

Last week I had the privilege of attending my 3<sup>rd</sup> Camp Kotok. Unknown to many outside the investing world, it is an event unlike any other out there. Attendees include a long list of prominent economists, politicians, money managers, and other specialists of varying fields. There are no PowerPoints. There are no sponsors. (In fact, attendees are asked to bring a couple bottles of fine wine to share with the group because nobody is paying for a “cocktail hour”). Due to attendees’ backgrounds, the event takes place under Chatham House Rules to give participants the freedom to share ideas and challenge others without fear of public disclosure or ridicule. This year’s lessons proved yet again to be invaluable in helping me fine tune my approach to managing money. And while there were numerous topics discussed, I want to talk about one in particular and how it can help us as we approach the upcoming political season.

During the Great Financial Crisis (GFC) of 2008/2009 I was working as a trader. The TARP package was passed, and I sighed to myself, “holy smokes, we just opened Pandoras box.” The moral hazard I had just witnessed brought me to the conclusion that risk was no longer a factor when investing if the government was going to bail everyone out.

If you replay the years that have passed since that moment in your head, it wouldn’t be unreasonable to conclude what we’ve experienced for the last decade and a half is a continuation of that policy established in the spring of 2009. The economy gets in trouble and Uncle Sam steps in to save the day.



One early discussion at Camp Kotok last week fell in line with this concept. **HOWEVER**, to my surprise it helped me realize that my belief that something fundamentally changed during the GFC

had been wrong! And not just wrong like *Oh, that was a minor difference*. Flat out wrong.... for 15 years 😊

The evening topic being discussed was the rule of law and if it was threatening capital markets. Given the upcoming election and general disappointment with politicians, there was no shortage of voices willing to give their thoughts on the matter. As everyone walked through their logic on how we have moved further away from what we view as democracy and capitalism, I found myself replaying the events since the GFC and agreeing with most conclusions.

And then former Director of Research for the Dallas Fed Harvey Rosenblum spoke (as a quick note to my reference above about Chatham House Rules, Harvey gave me permission to cite him in this writing). Harvey's mental stamina is that of an Olympian and his sage words immediately made me realize my mistake.

He stated we need to think about how we frame our idea of perfection. As an example, he explained how Ted Williams is considered by many to have hit the closest thing to perfection in baseball with a batting average just over .400. As Harvey continued,

I realized the government had been significantly stepping into capital markets **way before** the GFC<sup>1</sup>.

I realized my idyllic image of how our economy *should* work never existed.

I realized I had allowed this textbook image of America to enter my mind and had assumed anything different than that image was bad.

And that's simply not the case.

So how does this relate to investing and the upcoming election? On Wednesday November 6<sup>th</sup>, approximately half of the U.S. will wake up disappointed and question America's direction. We will compare what our perfect government looks like and think to ourselves, "I can't believe the course we just set for ourselves."

But if we can remember this struggle has happened for 250 years **and** still recognize the creativity, progress, and improvement we've made as a society, then we can see how over that time the future

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<sup>1</sup> A couple examples include the Long-Term Capital Management Bailout in the late 90's, Savings and Loan Crises of the early 80's, Wage and Price controls of the early 70's, and even the creation of the Federal Reserve as a response to the banking issues of the early 1900's

was better than the present moment. (*Well.... except maybe prohibition. That might've been a mistake*)

Likewise, as we are investing and making decisions for our future wellbeing, we need to give an honest assessment of where things are going, not where our idea of perfection is. If we can do this, I believe it will make us better investors. It will make it easier for us to see how companies can continue to grow and improve, and we will look back and see how the American spirit was way too strong to be derailed by one election.



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P.S. Here is a picture of Harvey and me last week at Camp Kotok. Thanks Harvey!

