



HONEYBEE CAPITAL

HONEYBEE PUBLICATION #4 – BACK TO SCHOOL ISSUE
QUIRKY QUESTIONS OF ALL SORTS
SEPTEMBER 2009

MAIN TOPICS FOR THIS PUBLICATION:

- **What Do SRI and Shredded Wheat Have in Common?**
- **Is Pride Better Than Money?**
- **Should Capital Be More Patient?**
- **Is Valuing Art an Oxymoron?**
- **Can You Train Yourself Happier?**
- **Should We Manufacture Volcanoes?**
- **MLK's Unfinished Business**

BEST QUOTES:

“Love is a gross exaggeration of the difference between one person and everyone else.”

George Bernard Shaw

“We need to escape the cult of the average.”

Shawn Anchor, Harvard instructor

“Why do people cry over Rothko? It's just a big purple rectangle.”

Paul Bloom, Yale professor

“I was drowning in my sorrows, but my sorrows they learned to swim.”

U2

“McKinsey charts are not fact.”

David Keith, University of Calgary

“Love without power is anemic and sentimental – and power without love is reckless and abusive.”

Martin Luther King, Jr.

“Without question, the two most important people in the 20th century were Martin Luther King, Jr. and Ghandi.”

Harvey Cox, Harvard Divinity School professor (renown scholar and author of the new book, The Future of Faith, known in the 60’s as a colleague of Dr. King’s, and more recently as they guy who exercised his rights to graze a cow in Harvard Yard).

SUSTAINABLE INVESTMENT HIGHLIGHT:

JUST LIKE SHREDDED WHEAT, SOCIALLY RESPONSIBLE INVESTMENTS ARE GOOD AND GOOD FOR YOU

This is an age-old question in the SRI arena, so much so that long-term practitioners react either with eye-rolling or uncontrollable rage when it is posed. Many assume that there is a tradeoff between ‘good’ and ‘good’ – that is, that there is an unavoidable tradeoff between ethics and profit. The short answer is, FALSE! There are dozens of studies now, over dozens of years, that show that at the very least there is no tradeoff – and some studies (yes, solid, statistically robust ones) actually show the opposite – that being good can also be good for returns.

One such study was recently highlighted by the folks at KLD, who offer helpful and insightful commentary on SRI-related issues on their website (www.kld.com). The paper, by researchers at the University of Western Australia, examined additions to the FSTE KLD 400 index over a 17year period, and concluded,

“There are positive and statistically significant long-run abnormal returns for firms being included in the DS400 (FTSE KLD 400 Index).”

Abstract of the paper:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1448524

THE SCIENCE OF MOTIVATION

DAN PINK

- Accepted extrinsic motivators (especially economic ones) often not only don't work, but actively do harm.
- Social scientists are very familiar with this concept, but managers are not.
- if/then rewards work well where there's a narrow problem with rules-based, defined sets of solutions – but for more complex problems, where you want to improve creativity, incentives are often a hindrance
- Dan Ariely's work (*Predictably Irrational*) ties to this same theme (great book, vivid examples illustrate the bad news – we are fools – and the good news – we are fools in a very consistent way).
- **Autonomy, Mastery, Purpose** → these are much more powerful motivators (intrinsic motivators).
- "Traditional management systems are great if you want compliance, but if you want engagement, self-direction works better."

Pink's TED talk on this topic is here (warning, his style is, ummm, beyond animated):

http://www.ted.com/talks/dan_pink_on_motivation.html

Dan Ariely's book:

[http://www.amazon.com/Predictably-Irrational-Hidden-Forces-
Decisions/dp/006135323X](http://www.amazon.com/Predictably-Irrational-Hidden-Forces-Decisions/dp/006135323X)

ACUMEN FUND: THE CASE FOR PATIENT CAPITAL

JACQUELINE NOVOGRATZ

I heard Ms. Novogratz give a version of this talk at MIT several months ago, and commented on her book in the last newsletter. Acumen is taking some innovative approaches to investments in businesses that solve the problems of poverty.

- Current debate over aid – some say we need more, some say we need to provide investment, not aid.
- There is a "third way" – **PATIENT CAPITAL** – works between traditional markets and aid programs
- Many people working on poverty eradication are not listening to actual poor people – doing so leads to some worthy ideas.

- For example, in India there was a great irrigation system, but only available at very large scale and very large cost. They designed a system that was low risk, affordable, and scale-able for small farmers, and now have built a thriving business that serves farmers earning less than \$1/day. The technology is now being used in Pakistan and may have applications elsewhere as well.
- “Love without power is anemic and sentimental – and power without love is reckless and abusive.”

Links to Acumen’s site and Jacqueline’s TED talk:

<http://www.acumenfund.org>

http://www.ted.com/talks/jacqueline_novogratz_a_third_way_to_think_about_ai_d.html

YOU CALL THAT ART? WHY WE LIKE WHAT WE LIKE

PAUL BLOOM, YALE (lecture in Lenox, MA, August 2009)

Paul Bloom, psychology professor at Yale, has a new book coming out in 2010, How Pleasure Works

- “Art is just a subset of the overall psychology of pleasure.”
- Is artistic valuation flim-flam? OR, is it essentialism? We are obsessed with origins and history, we go beyond the image and try to read into the artist’s INTENTION
- ORIGIN MATTERS – we do not appreciate a forgery as much as an original.
 - Example 1: Josh Bell playing in the Washington subway – thousands of commuters passed by, only a small handful stopped to listen to him, though his concerts had sold out huge halls the same week. It wasn’t the music itself that was appreciated, it was knowing that Bell was playing it.
 - Example 2: Studies show kids think even carrots taste better in a McDonald’s wrapper.
- Implications –
 - What opportunities (and risks) does this present for companies with such strong brands that there is a halo effect? McDonald’s, Disney...
 - Creating good businesses from personal attachment: on my last trip to Africa, the elephant orphanage made tons of money by selling inked footprints of individual elephants – but almost every person bought the print from “their” elephant, the one they’d ridden. No one bought a random print without personal connection.

- This echoes in the stock market too - buying stocks early, before they are cool, is harder than doing so after the stock is a mini-brand – even though everyone knows it can be more profitable to be early.

THE SCIENCE OF HAPPINESS

SHAWN ANCHOR, HARVARD (lecture in Lenox, MA, August 2009)

Shawn is the head teaching fellow for a popular course at Harvard, “Positive Psychology”, taught by professor Tal Ben-Shahar. If you find these notes intriguing, Prof Ben-Shahar’s book is *Happier*, which I admit to reading last year solely due to the brightly-colored advertisements which covered the entire Harvard T station.

- Even if this topic sounds flaky to you, Anchor’s first point is intriguing: **“we need to escape the cult of the average.”** We do not spend enough time studying outliers, and especially positive outliers. When is the last time you read a riveting report of what makes especially robust people so incredibly healthy?
- Still, what about the tormented genius? Are there any un-tormented geniuses? The problem with these anecdotes is that they are all self-referenced. *We’ll never know what a happy Van Gogh could have done.*

Professor Ben-Shahar’s book: http://www.amazon.com/Happier-Learn-Secrets-Lasting-Fulfillment/dp/0071492399/ref=sr_1_1?ie=UTF8&s=books&qid=1254098319&sr=8-1

Explanation of Prisoner’s Dilemma:
http://en.wikipedia.org/wiki/Prisoner's_dilemma

THE FUTURE OF ENERGY

DAVID KEITH, UNIVERSITY OF CALGARY (lecture in Cambridge, MA, Sept 09)

Keith is a well-known scientist who is a strong advocate of managing solar radiation (cloud seeding, volcano mimicking, etc.) over (or in addition to) carbon cycle engineering.

- *We are not meaningfully constrained by global energy scarcity -- not like land, or water... cheap oil may be gone, but this is not the same as energy scarcity.*
- There are 3 big energy problems:

- energy security – uneven, unequal access to oil & gas
- environmental consequences of energy use
- energy poverty – gives us many things we want in life, but billions of other lives could be dramatically improved through energy access
- Tradeoffs are pretty fundamental, and not really avoidable –
 - sure, some things help on both climate and security at once, for example
 - but overall there are strong tradeoffs
- We can and must cut emissions
 - **cost is uncertain – “McKinsey charts are not fact”** – cost/benefit uncertainty is at least 2x for most issues
 - **ignoring this uncertainty is bad science**
 - overall cost to cut emissions (his estimate) = a few % of GDP, a bit bigger than current military spending, one good year’s worth of econ growth, much smaller than annual healthcare spending
- UNCERTAINTY + INERTIA = DANGER
- Warning – moral hazard: knowledge that geo-engineering is possible makes climate impacts look less fearsome, which leads to weaker commitment to cutting current emissions
- Conclusions:
 - Cutting emissions is necessary but insufficient to manage climate risk
 - Capability for SRM is necessary for climate risk management.
 - We need serious research programs in many areas, elimination of foolish all-or-nothing dichotomy

Dr. Keith’s faculty page:

<http://www.ucalgary.ca/~keith/geo.html>

Yes, he too has a TED talk, from 2007:

http://www.ted.com/talks/david_keith_s_surprising_ideas_on_climate_change.html

MLK DISCUSSION

DR. VIRGIL WOOD (discussion in Cambridge, MA, Sept 09)

Dr. Wood is author of In Love We Trust – Lessons I Learned from MLK. He was a board member of the Southern Christian Leadership Conference and a close colleague of Dr. King’s.

- Dr. Wood proposed that near the end of his life MLK's focus was turning to economics as the main driver of social change (as opposed to politics)
- The MARRIAGE OF ECONOMICS AND ETHICS – this was an unfinished part of King's work - he thinks his real mission was NOT civil rights, but economics – COMPASSIONATE ECONOMICS

Dr. Wood's book: http://www.beckhamhouse.com/title_inlove.html

Howard Stevenson's HBS page:

<http://drfd.hbs.edu/fit/public/facultyInfo.do?facInfo=ovr&facEmId=hstevenson@hbs.edu>

Howard Stevenson's *Just Enough* on Amazon:

http://www.amazon.com/Just-Enough-Tools-Creating-Success/dp/0471714402/ref=sr_1_4?ie=UTF8&s=books&qid=1254141514&sr=1-4

INTERESTING AND ENTERTAINING LINKS:

- DISSERTATION HAIKU: continuing on the theme of "six word memoirs" highlighted in our last issue, here is an entertaining site where delirious doctoral candidates reduce their life's work into haiku form. It is a sort of extreme sport version of the 'elevator pitch' – can you explain your idea in such a short form? If not, perhaps you are not finished yet....

<http://dissertationhaiku.wordpress.com>

- OMEGA INSTITUTE DOWNLOADS: including Pema Chodron, one of my favorites: "times of adversity offer the most opportunity", though in times of chronic stress it becomes harder and harder to realize that potential (echoes Anchor/Ben-Shahar comments above).

<http://www.eomega.org/digitaldownloads?source=ENEWS>

- So, who teaches at Harvard Divinity School? Well, it is a great mixture of folks, but here is one of them, Rev. Charles Adams, preaching at Rosa Parks' funeral service. Be SURE to watch the second, shorter video segment which pops up at the end of this one to get the full effect. If you are not all fired up for whatever your day holds after watching this, we might gently suggest that you re-read the "happiness" notes above.

<http://www.youtube.com/watch?v=80JibPK6ICQ>