

A TACIT THOUGHT

WEEKLY INSIGHTS AND VIEWS

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Georges Santayana once wrote that those “who fail to remember the past are condemned to repeat it.”

Many writers and financial commentators from J K Galbraith to Charles Kindleburger and Warren Buffett have noted how short the financial memory can be. Investors routinely ignore historic lessons surrounding leverage, financial complexity, sales over profits, clicks and eyeballs over revenue. Many of the safeguards introduced after the financial crisis; for example, the Volcker Rule, are already being quietly discarded or pushed to one side.

Perhaps for this reason, Edward Bonham Carter, CEO of Jupiter, once noted that “historians make the best fund managers.” Who could possibly disagree with that!

What's interesting is that the public memory is as short-lived as the financial memory.

In the current rather febrile British environment, there is an almost daily appeal to “democracy”, the Will of the People, as an immutable expression of defined will as if democracies do not change their minds. Actually, democracies are as neurotic and prone to indecision and abrupt changes of mind as the people who comprise them.

In fact, that is the great conservative Burkean defence of Representative Parliamentary Democracy of which referendums do not form a part.

This a problem as old as democracy itself. Thucydides the great historian of the “greatest war ever fought,” wrote with the explicit intention of providing future democracies with lessons to guide and illuminate policy; in war, in foreign affairs, in domestic politics.

The Greeks were fascinated by human motivations: fear, greed, ambition, glory, vengeance, retribution; self-evidently, not much has changed.

Thucydides carries a deeply important lesson profoundly relevant to the present day. The “demos” can and does make terrible mistakes. Pericles, Thucydides notes, the great, 31 times **annually elected** “strategos,” could face the demos down and tell them that they were wrong.

But, after his death from the plague, in the middle of the war, the Athenian demos voted to approve an expedition to open a new front in Sicily. It was reckless, dangerous, expensive and drained Athens of money and talent. It led to the loss of the war and the fall of Athens.

Our very own demos have voted to undertake a reckless, dangerous and expensive expedition out of our own continent. Like Athens, we are bereft of a Pericles and despite Thucydides great endeavour, no lessons have been learned.

The later Latin tag, si vis pacem, para bellum captures the idea. If you want the best, prepare for the worst. As investors, we're doing exactly that.

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