

PRICE VALUE PARTNERS

World On Fire

“We are what we always were in Salem, but now the little crazy children are jangling the keys of the kingdom, and common vengeance writes the law !”

- John Proctor, *The Crucible*, by Arthur Miller, 1953.

Nothing quite says ‘Happy new year !’ like the threat of a new, as yet incurable, global, Chinese-born mystery virus. To readers of a certain age this will inevitably prompt memories of the BBC 1970’s eco-thriller *Survivors*, whose [title sequence](#) is a triumph of brevity and intimation over budgetary constraints. (To show the awesome, immersive, positional power of soundtrack, users of Twitter can check out Graham Kibble-White’s [Survivors montage recut to the theme tune of Carla Lane’s sitcom Butterflies](#) – and then his montage of the *Butterflies* title sequence to the theme tune of *Survivors*.)

But we digress. To paraphrase FDR, all we have to fear is the constant drum-beat of alarmist confected eco-nonsense cascading from mainstream media as if from an angry sewer.

Those who thought journalistic standards had recently plumbed new depths in the light of Brexit and the electoral successes of Donald Trump and now – apparently – Greta Thunberg may be amused to read [this piece](#) by Michael Lewis for *The New Republic* which was written, somewhat disconcertingly, 27 years ago:

As you walk through the front door of the Columbia School of Journalism, the first thing you see is this paragraph, cast on a bronze plaque:

OUR REPUBLIC AND ITS PRESS WILL RISE OR FALL TOGETHER. AN ABLE, DISINTERESTED, PUBLIC-SPIRITED PRESS, WITH TRAINED INTELLIGENCE TO KNOW THE RIGHT AND COURAGE TO DO IT CAN PRESERVE THAT PUBLIC VIRTUE WITHOUT WHICH POPULAR GOVERNMENT IS A SHAM AND A MOCKERY. A CYNICAL, MERCENARY, DEMAGOGIC PRESS WILL PRODUCE IN TIME A PEOPLE AS BASE AS ITSELF. THE POWER TO MOULD THE FUTURE OF THE REPUBLIC WILL BE IN THE HANDS OF THE JOURNALISTS OF FUTURE GENERATIONS..

Journalism schools are not alone in their attempts to dignify a trade by tacking onto it the idea of professionalism and laying over it a body of dubious theory. After all, McDonald's Hamburger U. now trains Beverage Technicians. But the journalist's role is precisely to cut through this sort of obfuscation, not to create more of it. The best journalists are almost the antithesis of professionals. The horror of disrepute, the preternatural respect for authority and the fear of controversy that so benefit the professional are absolute handicaps for a journalist. I doff my cap to those who have survived the experience of journalism school and still write good journalism. They deserve every Distinguished Alumni Award they receive, and more.

The first sentence on the bronze plaque that you see when you walk through the front door of the Columbia Journalism School may or may not be true, but it sets a fittingly autocratic, unreflective tone. The second sentence is ungrammatical. The last two sentences offer the sort of grandiose vision of journalism entertained mainly by retired journalists or those assigned to deliver speeches before handing out journalism awards. Highly flattering to all of us, of course, but it would be more true to flip the statement to read: "a cynical, mercenary, demagogic people will produce in time a press as base as itself ..." There's also a small problem: when the journalism school cemented the bronze plaque on the wall in 1962, to commemorate its fiftieth anniversary, it misquoted the text as it appeared in its final, pamphlet form. Those nits! The details! Flaubert! A word of Joseph Pulitzer's is missing, between demagogic and press. The word is CORRUPT.

We are indebted to the best-selling author Michael Crichton for popularising the so-called 'Gell-Mann Amnesia Effect' which has now taken hold of the world's newspapers:

Briefly stated, the Gell-Mann Amnesia effect is as follows. You open the newspaper to an article on some subject you know well. In Murray's case, physics. In mine, show business. You read the article and see the journalist has absolutely no understanding of either the facts or the issues. Often, the article is so wrong it actually presents the story backward—reversing cause and effect. I call these the "wet streets cause rain" stories. Paper's full of them.

In any case, you read with exasperation or amusement the multiple errors in a story, and then turn the page to national or international affairs, and read as if the rest of the newspaper was somehow more accurate about Palestine than the baloney you just read. You turn the page, and forget what you know.

Coverage of the Wuhan virus will doubtless be distinguished by the detailed grasp of hard scientific principles and deep knowledge for which the world's generalist journalists are rightly renowned.

The last word on the dangers of mainstream reportage goes to Thomas Schuster of the Leipzig Institute for Communication and Media Studies, in that he addresses the essential irrelevance of the financial press:

The media select, they interpret, they emotionalize and they create facts. The media not only reduce reality by lowering information density. They focus reality by accumulating information where “actually” none exists. A typical stock market report looks like this: Stock X increased because... Index Y crashed due to... Prices Z continue to rise after... Most of these explanations are post-hoc rationalizations. An artificial logic is created, based on a simplistic understanding of the markets, which implies that there are simple explanations for most price movements; that price movements follow rules which then lead to systematic patterns; and of course that the news disseminated by the media decisively contribute to the emergence of price movements.

If you have one New Year’s resolution worth keeping in 2020, make it to wean yourself off the mainstream media in favour of informed, longer form commentary by specialists. For investors, it **might** be worth worrying about the Wuhan coronavirus, but we’re all going to die – eventually. For investors, it might be more useful to consider the implications of the market concentration and impact of, for example, ETF providers. Anton Tonev of [Beyond Overton](#) cites Bloomberg Magazine, in that the three largest asset “managers” in the world, BlackRock, Vanguard and State Street, now hold about 80% of all indexed money:

Some 22% of the shares of the typical S&P 500 company sits in their portfolios, up from 13.5% in 2008.. BlackRock, Vanguard and State Street combined own 18% of Apple Inc’s shares, up from 7% at the end of 2009.. The phenomenon can be even more pronounced for smaller companies.

Happily, nothing can go wrong when the computers are in charge. From the people who brought you ‘portfolio insurance’ programme selling in 1987.. Marketing departments at asset gathering firms tend to go overboard on emphasising asset heft. Somebody should tell them, or more specifically their investors, about the benefits of truly unconstrained asset management instead – which these days can only be conducted and delivered by asset management boutiques. Happily, BlackRock is also all about **sustainability**, as its CEO Larry Fink goes to great pains to tell us. So that’s alright then.

Tim Price is co-manager of the [VT Price Value Portfolio](#) and author of ‘Investing through the Looking Glass: a rational guide to irrational financial markets’. You can access a full archive of these weekly investment commentaries [here](#). You can access the archive of our regular ‘State of the Markets’ podcasts, with Paul Rodriguez of ThinkTrading.com, [here](#).

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