

As We See It

No News is Good News!

When the recent California earthquake hit San Francisco last October, the news was replete with disaster. Television carried many pictures of fires, collapsed bridges, and fallen brickwork. The newspaper stories in the days that followed were much the same, so our impression was of vast devastation. We feared for our friends in the Bay Area.

Later, bit by bit, we got a different impression. Only one of our friends "lost everything." That young lady had an apartment in one of the buildings that burned. She lost all of her clothing, furniture, and her car. The others had less traumatic stories to tell. One family lost an ugly old vase and had some books dumped onto the floor. One young lady (who lives less than half of a mile from the Marina in San Francisco) noticed the power was off and walked around the neighborhood but couldn't see much damage. She went back home and went to bed. The next morning when she reported for work, she was told the office was closed. She finally realized that she had better call her folks back home and tell them she was OK.

This is not to make light of the earthquake. The point is that "news" seeks the spectacular, the tragic, and often gives a distorted picture.

The 1929 stock market crash and the Depression of the 30's were terrible. It was a very, very bad time for millions of people throughout the whole world. People jumped out of buildings. They went broke. They lost their homes, businesses, and job. They stood in bread lines and sold apples in the streets. In fact, the unemployment rate in the United States reached 25%.

But have you ever read a book or even an article about the 75% who were employed? While many of them suffered economically and emotionally, the less spectacular part of their story has not received much attention. They kept their homes. They are better because food prices went down faster than their pay. Many were still able to purchase cars and furniture, and some even took vacations.

We are not insensitive or cynical. There is an investment point to be made from this.

If we, as investment managers, do our job well we will not make headlines. If we diversify the risks, stick to quality, avoid leverage, and do not reach for fat returns in high-risk investments, we and our clients will do just fine. In up markets we will do well—but not as well as the big gamblers. In down markets we will survive and possibly do better than most and so will our clients. We will not be "news"—and prefer it that way.

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