

MoneyMATTERS

Take Care of the Yellow Brick Road

In Financial Matters, the Wide Road Often Also Leads to Destruction

Wilfred Hahn

On short notice, my wife and I decided to tour Egypt a few years ago. Admittedly we were opportunists, choosing to visit this country only three weeks after the Hatshepsut incident. Terrorists had murdered 55 tourists at this ancient temple, mowing them down in cold blood with machine guns. As a consequence, tourism plunged, many canceling their vacation trips. Somewhat a contrarian, I thought this would be a good time to visit. My wife wasn't exactly thrilled with the idea though comfortable with the logic. As a rule, we always try to plan our trips on shoulder seasons or other such opportune times. In the late 1980s we even stayed on the very same floor of the Hilton hotel that had recently been blown up by feuding drug cartels in Cartagena, Columbia.

Are we foolhardy? Perhaps. On the other hand, consider the logic for our journey to Egypt. The major sites of Egyptian antiquity wouldn't be jammed with tourists, travel prices would be attractive, and importantly, this shortly after the terrorist attack the country would be bristling with armed guards. Terrorists would be in hiding, therefore offering the safest time to visit in years. That proved to be the case. As it turned out, we were able to enjoy our tourist guide virtually to ourselves. There were only eight in our group. In fact, the Nile tour boat which typically hosts up to 250 travelers only had 28 fare-paying passengers! And, on our Columbian trip we slept comfortably ... at deeply discounted prices.

The point of all the above is illustrate the logic of contrariness. It's an attitude that shouldn't be unfamiliar to the Christian. The world's endorsement doesn't necessarily carry a lot of weight in our decisions and lifestyle. I am not promoting the idea that Christians should by nature be contrary to everything without critical thinking. To the contrary. What I am saying is that we shouldn't be afraid of going against the grain ... of taking the narrow road. After all, "*wide is the gate and broad is the road that leads to destruction, and many enter through it. But small is the gate and narrow the road that leads to life, and only a few find it.*" (Matthew 7:13-14)

This same truth applying to salvation is often observed in human affairs, most spectacularly in investment markets. The dramatic ups and downs of stock and bond markets are the result of little more than alternating "wide" and "narrow" roads. The recent mania in technology stocks offers a good way of explanation. For a time everybody was on the wide road, buying these stocks without any critical analysis. The fact that so many people were traveling on this highway gave some comfort. Can so many people be wrong, investors may have reasoned.

As it turned out, this wide road has led to a good deal of destruction. In the space of eight months, these stocks have fallen by more than 50% ... many by 90% and more. Investors discovered that the way into this investment mania was well serviced with wide roads; the way out only through the eye of a needle. Financial market history is marked with countless examples of these same forces of human crowd psychology at work.

What can you do to avoid getting trampled on the wide road with the hard-earned savings that you're entrusted with? For a start, pay little attention to the fact that a majority may be investing in a certain way. Instead, seek out the reasons for this behaviour. In that sense, knowing what the majority believes can be useful. Acting like the mindless masses, however, is what can cost you big. It's not hard to diagnose whether there is delusion and untruth at work. Your broker's marketing story can easily be scrutinized. Don't be bowled over by opinions of so-called experts and technical financial jargon. Good old common sense will beat out an expert almost all of the time. Is that narrow minded? Only the majority will tell.

Wilfred J. Hahn is a global portfolio manager and publisher of Eternal Value Review. Contact him by email: mullpress@aol.com

Copyright © 2001 Mulberry Press Inc. All rights reserved worldwide. One-time reproductions and excerpts are encouraged without permission, provided that acknowledgement is made and a copy sent to Mulberry Press Inc. P.O. Box 300 Smithville, Ontario, Canada, L0R 2A0. <http://www.eternalvalue.com/>

If not otherwise noted, all scripture references are taken from the New International Version (NIV) of the Bible.