

A bit of a con artist? Or is it a bit coin artist?



Various schemes have conned people out of their hard earned money – in some instances, their life savings. These schemes are part of a growing crowd competing for your savings. This competition is relentless says John Train, author of “Dance of the Money Bees. He says: “Survival is competition. What you have, including your savings, others want and will struggle to get. The push to take it back from you is as relentless as that of the sea to overcome dikes that contain it or the jungle to enfold a patch of clear ground. The whole order of nature pushes to reclaim its own. Only through deep understanding and superior tactics can the investor hope to preserve even part of what he has earned, and it gets harder every year”.

You should think twice before patting yourself on the back, thinking that no-one will ever con you, says Sasha Planting in an article “All that glitters” (guest column in the JSE quarterly publication, Oct/Dec 2018, page 130). Sasha says the temptation looms large, especially if your money is a bit tight and school fees are due. You are presented with a glittering investment opportunity. It looks good on paper. Its legitimacy increases because your friends are involved and the returns seem to outweigh the risks.

The workings of these schemes resonate well with the turkey story told by Taleb in his famous book, the Black Swan. A turkey is fed daily by humans. The more it is fed, the more repetitions it gets and the more its confidence grows in the human race. Because no questions are asked in the face of the evidence, it is tempted to think: “Such good, generous people. They just share out of their good hearts. Not a little but generously they give. Of the abundance they have, they just pass it on to me. They must adore me because they feed me faithfully each day. Such altruism - do to others as you want them to do to you - you will find nowhere else. I am fattening and increasingly satisfied. Life could not be better. It seems as if the grain stores will never run dry. Christmas came early and, based on the history of feedings, it will last forever”. Until one faithful morning when the tsunami strikes and the turkey ends up on the feeders’ Christmas lunch table!

In the beginning, these glittering products (or shall we call them scams?) are also willing to feed you with wonderful regular returns. No questions are asked. There are ample repetitions (evidence) that Christmas came early for you and it will continue forever. The generousities of the “feeders” have no limits. Since they really have your interest at heart they kindly hold some of the returns back and re-invest them into these “fantastic” products – just to boost your returns even further. However, without you realising it, silent evidence is busy piling up until a tipping point is reached. They are fattening you for one thing only – to ruthlessly slaughter you for their own Christmas. Your Christmas turned into their Christmas. It is confirmation of Adam Smith’s well-known quote: “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.”

Warren Buffet, one of the greatest investors of all time, does not invest in stuff he does not understand. If there are black boxes, which nobody really understands, turning out fantastic returns out of thin air, Buffet steers clear from them.

Can anyone explain to us in simple terms how bitcoin, crypto currencies and block chain work? Maybe we, the old school, are really dummies when it comes to new technology and products

and how their returns are generated and sustained? Or are their initial returns so overwhelming that users of these products hear nothing else but only “jingle bells, jingle bells all the way”.

Irrespective of being an old or new school product, greed seems to be a major problem with our human race. How you behave is far more important than how your investments behave. Your reaction to returns is a far greater risk than the returns itself. If something is too good to be true, then it is just that – too good to be true. There are no free lunches.

Enjoy your Christmas this year – whether it is early or not. In particular, enjoy your Christmas lunch. And while you can, thank the hands that prepared it for you!

The author thanks Ziets Botha for the review of the article. The views expressed here are those of the author and should in no way be attributed to his employer or Ziets Botha.