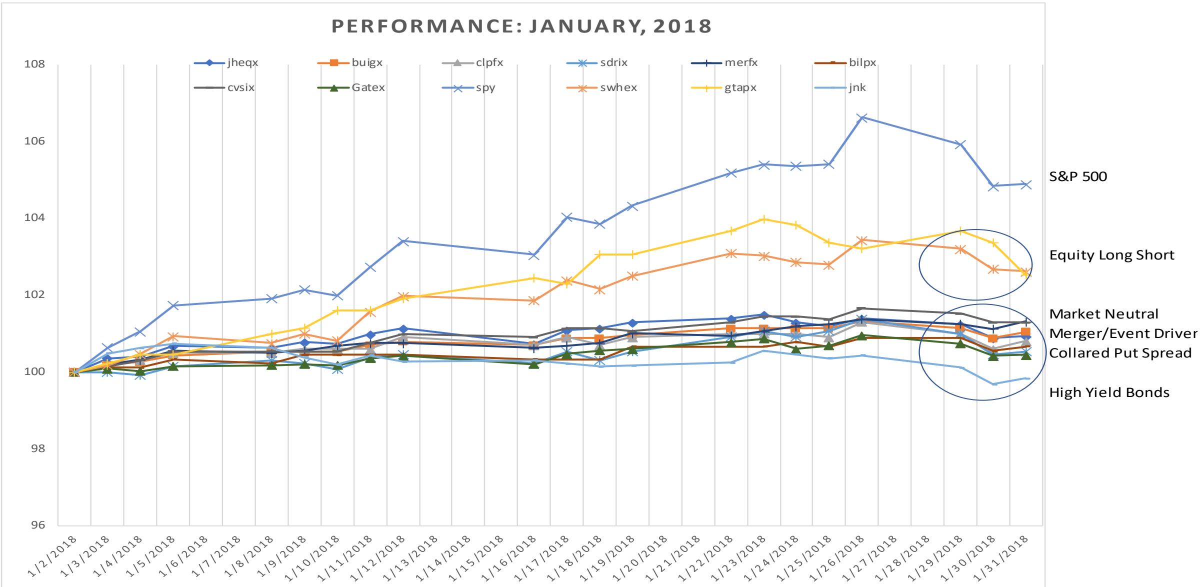
PERFORMANCE: JANUARY, 2018
jheqx
buigx
clpfx
sdrix
merfx
bilpx
cvsix
Gatex
spy
swhex
gtapx
jnk
108
106
104
102
100
98
96
1/2/2018
1/3/2018
1/4/2018
1/5/2018
1/6/2018
1/7/2018
1/8/2018
1/9/2018
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1/21/2018
1/22/2018
1/23/2018
1/24/2018
1/25/2018
1/26/2018
1/27/2018
1/28/2018
1/29/2018
1/30/2018
1/31/2018
S&P 500
Equity Long Short
Market Neutral
Merger/Event Driver
Collared Put Spread
High Yield Bonds

Comment

A Virtuous Circle: The Minimum Wage and Quantitative Easing
Or What Goes Around Comes Around

Thomas Schneeweis

June, 2021

If there has been common economic theme in recent years it has been the wealth disparity in America and ways to correct it. A number of ways have been suggested to get the country going in the right direction. For example, quantitative easing had at its core, the belief that monetary policy could put enough free money in the hands of financial institutions that those bodies would find ways to lend such money to deserving corporate clients who would get the economic engine going with individuals in the train behind it on for the ride.

If there has been common economic theme in recent years it has been the wealth disparity in America and ways to correct it. A number of ways have been suggested to get the country going in the right direction. For example, quantitative easing had at its core, the belief that monetary policy could put enough free money in the hands of financial institutions that those bodies would find ways to lend such money to deserving corporate clients who would get the economic engine going with individuals in the train behind it on for the ride. While unemployment has decline, the engine is certainly not pulling its weight or at least the weight of all of its potential passengers. The failure of the availability of free money and low rate policy to fundamentally raise the poor up the economic ladder resulted in a steady drum beat for all companies of all sizes to finally step up and offer all their employees the natural right of a

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minimum wage. Other took up their own drums to bang on their own personal policy prescription to redress the lack of economic growth or the failure of society to promote greater economic equality; free junior or college education, free job training, free this or free that.

Once being an academic, I have been taught to question anyone when the word “Free” is brought up. In economics we even have the word, Pareto Efficiency, for an event in which at least one person wins and no one loses. For such an event or economic policy, there would seem to be no one who could ever object. Unfortunately, in all my years of economics, Pareto Optimal events were like Lewis Carroll’s Boojum, the mythical beast who could never be found and if found, it’s finder would vanish such that the event was never recorded. With policies such as quantitative easing and minimum wages (as well as other “free” efforts to reduce wealth disparities), had the various supporters actually discovered the mythical Boojum beast and returned to tell the tail. Was quantitative easing Pareto Optimal, is raising the minimum wage Pareto Optimal, is free this and free that Pareto Optimal or am I simply PO’d. I understand the desire for simple solutions to difficult problems. I understand the concern that individuals, for whatever reason, should be entitled to a basic wage which covered their basic cost of living (housing, food, …). I understand the hope that every individual should have a job and that firms should be funded such that such job growth in encouraged and if the youth is not prepared for those jobs, there should be a form of funding to make sure that they are prepared for such opportunities when they arrive. I also understand the desire for the existence of unicorns and blue fairies. I only question if the word “Free” should be associated with the process or that the impact on other individuals in society is well thought out, as to see who the winners or losers are. One needs to make sure that of us knows that when we support a policy which benefits us it often comes at the cost to others. In short, I should know who has the right to be PO’d in the short run and who is getting a “Free” ride at a cost to others.

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As I understand the argument, the problem is who is to pay for the minimum wage, who pays for the free money to corporations, who covers the costs of free college. The answer from the pro free camp was simple. There are no negative impacts. In fact, since more money finds its way into the hands of poorer people (leaving aside teenagers from wealthy families who take lower pay summer jobs etc.) more money will find its way into the economy raising demand for a wide range of other services. In short, there is no negative impact, more minimum wages means more money, more money means more demand for goods, more demand means more products being sold, more products being sold means higher wages for all – the virtuous circle. Similar arguments were made for money making its way into financial institutions, corporate coffers, and students' college accounts.

What surprised me was that no one from the 'anti-minimum'wage side, television newscasters, monetary economists, or hardworking taxpayers did not at this time fall down laughing or at least go to the blackboard to show the fallacy in the underlying argument that if a little was good a lot had to be better; that is, for minimum wage if $15 why not $20 and if $20 why not $30. If fact why not simply hand out $ bills based on how many currently reside in one's bank account. Print little Washingtons until the world is awash with pictures of George. If a little bit of money in financial institutions helps grease the wheels of commerce why not a lot of grease? If free college is the source of higher educated students, the free education for everyone seems to be a reasonable follow up.

Unfortunately, my college professor, Father Vincent Tegador's face looms in front of me and his voice echoes that there is no free lunch. In his mind the story is told in the simple.

$MV=PQ$

Where money = money, v=velocity, P=price and Q equals quantity

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So, while we all know there is virtue in providing “Free” stuff to others, we should at least know there is a cost to being virtuous, In short follow the virtuous circle for its eventual return home with the knowledge that no good deed goes unpunished.

1) Just print more money for everyone, drop it from planes and while there may be some cost in the production of George Washingtons it would be minor compared to its face value However, soon the circle turns. In short in money goes up with no change in V or Q, prices have to rise to equate the rise in M such that the real value of money stays the same (the poor stay poor in nominal terms (Venezuela all over again). Ok some may to a little better if some goods do not rise in price as fast as others or if you can grap more of the dollars than others do or if those who do grap it put it to better use in raising the growth of Q than the Growth in Money but you get it). So simply printing money does not do it except in stories repeated in fairy tales (see Lewis Carroll).
2) What of just increasing the money that banks hold and who then can lend it out to those well deserving who will get this engine going. Well I remember the second law of my Professor’s econ course. The banks create the money. In short, if a bank gets an additional dollar in reserves, it can lend it) out to someone who can take a portion of it to create something (let us say Q) and on and so on. The issue here is that the source of this increase in bank reserves is not created by merely giving banks more money (see answer to number 1). The Fed has different avenues to do this (change reserve requirements or buys bonds from the bank or others who would put the money in a bank) which results in banks having more cash while the Fed holds the bonds. Now here is the rub, in the case of the bond repurchase what you have done is simply switch the bond (held by someone) for cash and in the process often having to pay a higher price for the bond to convince them to switch. The next question is what will individuals or banks do with this cash? Having more M does not lead to greater Q unless those who give up the bonds to get the cash are better at increasing Q than where the money was held previously. If in addition, ones puts increased regulation on how and who can get that new cash (see Dodd Frank) it is even possible that growth in Q might decrease as the money is either not lent out or is simply placed in purchasing other financial assets from others thereby raising the price on financial assets (stocks and bonds – lowering yields) such that those the wealth of those with financial assets value increases while those negatively impacted by lower yields or higher financial prices lose.
3) OK let’s give the money directly to those who you think deserve it. I know you could raise taxes on everyone to simply transfer wealth and hope that those who get it will do a better job of it than those you took it from but that is hard even if you control congress. To lessen the scale of those paying, you can tell a firm to increase minimum wage so Bill gets another dollar in the bank but Jim, Bill’s boss may have to take a dollar out of the bank to pay Bill. Now Walmart may can if Bill buys something a Walmart but BMW may lose if Jim now buys a Chevy and so on and so on.

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In short no gain. Just a transfer of wealth, so in time Jim may just hang it up close his firm, take the cash out of the bank, forcing the bank to call in loans other firms and soon all the economy is in freefall. Even worse, Bill has been convinced of an economic fallacy but a political reality; that he should be paid a salary not based on his productivity or value to the firm, but on his ability to elect a politician.

4) The other forms of "Free" money are just as deadly. What if the U.S. Government wants to cover the cost of college etc.? It can borrow money from Betty (give her bond as proof of U.S. debt) and give the cash to Joe our college student). Ok Betty's dollar is no longer used to buy something at Walmart but maybe our new student will - Results Student +1, Betty -1. Walmart 0. This also works if the U.S. bond is bought by someone in China (put China's name in place of Betty and redo story.

In short, there is no simple way that increasing the minimum wage by fiat, jump starting the economic with "free money" through banks, or providing free money to some by simply borrowing it from others without a host transfer effects that that even in the case that somehow you have "chosen wisely" (see Harrison Ford's choice of the right chalice among many in the Raider's of the Lost Ark) and found someone who increases global the real value of Q. Now wealth transfer by itself is not a bad thing. But call it what it is. I am taking money from others (the individual who keeps his money in low yield bank deposits, the truck driver whose son or daughter does not go to college and thus does not receive the "free money". It works as long as there are enough people willing to give or who will not react politically if forced to give.

So maybe the virtuous circle is not that virtuous, at least the next time you go to McDonalds, and see the owner, just feel a little guiltier as you order the beef with extra cheese. You and your waiter win at the expense of the owner so say a little thank you. Oh, by the way, you have a better choice. If you think the poor food provider, stock boy or girl etc. deserves a house, food, and education, just let the market determine the proper price and let us all pay up the difference through higher taxes and direct payments. The workers are not led to believe that they are really worth $15 and they will know the money he or she

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is getting is really a gift from others (they could send a thank you card to those providing the resources). And oh yes, in addition to the low wage workers learning to face the reality and risk of their situation and those choices do matter the financial market may also actually start to reflect the risks involved in their world.

Remember Virtue has its own rewards and those rewards should not come from forcing others to give when we ourselves refuse to share. Sometimes, the virtuous circle should return home.

Looking forward to your comments.

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Comment

You Are What You Buy

Thomas Schneeweis

September, 2021

Recently, I had to clear out my attic. Normally I had to commence with this expedition every 5 years, now it is every two. The reduction in time frame is not due to any external variable such as a smaller space, but to increased junk. More importantly non-useable junk. Why, things simply do not last as long. When I complained the answer was why should they. No one wants things to last. Why make clothes that last two years when everyone wants them to die in one.

This entire effort has convinced me that I need to rethink not who I am but how I need to present myself to others so that I can convince them that I am who I think they want me to be even if that character is not who I really am but who reflects an individual who resembles those factors which characterize who they think I should be considering the the current conditions that they wish that what I wear or what I present on my body (watches an other apparel) reflects the current belief or understanding as to the meaning of the outerwear as to my very inner being even if that reflection of the outerwear of my inner being is not a true reflection in the philiposical meaning of truth but is a true reflection of the very meaning of what I truely want to present to the world as a physical truth in contrast to a spiritual inner truth for which outer clothing is only a false covering of inner truth unless in the unlikely event that ones outside clothing is in fact a representation of that very inner truth.

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In brief, therefore, if my outside presentation reflects my internal presentation then the often used metaphor that you are what you buy truly reflects a consistency between ones outside presentation and internal meaning, however, in the rare but in this case way to often aspect, where the external representation does not reflect ones internal meaning, that is, the case were one is not what one buys but in which one buys what one wants others to think you are, however, if one is buying something to reflect what you wish others to see you because you want them to see you that way in that case you are that very way and you are attempting to be what you buy.

What ever the case – Good Bye or Good Buy.

Tom Schneeweis

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Comment

Sometimes a Good Story is Just That - Just A Good Story

Thomas Schneeweis

December, 2021

Many financial firms produce research that suggests the value of working with a Financial Advisor. While the benefit of working with a Financial Advisor varies by the quality of the Advisor and the needs of the potential client, some of this research suggests people who work with a Financial Advisor feel more at ease about their finances and could end up with about 15% more money to spend in retirement (A Vanguard study (August 16, 2019 | Whitepaper "Putting a value on your value: Quantifying Advisor's Alpha"). This greater potential nest egg from working with a Financial Advisor is due, according to the report, to a 3% higher annual return of an Advisor supervised investment plan than a self-managed investment plan. However, this higher return, according to the study, was not based on the higher investment return of Financial Advisors. In fact, the study concluded that from historical evidence, the Financial Advisor benefit in terms of higher return for the portfolio is more Financial Fiction than Financial Fact. According to the study, the overall benefit of Financial Advisors were based less on their investment ability than on their personal support and relationships.

Each firm has their own set of investment reports and analysis. Unlike pier reviewed academic research published in various academic journals, investment firm based marketing and product analysis is not subject to external review prior to publication. In today's media focused product presentation, the primary determinant of the investment reports success in a marketing investment campaign is if the investment report reaches the proscribed audience and if the report results in an increase in customers and future cash flow. In truth, unlike the academic world where one's success in part is based on one's ability to critique the basis for others research, there seems little if any benefit for spending resources debating the 'fact or fiction' of firm based investment reports.

A quick 'google search' review of the Vanguard Report provided more summary analysis than direct critical analysis of the study. One site offered a summary of the primary results of the Vanguard analysis as follows:

Vanguard recommends that an adviser add value in the following ways:

- Be an effective behavioral coach. Helping clients maintain a long-term perspective and a disciplined approach is arguably one of the most important elements of financial advice. (Potential value add: up to 1.50%.) – The Source of this result was a comparison of two Aprimary means of investing in two primary Vanguard products (over the five year period of analysis which ended in 2012 the product set which reduced fund exchange outperformed the one which had greater fund flexibility. Critique: One does not know almost where to start. The use of a single five year investment period (now almost ten years old), no review of the actual risk characteristics of the two samples, ….. I m sure that a different period using a different set of fund samples may result in different results – One will never know.

- Apply an asset-location strategy. Allocating assets between taxable and tax-advantaged accounts is one tool an adviser can employ that can add value each year. (Potential value add: from 0% to 0.75%.) Critique: It all depends the assumptions of their analysis – a 35 five year period – assumed % of stocks and bonds etc. any change and the published result may change. The paper also cites a 2016 study for futher review. How that results works today is left for future analysis.

- Employ cost-effective investments. This critical component of every adviser's tool kit is based on simple math: Gross return less costs equals net return. (Potential value add: up to 0.45%.): Critique. The analysis supposedly finds less costly versions of the investments. Ok but those less costly versions are often based on different access to different investors – No analysis completed.

- Maintain the proper allocation through rebalancing. Over time, as its investments produce various returns, a portfolio will likely drift from its target allocation. An adviser can add value by ensuring that the portfolio's risk/return characteristics stay consistent with a client's preferences. (Potential value add: up to 0.35%.): Critique. The analysis was conducted over the period starting in 1960 ending 2017 what if a different start was used and the indices are most likely today indices and do not reflect the assets actually available in 1960. Result is that while potentially true the results presented are meaningless.

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- Implement a spending strategy. As the retiree population grows, an adviser can help clients make important decisions about how to spend from their portfolios. (Potential value add: up to 0.70%.): Critique. The analysis correctly points out that the decision may be correctly based on future tax levels. In short, since we don't know future rates it simply do your best and hope.

In short, tweny eight pages of detailed analysis based often on periods and assumptions that may have little relevance to today's market. Sometimes a good story is just that a good story – So don't be too impressed.

Looking Forward To Your Comments.

Tom Schneeweis

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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).

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