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In defence of financial anachronism

To suggest that the modern world of finance and investments is bewildering would be an understatement. It hasn't always been so. After all, there once was a time when money had substance and ideas had consequences. Embracing such anachronism isn't easy, yet the foundation of any honest investment practice must be rooted in the kind of ideas that have passed the test of time. Recently, on the occasion of our Annual Meeting, we presented the "World of Edelweiss" in the context of such ageless principles. Our remarks, edited for clarity and length, follow in this brief essay. We trust they are a source of inspiration to our greater audience.

Modern man, enthralled by the contrivance of credit growth and the resulting asset price inflation and unconstrained by the notion of scarcity in economic goods, sees the act of investing merely as that of buying something so as to sell later, hopefully at a profit. As a consequence, in the pursuit of such elusive profit, we witness the rise of a financial industry replete with every form of artifice which, while ostensibly seeking to give us advice, tends to ultimately impoverish us, not merely in terms of money, but, to a greater extent, through the decay of our own innate instinct about what is right and wrong. Everything, even ideas, has become a product for sale. To be sure, we too operate in the financial world, but we are not part of it. We see the world differently and act differently: intellectually, operationally and ethically. What follows is a brief version of our anachronistic manifesto.

Our disagreement with the mainstream starts with our belief that our shareholders' savings are sacred and not something for us to play with. Savings are scarce and irreplaceable. There aren't many second chances to create and accumulate it. Thus, our concern is how to protect and enhance what we've already earned—not just for a year or two, but for a lifetime—and how to do so in a setting where the traditional tools of capital preservation are broken.

The idea of a certain real income has disappeared. Today we earn nothing on cash and nothing on bonds. To do otherwise requires taking substantial risks with respect to duration, credit, and inflation.

Furthermore, the financial world no longer invests in businesses, but in 'stocks', 'equities', private capital, 'funds' or derivatives thereto. Funds are divided into absurd categories: growth, value, indices, ETFs, inverse ETFs, mid-cap, large cap, long/short, and on and on—distinctions which have absolutely no practical significance to a person with irreplaceable capital. Others are convinced that the key is 'asset allocation'—as if which specific assets don't matter. Failing to understand the nuances, we consult with 'wealth managers'—a class of middlemen unknown to our forefathers, whose only source of wealth is other people's money.

It is truly bewildering because it is all intellectually bankrupt. Instead of embracing the unavoidable uncertainty of real life, man has embraced scientism, a smokescreen of formulas that are only as good or as valid as their weakest assumption.

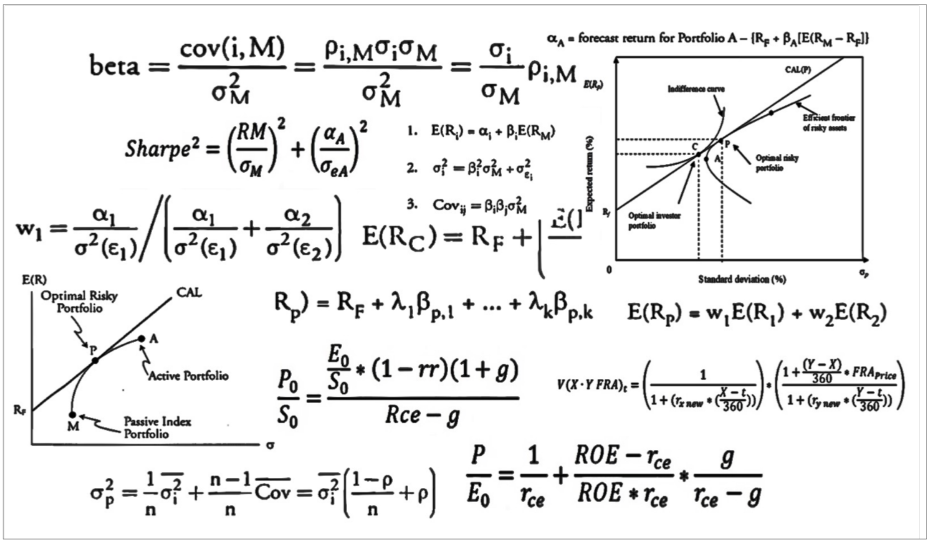

Figure 1 - Scientism in finance

In Figure 1 you see excerpts from the CFA curriculum, a worldwide training program for financial analysts. To build its curriculum, the CFA Institute approaches banks, investment managers and others, and asks them: *What do you expect your employees to know? What methods should they be able to use?* The mathematics of investing you see in this figure is the aggregate result of such surveys and opinions and forms the foundation of the modern general investment practice.

The mainstream approaches investing like a science. Decisions are largely based on quantitative metrics, especially on stock prices. Their basic idea is to quantify and exploit the so-called 'natural laws' of the stock market. But it isn't science. In fact, there is little scientific about it.

Judgment, a careful weighing of the facts both objective and qualitative, has been cast aside and substituted for theories and models. Yet, tell a practitioner that you know it's all bogus and you'll most likely get a resigned nod. "Yes, I know it's flawed," they'll say, "but what else is there?"

Our objection to these theories is neither original nor new. Benjamin Graham, in 1958, only a few years after the birth of the theories above, wrote: *"In recent years a new and major element of speculation has been introduced into the common-stock arena from outside the companies. … This attitude may be described in a phrase: primary emphasis upon future expectations."*

He continues: *"Mathematics is ordinarily considered as producing precise and dependable results; but in the stock market the more elaborate and abstruse the mathematics the more uncertain and speculative are the conclusions we draw therefrom. … Whenever calculus is brought in, or higher algebra, you could take it as a warning that the operator was trying to substitute theory for experience, and usually also to give to speculation the deceptive guise of investment."* [1]

[1] Address of Benjamin Graham before the annual Convention of the National Federation of Financial Analysts Societies, May 1958. "The New Speculation in Common Stocks," in *The Intelligent Investor*, rev. ed. (New York: HarperBusiness, 2003) 563-570.

Graham had nothing against formulas. He could solve them, and so can we. But he recognized that these higher mathematics were no replacement for experience, and were designed to invert the investment process.

Intellectual poverty leads to fake thinking which leads to fake language. In fact, nearly all modern financial thinking is contrived. Its ideas and terminology are the product of only the last few decades. Consider that terms such as *shareholder value, asset allocation, risk management,* and *EBITDA* were very rarely used prior to 1980. The language we use to discuss our savings has warped into something unrecognizable to our grandfathers.

We consider this intellectual poverty to be the result of a greater *moral poverty*. The financial world confuses what is legal with what is moral, exaggerating the old agency problem. This comes from the increasing separation between someone's actions and the outcome of those actions. The agency problem is a special one in the financial industry. In the real world, in every aspect of everyday life, whether at the dentist's office, a restaurant or a hotel, if someone screws up, there are real consequences. In the financial industry, however, whether in modern banking, wealth management or management consulting, there are no material, long-term consequences for failing conventionally.

The age-old solution to the problem of agency, as the practical philosopher Nassim Taleb puts it in his recent book, is 'skin in the game'. This has nothing to do with the popular concept of 'alignment of interests'. The financial world thinks they can solve this problem with the right incentives. They believe that so long as the rewards for their actions are tied to the customer's financial success, the agency problem is solved. But that's wrong. Truly, it is not incentives that matter, but disincentives. That is, having skin in the game, or something to lose.

Thomas Sowell, the American economist and a wonderfully clear thinker, also puts this quite simply: *"It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong."*

This is true everywhere; it is true in business and it is true for our savings as well. Plenty of people in the mainstream are ready to advise us on what to buy and sell or offer us a 'product' that is supposed to meet our needs. But how many will say, "I will invest alongside you with most of what I have, so that if you lose, I lose too"? And how many will not seek to gain disproportionately from any success that results? Not many can and very few do.

In our view, the process for accumulating wealth is fundamentally different from that of holding on to what we've already earned. Other than inheriting a fortune, winning the lottery, or looting someone else, the way to get wealthy is not by speculating with our savings, but by producing something valuable for someone else and by spending less than we earn. If this is something the financial world has largely forgotten, it is because there is no interest in it. They don't make money when we save—only when we play. And the more we play, the better.

This intellectual and ethical fog is thick and it is pervasive, and any escape cannot come from formulas or gurus. At Edelweiss, we choose to rely on ideas and principles that have passed the test of time. Our approach may be strange and anachronistic, but we believe it works. Instead of an abundance of formulas, we embrace a few timeless principles, the most fundamental of which are outlined below.

Owners—not investors

To begin with, we don't think like a consumer of financial products. Just as business owners, we are mostly concerned with survival and ability to endure.

Below you can see a 25-year chart of the share price of one of our holdings. At first observation you see something highly erratic and prone to absurd swings in price (+800%, –80%, +200%, –80%, +500%). You might conclude that this is a speculative and 'risky' investment. After all, how can something whose price twice has fallen 80% and then stayed down for years be considered 'safe'? You may also consider that looking back in 2011, you saw a 10-year period where the share price had gone nowhere and concluded this was a 'value trap'. Someone else might also conclude that it's all fine since it all worked out in the end.

Figure 2 – What investors see

Each observation makes sense in theory, but leads to bogus conclusions. In reality the share prices you see are quite independent from and can even move contrary to what's really going on. In fact, this is a family-owned business, and though listed on a stock exchange, the family owns 90% of the outstanding shares. And this family, as is the case with owners, does not define shareholder value by the price of its shares. Having operated in the real world, they would share John Bogle's scepticism of share prices: "The price of the stock is a momentary, transitory thing that can be reversed in a moment, or washed away or greatly enhanced over the course of years and decades."[2]

This family is completely unconcerned with the share price because they don't see themselves as owning shares, but rather owning a business which they have nurtured and grown over generations into something dependable, robust, and meant to survive whatever the future may hold.

Below you see the shareholder equity of the same company over the same 25-year period. Far from being chaotic, their financial results are exemplary. This same company has been profitable every year, and has been able to compound its net worth over time. Over two decades it has earned an average of 18% on its equity, without using an ounce of debt, and, increasingly, while holding a very large cash position.

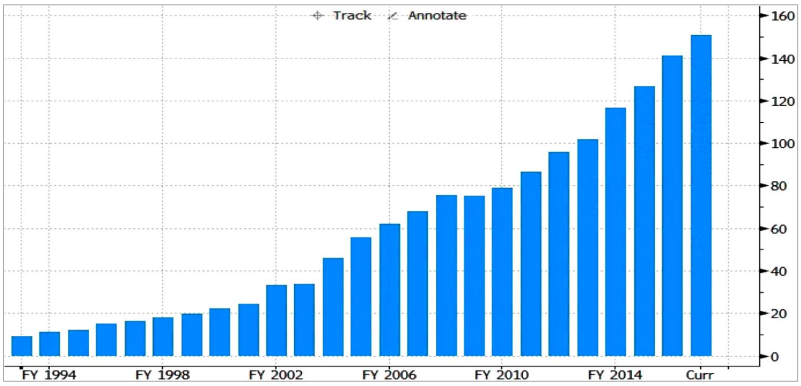

Figure 3 – What owners see

[2] From an interview with Lane Wallace, "Original Sin on Wall Street," *The Atlantic*, 19 Feb 2010.

Admittedly, shareholder equity as an accounting entry is a poor measure of value, but it does show us the wonders of compounding—in this case a 12% growth over 25 years or up 15-fold since 1993. And this is not the kind of growth that creates fragility or something that is likely to reverse in a moment. This is growth that is meant to last.

In contrast, the modern corporation is focused on financial engineering, on share prices, buy-backs, acquisitions and so forth, because that's what investors want. They want to own something that goes up. People with no skin in the game have no reason to concern themselves with the survival of a business in ten or twenty years. To an investor, survival has no value, but to an owner this is all the value in the world.

Share prices do one thing, the business itself does another, and rarely do the two meet. But, eventually, they do. The choice is between being an investor or being an owner. For us, the choice is clear.

A proper time-horizon

The next principle that defines an owner is that of time horizon. This means, quite simply, to worry less about the present and more about the future. Economists use the term *time preference* to describe the inclination towards current or future gratification. With a high time preference, you demand immediate rewards, say in the next year or two. We take the view that meaningful changes in a business take time and the same can be said for our savings. Genuine profits are irregular and come in spurts. And so, it is unreasonable to expect our savings, measured by momentary market prices, to rise in a steady line year after year after year. We don't think that's the way life works.

Let's look at the principle using the example of France-based TFF Group. It's a very boring business. They make oak barrels for aging wine and spirits and are managed by the fourth generation of family ownership. Through internal growth, wise investments and gradual acquisitions they have been expanding operations for decades. Today, TFF says they make about 30% of wine barrels globally.

During the decade ended in 2012, the share price of TFF seemed to go nowhere. Other than minor fluctuations, what you see is a flat line. Yet, while the shares were 'going nowhere' the company was carefully and deliberately seeding its future. This cannot be seen by looking at its share price. We liken this process to a farmer planting seeds for the harvest. He may sow some grass for next month or corn for next season. On another plot he plants vines that may not produce fruit for three or five years, and on others he plants trees that take ten or twenty years before the harvest. The principle is that if you want your farm to develop, you don't spend all your time planting grass, even though that produces the fastest crop.

And so, if we are serious about protecting our savings over the long term, we need to deploy our capital along with those who are also planning for the long term. And we can never see this by just looking at a company's accounts. Again, while the shares were 'going nowhere', TFF was planting seeds—acquiring expertise and expanding in Australia, China, New Zealand and especially in Scotland. By 2011 the business had a book value three times what it was ten years prior, but, again, the share price had gone nowhere. Yet, if we're careful about planting seeds, we will eventually reap an appropriate harvest. We aren't able to quantify the harvest in advance, nor can we tell in which year that harvest will come, but that doesn't make it any less real or any less meaningful.

In the financial world it's often said that being early is indistinguishable from being wrong. But when it comes to our own savings we aren't so sure that's true. At Edelweiss, time risk is something we embrace.

Understanding risk

Imagine you walk into a financial institution with $10 million and ask them for a proposal to manage these savings. Inevitably, they will ask you about your willingness and ability to take risk and will seek to determine an objective for your expected return. You will be assigned an investment strategy. It will be categorized as either very aggressive, less aggressive, conservative or some variant thereof. It's utter nonsense.

The problem is three-fold. First, they treat investment risk as a purely quantitative issue. The higher the standard deviation of past returns, or the higher the correlation with a stock market index, the higher the risk, they say. We reject this idea. Our concern is not about the volatility or correlation of prices. Instead, we want to avoid a permanent loss of capital. You see, it's never about share prices. It's about the actual business.

The second problem with the mainstream approach is in the underlying assumption. In their view, there is a connection between risk and return. The higher the 'risk' of an investment, the higher its future returns. Indeed, in theory this makes sense. But it just ain't so. The future is uncertain and it is foolish to make forecasts about future returns and even more so to make decisions based on such forecasts.

Mainstream advising will also seek to reduce the volatility of expected returns with diversification. So they say. They will seek to hold numerous securities whose returns are seemingly uncorrelated between themselves. From their perspective, adding uncorrelated securities means a reduction of risk. We disagree completely. Adding new assets not only adds new and different risks but it also reduces one's level of understanding of the assets owned. We are sceptical of any investment approach that proposes we can understand the whole by ignoring what's underneath.

We believe that risk is not simply a function of share prices. In our view, the owner of savings is not that different from the owner of a business and it is such understanding of risk that distinguishes a business owner from an investor. An owner's principal objective is to survive. He asks himself: *Are the risks that I'm taking the kind that tend to result in a permanent loss of capital?*

The answer to this existential question cannot be quantified. It's not to be found in the balance sheet or the income statement alone. Yes, numbers do matter, but if we want to avoid disaster, we cannot simply wait around for the financial results to arrive. We need to truly understand the unseen elements that, in our subjective reckoning, may lead to fragility and, over time, a permanent loss of capital. Examples of these elements may be an unaccountable, all-powerful CEO, too many consultants or ex-financiers in management, or a permanent reliance on debt as a tool for progress. Let's not forget the presence of the growth-for-the-sake-of-growth disease, or an obsession with share prices and financial guidance, and, generally, managers with no "skin in the game" or nothing to lose. These are risks we cannot afford to take.

As you can imagine, in practice, we say *no* a lot. We say no to investment ideas that seem attractive from a financial perspective. We say no to growth stories. We say no to most things others may find attractive. We say no virtually all of the time.

Nassim Taleb's turkey metaphor is central to an owner's risk and value judgment. A turkey is fed for a hundred days by the farmer. Every day the farmer comes out with feed in his hand and a smile on his face, which just proves to the turkey how much he is loved. Every day the turkey thinks life keeps getting better, and he is increasingly sure the farmer has his best interests at heart. The farmer keeps feeding the turkey until a few days before the holidays. Then one day he comes out with an axe and the turkey is in for a surprise. Taleb's lesson is, of course, *don't be a turkey*.

The turkey doesn't understand that the process that feeds him may one day switch and lead to his demise. He sees the superficial but doesn't seek to understand why. He is surprised by fragility because he has never considered it. The financial cemetery is full of turkeys—examples of failed businesses that masqueraded as financial success for many years. Some of them were outright frauds, but many more are the result of hubris, obsession with growth, megalomania and other diseases that lead to ruin. Some of them are gone: companies like Kodak, Enron, Polaroid, Sears, Swissair, Lehman Brothers and so on. Many others are still breathing, barely, because governments stepped in to rescue them from their folly.

The fact remains that there are many investments out there that we would not own at any price, regardless of what they look like today. Why? Because the tools one uses as an owner of savings are different from the tools used to try to make money.

Understanding value

The terms *value investing*, *intrinsic value* and similar expressions are widely used in the financial world. The mainstream uses elaborate financial models to determine the value of a business. In large spreadsheets, future financial results are forecasted in amazing detail. But the data in the model is not real. Invariably, such inputs are the product of some analyst's imagination. Furthermore, the traditional yardsticks of valuation seem meaningless when seen in terms of money which itself has no substance and when accounting rules can be the tool of so much mischief.

What we are left with is our own judgment—an owner's subjective judgment of what is valuable—to us. We measure value on the basis of what matters to us as owners of scarce and irreplaceable savings, without making any reference to the comparative results or the actions and claims of those who have an objective at odds with our own. Indeed, the kind of business owners who create what is enduring use their judgment more often than their calculator.

Like-mindedness

While there are risks we cannot afford to take, there are also risks we cannot afford *not* to take. Principal among them is that of deploying our savings alongside like-minded business owners and managers of an enduring endeavour. Like-mindedness is that state where one shares certain characteristics, motivation, incentives and time-preference. Among such traits is the right owner's ability to adapt to change, his customer orientation, his sense of identity and strong corporate cohesion. We also share similar views as to being stewards of long-standing enterprise, with each generation being only a link in a long chain, in being more international, in focusing on capabilities, not mere competencies, and on an appreciation for resilience more than performance. Lastly, an important characteristic for economic survival is that of forgoing excess returns in good times to survive in bad ones.

If you find affinity with such subjective traits it is because owners of savings are indistinguishable from owners of businesses in all things that matter. They share a time horizon and an understanding of risks. They have compatible objectives and skin in the game. They are keen to build a culture that lasts and they know the importance of focus, of doing only a few things very well. They share a fear of going out of business, and they share a desire to leave something better to the next generation. We are fortunate to know that most of our shareholders share these views, and we are fortunate to have holdings in businesses owned and managed by similarly minded men and women.

It isn't easy to escape from the bewildered world of money and investments. One needs to scrap the entire methodology, vocabulary and practice, substituting ideas that endure and matter to the owner of savings himself. It's difficult. It demands that we act based on ideas that are anachronistic, unpopular, misunderstood, and for which, frankly, there is a very small market.

As owners of savings, we must view our holdings differently; we must think about time differently; we must gauge risks differently; we must measure our success differently. And we must trust people who see the world the same way we do. Ours is not some radical new approach. We have no secrets, and we don't believe we are smarter than anyone else. But our goal is not to be original, but instead to strive to see that our and our shareholders' savings are still here five, ten, and twenty years from now.

Michael Weeks
Dominik Schönenberger

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GUEST ESSAY

The Great Involution: Personal Responsibility

By Steven Chernus[3]

I sometimes imagine my ancestors—recent and remote, known and unknown—and wonder just how they survived in times much more challenging than my own. "Nasty, brutish and short," of course, has been used to describe their lives, but it surely does not apply to life in the West, at least from a mid-20th to early 21st century perspective. Ironically, while material necessities are generally abundant and available, insistent complaints by various grievance groups (and, more importantly, cynical politicians) as to their distribution, ring insistently ever more loud and shrill. Had my ancestors adopted this strategy—the equivalent of breath-holding temper tantrums ("I'm entitled!" - turn blue, stage left), I doubt I would exist to be here writing.

[3] Steven Chernus is a retired American physician and lawyer.

Without a welfare apparatus, our ancestors had no choice but to provide for themselves, their families and likely, their voluntary communities. Though they may have developed some altruism, they surely understood that the best place to store their excess, perishable food was in their neighbors' stomachs. They were responsible for securing necessities. Those who survived and procreated had the ability to assess their needs and situation; they possessed the ability to respond accordingly. They had responsibility in conducting their everyday lives and, to some extent, in planning for the future.

By contrast, the modern Western man has become disabled in his responses. Even as material abundance took hold, he persuaded first himself and then others that he lacks the ability to fend for himself and plan ahead. Over the past century, this belief has become deeply and obviously institutionalized when it comes to material goods—in the welfare state. But the rot has gone much deeper than superficial material dependency. It has eroded into his depths and now threatens his human essence—his very soul. Dependency is the natural hallmark of childhood; responsibility that of adults. Nihilism and cynicism have worn away this distinction along with all time-tested values—anchors to which we formerly might hold fast and not be swept away by currents of the times. Even had he any values, modern Western man has become disabled even from regulating his own behavior, and that, too, has elicited institutional responses to fill the void created by lack of personal responsibility, at least when it comes to having a decent, adult society and respect for the most basic rights of others. This attribute, responsibility, is what permits action with moral agency as a fully realized human being. Anything less is incomplete and unfulfilling, morally and spiritually. An adolescent is unlikely to self-realize or act in a generative manner, so as to leave the world a better place for those who follow. He is more apt to eat the seed corn.

The question "How shall I Act?" had been answered by Judeo-Christian institutions and beliefs, themselves partly informed by ancient Athens and Rome. Then, rubrics marked boundaries and internalized, individual belief moderated and tempered instinct, resulting in individual growth and socialization. An ethos of tolerance and concern for our fellows took root and deepened. That is no longer the case in today's arid societal soil. Initially, the administrative state arose to merely distribute goods, but inevitable mission creep turned outright cancerous. The state's mission now is not only to crowd out all remaining remnants of personal responsibility, but also individual thought and speech. Today, coercive law and regulation are supplemented by political correctness. Where the former leaves off, the latter takes hold. Politically incorrect speech or behavior—should it come to the attention of authorities—is likely to lead to official harassment or even prosecution for some trumped-up crime or other, unrelated to the offending speech or action. The present state of law is such that, as Berea observed: "You show me the man and I will show you the crime." This cancer continues to metastasize and those who would think for themselves, exercise personal responsibility or resist the state's tentacles of enslavement are silenced or marginalized. This reinforces the slothful adolescent mindset and portends further ill for the productive among us. Somehow, responsible citizens who think and act for themselves have become a mortal threat to the power of the state and its dependent minions which are maximally and willingly propagandized.

Thus, the sloth and envy of the few gradually seized the reins of society, even while culture deteriorated as elites in control of the educational system taught, incessantly, that all of life is a zero-sum game. Politicians recognized the power of these corrosive impulses in their infancy as potent political forces and intentionally set about to expand and harness them. These destructive, instinctive, childish impulses toward dependency on others were organized into a powerful political and social force under banners of "fairness," "equality" and "social justice." Today, they are the grist for a well-oiled political machine which functions as a self-fueling engine; a perpetual motion machine, lubricated by envy and operated with great zeal. Torquemada comes readily to mind when it comes to opposition. Instead of producing goods and services, however, the outputs are anger, indignation and resentment. Such political indignation affirms and legitimizes the dependency demands of slothful and envious segments of the population ever told they are "victims" and recruits ever more members to itself. Members act not to improve their lot, but merely to ever amplify incessant demands for more official theft from others (their "oppressors") which demands can never be satisfied. Today's "poor" in America enjoy larger living quarters, on average, than middle class Europeans. They have cars, air conditioning, video recorders, cell phones—goods the "rich" did not have 50 or 75 years ago. This is well documented by economist Walter Williams and others.

This is a vicious cycle rooted in the basest of human instincts. It somehow partakes of the widespread addictive impulses of the age, the perpetual craving for "more:" more pleasure, more comfort, more possessions, more "something" to fill the nagging spiritual void left when individuals never develop pride in basic adult functioning by providing for themselves and their families. They no longer even form stable families. Nor do they dare ask, *"Why am I here?" "How shall I act?"* The sheer number of these so afflicted threaten to consume the shrinking portion of the population which still manages to practice personal responsibility and continues to produce not only life's essentials for themselves but also the resources stolen to purchase the bread and circuses doled out by the political class to the ever-swelling tide of the idle. In the US, recent statistics show that 86 million full-time workers support federal benefits for 142 million recipients. The word "unsustainable" has been applied spuriously to many trends of late. The epidemic lack of personal responsibility in the West is a stark reminder that this fatuously overused concept still has meaning. Unable to any longer steal enough from the productive to buy sufficient votes, the political class has borrowed astounding sums to be repaid by future (currently non-voting) generations. This, in a society where "for the children" is an oft-repeated political mantra justifying ever more taxation and costly regulation. Summary: unlimited demand for "free" goods by a growing class of non-responsible subjects and provided by cynical, power-crazed, non-responsible elite, is paid for by a shrinking and demoralized productive base faced with confiscatory taxation and extraordinary levels of debt. If anything is unsustainable, this is.

Something must surely break; the whole remains, after all, the sum of its parts, notwithstanding sophistry, distortions and outright lies suggesting otherwise. The complex world financial system has so detached itself from underlying economic reality that it simply cannot continue without a catastrophic discontinuity. Another complex system, infrastructure—a modern symbol of delayed gratification—has been allowed to deteriorate by the same non-responsible elite and will soon become unstable. Failure of the electrical grid, for example, would result in untold suffering and death. Even as electricity supply is already vulnerable, the closing of coal-fired plants virtually assures brownouts and outages, all in the name of an abstraction which has largely replaced God and religion—the "environment." It seems even a blinkered, dysfunctional society needs something to believe in, even if that belief results in further economic dislocation and human suffering.

The belief in a power greater than self, greater than man's own will, has motivated human belief and action for all of man's existence. Today, man is imbued with faith in his own power - to manage not only the material world, but also vast societies. Surely, we are endowed with great abilities and potential as to the former. No one with even a passing sense of the pace of human advancement could deny our growing mastery of the material world. Continued progress—or even the uninterrupted continuity of the status quo—is conditioned upon our responses to problems we face in living our daily lives and planning for the future. Both are completely dependent upon highly complex institutions and systems to provide even for our daily sustenance. Notably lacking, however is a critical assessment of our own responses—our own response-ability; the responsibility of everyman to understand his plight and act upon it rightly—whether in service of our own daily lives or of our legacy to those who will come after us.

A great, if not the greatest, intellectual error of modernity is the arrogant assumption that control of the material world is equivalent to control of our selves and control of society. The same mechanistic thinking which applies to matter, it seems to me, is inapposite when applied to human action. Human action is more complex than our most complex material systems. Though our survival and wellbeing depend on our material acumen, we depend also on our critical self-knowledge. Just how we respond to our fellows and share the world with them is dependent on unknown and perhaps unknowable factors as to how we respond to them. The regular occurrence of tyranny, oppression and mass killing throughout recorded history—even as control of the material world grew exponentially—suggest there are grounds for caution and humility going forward. Arrogant elites are affirmatively unaware of this grievous error. In most any interaction with officialdom, from bureaucrats to police, inescapable is the message that we are subjects of superiors and not citizens assisted by public servants.

The ability of societies to respond and order themselves is based, non-linearly but strongly, in the ethos of the individuals who comprise them. Material plenty has not, it is clear, ameliorated human foibles and aggressive, violent tendencies. Institutions which used to do so intermittently and to some extent have faded. The evolution of the technocratic/administrative/militarized state in the stead of such benevolent institutions, has significantly advanced the capacity for tyranny, oppression and mass killing. Blocs of individuals already voluntarily dis-empowered as to their responsibilities for themselves, organized by politicians devoid of humility, now seek to extinguish all opposition—even the voicing of doubts. As demonstrated by the arming of most federal agencies with SWAT teams, all are expected to silently submit, bow down, and yield all responsibility to the all-knowing, all-powerful state, which claims to represent the "downtrodden" who have accepted dependency in return for swag. This fealty is ultimately a form of idolatry—the worship of human power—proscribed long ago in the First Commandment. The stark reality is that today's so-called leaders act in furtherance of their own power in service of their own pride and hubris. They would be God-like in their power. To paraphrase Ovid, while many of us intent on preserving responsibility and individual liberty—and hence the very moral agency which makes us human—have considered the ends (*respice finem*), our predecessors failed to adequately resist the beginnings (*principiis obsta*). We are well past the beginnings. The process is far advanced and the ends are now clearly in focus. Yeats also eerily foresaw today in 1919 in *The Second Coming*.

"The centre cannot hold..," he wrote. A new dark age is surely on the horizon. The journey to that future began with the involution of personal responsibility, hence moral agency, aided and abetted by a multi-generational, arrogant, cynical, political class possessed of an insatiable lust for power and that is indeed a zero-sum game. Much suffering and death are in store as we have abandoned Eden. First writ long ago, the story continues to unfold before our eyes. The remnant of the coming flood may yet one day re-discover what was once known and practiced by responsible human beings who, for a time, preceded us. Those who drafted the U.S. Constitution clearly understood that it required a virtuous, responsible people to succeed.

That document has not failed us. We have failed it.

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