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Prognostications and Pontifications

Very specific and personal misfortune awaits those who presume to believe that the future is revealed to them – John Kenneth Galbraith

The New Year always seems to usher in a fresh set of predictions about the future. From Glenn Beck to Al Gore, and all points in between, seers feel the need to go on record about where we're headed. I too have fallen victim to the temptation in my own newsletter.

My own forecasting began many years ago during my time as a Chicago stockbroker. My manager, Rick, required all brokers to submit written predictions for the year end values of the stock market, inflation, interest rates, etc. At the end of the year we would gather at a local watering hole and Rick would open and present each set of predictions in turn. As you might expect, this devolved in short order into an opportunity to pile on any poor bloke who missed the mark badly. The evening was always entertaining, but rarely enlightening.

Rick was very serious about this exercise. He believed that you could not convince clients to act unless you had firm convictions about the product and the future. His rallying cry was "sometimes wrong, but never in doubt". Over the years I have often thought of this phrase. In my previous career as a salesman, confidence was key. No one would buy from someone who was unable to convey that confidence for the product in question.

When I chose to change my role with clients from salesman to advisor, I began to look at the world differently. From this new vantage point I saw a world full of inconsistencies, hypocrisy, malice, and uncertainty. Gone was the unsubstantiated confidence I had relied on to get the sale, but in its place a deeper sense of deductive reasoning and healthy skepticism took hold.

It is from this perspective that I view predictions. My first question about one is always – What is the motive of the forecaster? In many cases it is obvious self-promotion. In others it's a lot more subtle, but no less important in determining potential bias. My second question is – How well supported is this prediction? Is this just a WAG (Wild A__ Guess), or is there reasonable support for the prediction? Of course, even when a prediction is well argued, it still may not come true. My third question – What will be the impact if the prediction is correct? And, just as important, what will be the impact if it's not.

Predictions, as outlandish as they can sometimes be, still provide important utility. They provoke thought about new ideas to be investigated, and can expose potential areas of weakness in a current strategy. It forces me to step back occasionally and reevaluate my own biases, and how they shape my thoughts.

One of my childhood idols, Buddy Melges, sailboat designer, manufacturer, and extraordinarily successful sailor (winner of the America's Cup among countless other titles) often said "You can't win a race if your head is in the boat". He meant that figuratively, and literally. I attended his racing school where he constantly barked at students from the chase boat to lift their heads and look for changing winds, the position of other boats, and the next mark. He pushed us to look ahead, not behind during a race. At the end of the day he gathered us together to discuss the day's races. These sessions allowed us to replay the frantic actions of a race in slow motion and think about how we might do things differently. Buddy's philosophy was that since you couldn't predict how a race would play out, you could only put your boat in the right spot at the start, make adjustments during the race based on the circumstances, and put yourself in the best position to win.

Sorry Rick, but I think I'll stick with Buddy.

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