

Please Don't Drink the Water

There is another phenomenon at work that adds greatly to investment risk. The river of political, economic and financial information that we receive on a daily basis is heavily polluted. At the headwaters of the river, we have Government-manipulated statistics, opaque political and economic agendas and an engrained deficit mentality as the major sources of pollution. Along the way, the many publicly-traded companies that have transformed dishonest reporting of financial results to a high art form (e.g., Fannie Mae is the latest to be officially cited) comprise the many tributaries that dump more waste into the river.

It is from this muck and sewage that the mainstream media and financial analysts draw their water. By inference, their judgments and opinions are heavily tainted if not toxic. Whenever I read a forecast based on publicly-reported information, I get this very bad taste in my mouth. You should too. It is unfortunate that we can no longer rely on public information as a basis for intelligent decision making, but as I said previously, many of the traditional risks associated with investing continue to morph into almost unrecognizable forms.

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