

Hello Everyone,

“If I were king of the world, I would resign.” Legendary Investor, Jim Rogers.

When Jim Rogers was a younger man, he rode his motorcycle around the world. He was looking for investment ideas. He went to cafes, people’s homes, business districts, ports, farms, and city centers. He observed.

After 22 months (and 52 countries), he returned home and started deploying his capital. And, yes, he became a billionaire.

Most of us cannot ride a motorcycle around the world. But we can still observe. And, based on what we are seeing, we can attempt to “look through the fog” and observe into the future.

Today’s missive posits why many of our institutions are seemingly stuck in the fog. We will use Murphy’s Law to make today’s point.

I hope this helps change your mind about what Mr. Murphy was trying to convey.

Signed, Your Before-This-Is-Over-Hanging-Chads-May-Make-A-Comeback Financial Advisor,

Greg

KKOB 2020.11.06 Murphy’s Law

Bob: So, Greg today, you want to talk about Murphy’s Law. And we all know what that is. *“Anything that can go wrong, will go wrong.”*

Greg: Right. But it is thanks to the smart folks over at sovereignman.com that my whole perspective on that saying has changed. Bob, I always thought it was a pessimistic view of the world. Instead it is just the opposite.

Let me explain.

Back in 1948, the Air Force was working on a secret project codenamed MX981. What the Air Force wanted to determine was how much physical punishment a fighter pilot could take. In particular, how many gravitational forces...or g's...could be exerted safely on a human body?

Anyway, at the time, it was thought that anything over 18 g's would crush a man.

So, here is what they did. They set up a rocket sled in the California desert that would go 200 miles per hour! They strapped in a human Guinea pig ...in this case, a researcher named John Paul Stapp. Then, they accelerated the sled to max velocity. And then, they slammed on the brakes to create the g forces.

Bob: So, let me get this straight. Some civilian agreed to strap himself into a seat. He was then accelerated along a rail ---to 200 MPH---only to have the researchers slam on the brakes.

So, what happened? Did he die?

Greg: No. In fact, the opposite. During the tests, Mr. Stapp was hooked up to all kinds of monitors and sensors. And those instruments said he had withstood not 18 g's, but 35 g's! The scientists were stunned.

It was then, another researcher, Captain Ed Murphy, who stepped forward. *He decided to take independent readings on the instruments and sensors.*

well, the technology wasn't as good as it is today. And good ol' Captain Murphy soon concluded that Mr. Stapp was not superman, but rather there were mechanical failures right and left. And not only was the equipment suspect, but the crew was installing it wrong as well.

As you might guess, Captain Murphy got rather irritated and often stated, *"whatever can go wrong, will go wrong."* And this became known among the team members as Murphy's Law.

Bob: This sounds like 2020. Covid. Lockdowns. Riots. Business closures. Defaults. Contested elections. Almost everything went wrong.

Greg: I understand the sentiment. But here is the flipside of Murphy's Law. Once the MX981 team figured out their errors, they held a press conference. A reporter asked the Guinea pig, Mr. Stapp, *"How is it that no one was severely injured during your tests?"*

Mr. Stapp, replied, *"We do all of our work in consideration of Murphy's Law..."*

In short, Murphy's Law was not a fatalistic philosophy of, *"we're doomed because something is sure to go wrong."* But rather it meant the team took the time (and the care) to think about what could go wrong and address that contingency early.

Thus, Murphy's Law was designed to anticipate potential failures. The team's thinking became, *"what can we do to avoid disasters and achieve success?"*

Anyway, this change in philosophy meant they had to put ego aside. They had to be flexible and open to new ideas. Every plan had to be adaptable.

So, what does this have to do with investments?

Well, we have all kinds of policies coming out from the Federal Reserve, and from Congress, and from governors, and from the CDC, and the World Health Organization, and, and, and. But none of them are using Murphy's Law the way it was intended.

They aren't even trying to anticipate what could go wrong. They just make pronouncements.

Bob: Therefore, the chances of something bad happening are increasing. Plus, they are not considering how each institution's decisions are affecting another institution's decisions.

Greg: Right. So, as an investor, it falls to you to start saying, *"OK, what can go wrong? OK, if this goes wrong, what does it mean to me? And how do I compensate? Because I don't want to end up tied to an investment sled, hooked up to faulty sensors, going 200 MPH when someone decides to slam on the brakes."*

Bob: That's quite the visual. Let's pick it up there on Monday. Until then, how do people reach you?

Greg: My number is 250-3754. Or go to my website at zanettifinancial.com

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