



CMEFS WEEKLY INVESTMENT NEWS

27-11-2020

Hello and welcome to this week's edition of Investment News.

Before we go into this week's discussion, let's see how the CMEFS Flexible fund has done for the year thus far as compared to the All Share Index (ALSI)

Fund	Last week Thursday	This week Thursday
ALSI	+0.42%%	+1.15%
CMEFS Flexible Fund	+1.34%	+1.42%

Capitalism vs Communism vs Socialism vs any other ism – what is the best way forward for the world from here?

I do not doubt that if this question were asked on social media, we would have a million different views expressed, which is at it should be, I guess.

I also do not doubt that you hold very firm views on this subject and are not going to be easily swayed from what you believe to be best for the world going forward.

But what, exactly, is espoused by these various ideologies, and for that matter, what exactly is an ideology and why is it important to understand just how important a deep, or at the very least clear, understanding of any given ideology is.

From the beginning of time, we have sought ways to govern ourselves and the societies within which we find ourselves living.

I do not doubt that in the very beginning, we would have started as family units. At that time, governance would have been pretty simple, Mom and Dad would have been in charge and what they said went. (Which is still pretty much the case today within the family unit.)

However, as families joined with one another they would have formed tribes, and leaders would have been elected by the heads of the various family units to lead the tribe.

To be elected as leaders, however, the leaders to be would have had to offer something in return for being elevated to these positions, and back then it would have been to offer protection from attacks by other tribes roaming the area.

Over time, to ward off attacks by even larger tribes, smaller tribes would join with one another to form even larger tribes, again with leaders being elected from those individual tribal groupings to lead this larger tribe, at which point complexity would have raised its ugly head.

This is because the larger the group becomes, the greater the variation of views held within the group as to what exactly the best way forward is for this ever-expanding group of persons.

And so, ideologies were born, as individuals and groups applied their minds to this very question, in the process coming up with very different answers to one another.

Keep in mind that at that time, whatever you **thought** would be best would have been entirely untested. Many of these ideologies have since been tested and those that did not work have, over time, fallen away. Only those that continue to “work” remain, although I do not doubt that the process of elimination is not yet complete.

Now fast forward a few thousand years where, to feed ourselves, we have no direct access to land to grow and harvest our crops or open plains to hunt our own game.

Out hunting bows, arrows and spears have been replaced by currency. Without it, we die.

Over the many millennia, our numbers have grown from a few thousand to close to 8 billion as we solved one existential problem after another, by way of us becoming more efficient at everything we do.

If we were to revert to doing things the way we did then, such as having to hunt and fish for survival, abandoning all of the efficiency gains made over these many millennia, we simply would not be able to sustain current population levels.

I would imagine that under those circumstances, population levels would rapidly shrink to 1 billion or so, or maybe even less.

There is therefore no going back, there is only going forward, but the complexity attaching to a world population of 8 billion is exponentially greater than that attaching to a world population of 4 billion, and so on all the way down to the family unit.

Now throw into the 8 billion mix the explosion of information brought about by the advent of social media.

Everyone who has a thought or an opinion or view, whether well informed or not, now has the right and opportunity to share and express that opinion, thought, or view with, well, everyone else in the world if taken to the extreme.

For those who are so inclined, this phenomenon of being able to share information so freely opens up the opportunity for manipulation and the sowing of disinformation for nefarious reasons.

Now if you have no clear idea of just what it is you believe, or just what a particular ideology espouses, and you are exposed to such misinformation (lies in the guise of truth) then you are opening yourself up to being manipulated by others for reasons which are very seldom in your best interests, but in theirs.

This is why it is of vital importance that we take the time to develop at the very least a basic and at very best a clear understanding of just what these different ideologies espouse.

If for example, much like China right now, you have a communist government in office overseeing a capitalist economy, and there is a failure of sorts, what ideology would be to blame for the failure?

Closer to home, here in SA, we have a socialist government in power overseeing a capitalist economy. And we know all the many problems we are facing. Outside of the self-evident problems of corruption and individual personalities, where exactly does the problem lie?

Does it lie within the socialist or capitalist ideology adopted?

If for example it had its roots in the socialist ideology (but remember some would say the opposite could be equally true) and capitalism was seen to be the problem, then attacking capitalism by way of further restricting its influence on society and broadening the socialist influence, would be exactly the wrong way to go, as things would only get worse from that point on.

Again, a clear understanding of these ideologies is vital as at the end of the day, the government you elect by way of your vote will depend entirely on your understanding of these different ideologies.

It will also determine whether you and your children will get to live the life you would want for you and them.

I do not know anyone who wants to live in poverty, starvation, desperation, and despair, so I guess we all want pretty much the same thing, it's just on how to get there that we differ.

This being said, it is an observable truism that over time, what "works" is normally universally (in the sense of all nations across the world) adopted. This is true of anything.

And what we have in place right now almost universally, are different ideologies governing our various societies, be they nationalist, communist, socialist, religious, or monarchist in nature, but with just about ALL of them enjoying the fruits born out of adopting capitalist economies.

For the record, **capitalism** is loosely defined as an economic and political system in which a country's trade and industry are controlled by **private owners** for profit, **rather than by the state**. (Each person decides for themselves what they do and do not wish to own and the price they will pay for it)

Communism is loosely defined as a theory or system of social organization in which **all property is owned by the community** and each person **contributes and receives according to their ability and needs**. (Who decides on who will receive what and when?)

Socialism is loosely defined as a political and economic theory of social organization that advocates that the means of production, distribution, and exchange should be **owned or regulated by the community as a whole**. (Again, who gets to decide?)

However, in the current chaotic situation, where unsustainable levels of debt are being pushed to even more unsustainable levels globally on an almost daily basis, it seems all of these

different ideologies are currently in the process of blaming capitalism as being the root of all of our current social ills, notwithstanding its almost universal adoption – again - because it works.

Strange.

You might think I am imagining this but here is a direct recent extract from the founder of the World Economic Forum Klaus Schwab, on this very issue. (The World Economic Forum is basically the “think tank” on the way forward for the economies of the world)

To quote:

“COVID-19 lockdowns may be gradually easing, but anxiety about the world’s social and economic prospects is only intensifying.

There is good reason to worry: a sharp economic downturn has already begun, and we could be facing the worst depression since the 1930s. But, while this outcome is likely, it is not unavoidable.

To achieve a better outcome, the world must act jointly and swiftly to revamp all aspects of our societies and economies, from education to social contracts and working conditions. Every country, from the United States to China, must participate, and every industry, from oil and gas to tech, must be transformed.

*In short, **we need a “Great Reset” of capitalism.**”*

So here we have the supposedly most erudite thinkers in the world putting their joint stamp of approval on “resetting capitalism”.

I am reminded at this juncture of the book I read not so long ago, titled “Factfulness” in which it was shown just how little those in high office know about what is actually happening in the world, with the best of them scoring an equivalent of an “F” when tested on some very basic general knowledge questions about the world we and they live in.

How, may I ask, did they arrive at this conclusion, and just how, may I ask, does one “reset” capitalism. Maybe I am just dumb...

I hope you enjoyed the read. Until next year then, may we wish you much love and light over the festive season and an abundance of good health happiness, and success in the year to come - Covid-19 notwithstanding! Kind regards, Nine, Charles, and the rest of the team at CMEFS.