

CHAOS

What a chimera then is man! What a novelty! What a monster, what a chaos, what a contradiction, what a prodigy! Judge of all things, feeble earthworm. depository of truth, a sink of uncertainty and error, the glory and the shame of the universe. Blaise Pascal

I am a nefarious speculator, although I pass myself off as an Investment Counselor. I speculate on just about anything that can turn a profit with other people's money. Of course, I am not above playing fast and loose with the rules of the game, obviously to my advantage. It is true that I make every effort to make the suckers or the marks, excuse me - my clientele, happy. However, I also make sure that I always reap the largest profit. I get away with it because my clients very seldom lose money, even though their returns are not as large as they should be. In other words, I have been quite successful at my dubious and not so legal vocation.

The very nature of the market enables me to engage in my questionable practices with ease. Ostensibly, the market exists as one of a number ways to raise needed capital to promote fledgling industries, or to procure new resources to allow established ones to flourish. To be fair, it does fulfill these functions. However, once the monies have been raised by selling shares, the market becomes an arena for speculation. Most playing the market are not really concerned with the health and welfare of any or all of the companies whose stock is available. Their motivation is a return on investment either in the form of dividends or in a quick return of profit. This egocentric approach to the market is akin to playing roulette. It blinds the players as to what their proper economic role is and permits all sorts of questionable practices, such as mine, to occur.

I am not averse to skimming off the top although it is infrequently necessary. I do not feel guilty about my practices. My patrons have been carefully selected on the basis of their vulnerabilities. They are either blindly avaricious or just downright stupid. After all this is a dog-eat-dog world and I have no intention of being the canine that is eaten.

How do I accomplish my feats of legerdemain? That would be giving away trade secrets, although by now I do not think it matters much as you will shortly discover. In any case, I am not averse to using 'Inside Info' which is made available, for a price, for keeping quiet about various dishonest and illegal practices engaged in by those in positions of trust, and because I am owed favors. As can be imagined, I am not at liberty to spell out who my informants are. The old adage that 'Knowledge is Power' is never more applicable than when used in the securities and commodities arenas.

As one of many examples of how I use a relevant tip, consider the following. Using funds made available by my clients, I start purchasing shares of a promising stock under an alias of mine. This induces a rise in their price whereupon I start buying on behalf of my clients. This pushes the price of the shares yet upward. Once the price of the shares reaches a certain level, I sell my original investment and put the capital back where it belonged keeping the profit for myself. Then and only then do I sell off my clients' investments in that stock. In parallel, and under my alias, I also sell these shares short. The bottom then falls out with respect to these shares, allowing me to make a further bundle. Simple, isn't it? Actually, what I do is nothing more than a variation of long established invidious practices that have made a number of people rather wealthy and many others bereft of their savings.

Now in my business it is critical to keep searching for new ways to get an edge on my competitors and to try to put them out of business. I am not alone in doing what I do. The competition is quite fierce. Actually, I spend a great deal of time seeking new tricks of the trade, particularly the acquiring of advance information. Getting pertinent knowledge ahead of any of my rivals gives me quite an advantage. Of course they are also looking for means to beat me to the punch. So far, I have been able to more than hold my own. However, I was able to demolish them all using means that, luckily for me, fell into my lap.

There is no one who would not like to be able to predict the future accurately, especially where money is concerned. Would it not be great to know what horse will win the next race, which teams or individuals in any sport will win or lose and how the prices of various stocks will fluctuate in the next few days? Advance knowledge of a long shot coming in, or of penny shares unexpectedly rising to unheard of heights would certainly be of particular interest. I have been approached frequently by many who claim to know with absolute certainty all sorts of future results. They can never answer the obvious question, which is, "Why do they not use their knowledge for themselves instead of passing it off for a relative pittance?". In race track parlance they are known as touts and anyone with an iota of sense avoids them or pays minor lip service by bestowing a bit of charity upon them. After all, they provide a modicum of color to an otherwise drab scene. In any case, while I sometimes humor them, I definitely pay them no mind.

Every rule has an exception. Mine was someone who, despite his claims, was fascinating. The chap had a doctorate in space-time physics and another in statistical mathematics, two subjects of which I was and am totally and blissfully ignorant. What I found appealing was that he never tried to con me or assert that he could accurately predict anything. To this day I do not know how he made his living. For reasons that I cannot fathom, he seemed to enjoy my company. Simply put, we got along, possibly because he was genuinely and non-judgmentally interested in my activities and because he never patronized me with his superior intellect. He never talked down to me, yet in a rather short period of time I started to get a glimpse of what he was trying to accomplish, mainly because he managed to explain his ideas in understandable language. To my good fortune, he partially succeeded and thereby hangs the nub of this tale.

One day, while we were having our once a week lunch, he admitted what he was into. Yes! He was engrossed in trying to predict the future. He candidly acknowledged that he had befriended me because of my interest in and knowledge of the investment market. He needed to learn more about that arena to ascertain whether it was compatible with the predictive means he was developing. The more educated he became about the market, the more convinced he was that he had chosen correctly. When he realized that I was slightly miffed, he apologized profusely. He pointed out that our friendship had become a true one, having very little to do with our respective professional activities. I was mollified, especially when he informed me that he had no interest in personal gain and that if his forecasting the market worked, I would stand to gain a great deal.

Then he explained exactly how he was trying to foretell the market. I understood absolutely nothing. It all sounded like gibberish to me. When he realized that, he sighed and went on using language that I could understand. In essence, this is what I managed to comprehend. It comes in two main stages.

He started by pointing out that to a very limited extent we all are able to and in fact do make predictions, frequently quite accurately. Our ability in this regard is limited by two axiomatic factors, namely, the proximity of the predictions to ourselves and also the length into the future we are attempting to ascertain. With respect to the first factor, it is a simple question of control. Entities that are nearby can more easily be manipulated to our wishes, thus making predictions more facile. As to the latter factor, there is a direct variation between the uncertainty of future events and the distance into the future we wish to travel.

According to my friend, the trick is that if one can project oneself one second into the future then, once there, why not another second and another and another, ad infinitum. The reason we cannot is that during one of those one-second intervals a totally unexpected and unforeseen event will probably occur. Thus in any system that allows for predictability, the potential for unexpected events must be reduced to a minimum, preferably to nothing, or be accounted for.

However, more important is the mechanism by which one can proceed second by second into the future. It was this dilemma that intrigued my friend. The idea that led to his very circumscribed response stemmed from an old paradox, known as 'Zeno's Paradox', popularly known as the 'Impossibility of the Hare Catching the Tortoise Tale'. The story tells of a race between the two in which the Hare was so confident of winning that he gave the Tortoise a lead, which unfortunately for the Hare he could never reduce to zero and surpass. The fallacious reasoning behind this was simple. To catch the Tortoise the Hare had to cover the lead he had originally given. In the meantime, the Tortoise had moved a smaller distance ahead. Again, the Hare had to cover this distance and again, the Tortoise had moved a smaller distance ahead. Thus while the Hare can continuously reduce the distance between them, it cannot reduce it to zero.

My friend considered a simpler way of stating Zeno's Paradox. To cover a certain distance, one has to cover half of it first, and then half of that, and then again half of that, and then again half of that continuously reducing the distance until it is zero. How does one cover zero distance? An obvious impossibility, and yet we are all able to move. Now while I have no understanding of differential and integral calculus, my friend assured me that Zeno's Paradox and the Hare/Tortoise's are easily resolved by the process of integration which, in this case, consists of nothing more than summing all the infinitesimally distances between any two points. So be it!

Subsequently, he asked himself, that, "If it is possible to integrate the infinitesimally small distances between any two points corresponding to a large distance, then why not do the same thing between any two points in time?" Why not sum up, via the process of integration, all the infinitesimally small distances of time between any two points in time, one of them being in the future. He realized that he would have to include in his integrative process a host of other market variables, but because of the nature of the market, he felt that within reason he could accomplish success. It is not for me to ascertain exactly how he achieved what he did. All I can aver is that he did.

And that is how, with the help of his formula, I was quickly able to establish myself as the market's premier guru and as the wealthiest person in the world. Having reached this pinnacle, I decided to be generous. I passed the formula to a few selected others. Their greed surpassed their good judgment as each tried to market the formula. It did not take long for it to become common knowledge. Everyone and their mother's uncle started

using it. What they did not count on was that by everyone availing themselves of the formula, it was rendered useless because everyone started doing the same thing. The market was not designed for that. If everyone was selling, who was buying or if everyone was buying, who was selling? The predictive capability of the formula was lost and as a result, market chaos ensued. The whole world of investment went berserk.

Fortunes were lost in an eyelash of time. Well, when money is lost, someone stands to gain. You can guess who reaped all these lost treasures. How did I manage that? Simple! Before I exhibited my so-called generosity, my friend and I modified the formula by adding another variable to it, namely common usage of the original formula by the masses. Once again, the formula was correct and once again, I was able to take full advantage.

Now I have a very significant percentage of the world's wealth in my possession. I also have an inordinate amount of power. Yet I am not a person with the mental acuity, personality and desire to deal with the enormous responsibilities I now have. The world has become a very chaotic place because of our lack of foresight and my inability to wield my unwanted power wisely. I blame my friend as much as I blame myself. I also find that I can trust no-one, including my former best friend. I am sure that if the world discovers the truth I will be quickly disposed of. I often wonder whether my machinations have been responsible for the rising suicide rate, the increase in violent crime, the growing incidence of bigotry, prejudice and tribal, religious and national warfare, and the ever increasing mindless exploitation of the environment and of humanity by humanity. I sometimes feel that the French term, "La Race Humaine", should be changed to, "La Bête Humaine", thus characterizing what we truly are. The only hope is that, as some theoretical physicists posit, "Out of chaos, comes order". However, if so it will not happen without some major perturbations. These might bring order by eliminating the determinant that is the major cause of chaos, namely humanity, or by the imposition of order by a tyrannical dictator. If the past is any criterion, I would guess that the latter is more likely. "Order Macht Frei."

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