



HONEYBEE CAPITAL

December 2012

HONEYBEE #23: **TWO SORTS OF CASES (CASE STUDIES AND BOOK CASES)**

SUMMARY:

We happily present to you our year-end issue, in two parts:

- **PART ONE: FINAL THOUGHTS ON RESILIENCE**
This section includes some brief observations connecting our earlier resilience discussions to two recent case studies: Iceland and food riots.
- **PART TWO: TOP BOOKS OF 2012**
This was such a joy to compile! Our top 15 books of the year (because 10 was not nearly enough).

QUOTES OF THE MONTH:

Our treasure lies in the beehive of our knowledge. We are perpetually on the way thither, being by nature winged insects and honey gatherers of the mind.

- Friedrich Nietzsche

Most crises are not black swans, they are dragon kings – endogenous to our systems, and therefore with ascribable accountability.

- Didier Sornette, at Poptech Iceland

*Another world is not only possible, she is on her way.
On a quiet day, I can hear her breathing.*

- Arundhati Roy

The good news is that we humans are not terminally stupid.

- Hazel Henderson

PART 1: RESILIENCE – FINAL THOUGHTS AND CASE STUDIES

CASE STUDY #1: THE ICELANDIC CONSTITUTION

Resilience is telling your story yourself.

- Astier Almedom at Poptech

As with many crises, there was a lot of attention paid when Iceland was in the midst of collapse – but there has been far less attention paid to the country's recovery. I was fortunate to attend the PopTech Iceland conference this past summer, where the theme, handily enough, was “resilience”. (Note our recommendation of Andrew Zolli's book of the same name earlier this year). Many of the conference proceedings are online (http://www.poptech.org/iceland_videos).

To me, the most interesting question to consider is, how does the new Icelandic constitution reflect all sorts of systems change? Many levers are at play!

LINKS BETWEEN SYSTEMS CHANGE AND RESILIENCE. Iceland's new constitution is awaiting final approval – this represents a rare chance to incorporate fundamental shifts in cultural values and norms into an active governing document – usually those fundamental shifts just bump against the edges of our rules and tactics, gradually shaping them over time, like water on a rock. So when there is such a direct link, it's really neat to examine it. To me, three outstanding characteristics that are highlighted by Iceland's new constitution are:

- **PROCESS – REDEFINING DEMOCRACY.** Popularly called “the crowdsourced constitution”, the process was led by regular citizens, and incorporated public debate and open input (really open! Like, “email or FB us your comments”.) However, this is not some quirky pop culture story – it is a fundamental shift (in some ways a return) to individually-enacted democracy, as opposed to representative democracy. Not that that is fast, or easy, as several speakers at PopTech reminded us. Protests started in October 2008 and there was not much impact until January 2009. Every day, in the street, in the cold, in the dark. And the constitution is still awaiting final approval, four years after those protests.
- **PURPOSE – REDEFINING JUSTICE.** The preamble reads, “*We, the people of Iceland, wish to create a just society with equal opportunities for everyone.*” This is simple, and noble. I love the US Constitution, and it has stood the test of time, but in business school-talk our preamble reads a little bit like the intro to a strategic plan, while Iceland's is a vision statement – and I find it curious that the almost-250-year-old document is the one that is more tactical. (I know, I know, perhaps the vision was already covered in the Declaration of Independence. Still, interesting.)

We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

- **PROTECTION – RECOGNIZING THE WHOLE SYSTEM, NOT JUST THE “HUMANS WHO ARE HERE RIGHT NOW” PART.** The most strongly-approved element (81 percent) is a provision to protect all natural resources that are not currently privately owned (this is after the initial recovery plans proposed even more privatization). A similar protective clause includes cultural assets. Why does this impress me? Not because I am a hippie liberal who loves big government... rather because it reflects an amazing collective national consciousness of the country as an ongoing community, with shared resources that a) cannot speak for themselves and b) should not be open to the highest bidder. Michael Sandel's recent book (see our year-end list) addresses similar fundamental questions.

CASE STUDY #2 – FOOD/FUEL/SOCIAL CRISIS

Yes, I know this heading seems too broad – which is it, food, fuel, or social? Well, that's the point, it's all three – and increasingly these ties are clear..

It is hard when dealing with this kind of problem, which is a tragedy of the global commons if you will, to get the winners to worry too much about the losers....Our ethanol policy is becoming the moral equivalent of shooting some poor Indian farmersThe major disadvantage of all of these extra (natural gas) reserves, though, is that they will give us more rope with which to hang ourselves by frying the planet.

We are badly informed, passionately prefer good news, and easily evade unpleasant facts; our views are easily manipulated by vested interests; we are sometimes desperately inefficient; and we are apparently corruptible as heck. ...But once in a blue moon we really do rise to the occasion.

– Jeremy Grantham, GMO 2Q letter

This summer's droughts in the American Midwest have pushed corn and wheat prices above their previous highs in 2011 and out of the reach of the world's poorest, threatening to trigger a new wave of global unrest — perhaps even a second Arab Spring.

– NECSI's Karla Z. Bertrand, Greg Lindsay, Yaneer Bar-Yam

Some of the most interesting work we've found on this set of topics has been done at the New England Complex Science Institute (NECSI). While many studies focus on simple binary correlations, or smaller pieces of complex systems, NECSI's work links it all together. Drought, speculation, poverty, food prices, social unrest --- to look at these in isolation is interesting, but to look at their connections is what's really compelling. Here is the link to the NECSI research:

<http://necsi.edu/research/social/foodprices/crisis/>

Here, too, a few striking characteristics jump out at me:

- **PHYSICS AND BIOLOGY.** As many Honeybees know, I am a big fan of complexity science, and striving to learn more & more about it over time. However, sometimes its analytical approaches are (too?) deeply rooted in physics – and this seems especially so for complexity studies related to financial markets. I admire that the NECSI studies explicitly link market activity, ecological systems (like weather and drought), and human consequences. This more “biological” approach to complexity (don't worry, there's still lots of math) produces different and often more provocative results... something we could and should consider for all sorts of research endeavors.
- **MARKETS AND MORALITY.** You might not expect a scientific paper from a complexity institute to make the strongest moral arguments around financial speculation. However, I was most struck by the crystal clear link here between seemingly separate, technical market activity and real, painful human consequence. The directness of these links as demonstrated in the NECSI work is striking, and sobering. On a functional level, this connection also reminds me of the comment often made by Edward Tufte, data visualization expert: **“the presentation of data is a moral act.”**

These small notes are barely scratching the surface of some gigantic and vital issues – but we hope that they provide at least a small insight into the themes highlighted by our studies of resilience this past year, and how they relate to so many real world situations.

FURTHER STUDY:

For those of you who are interested in learning more about complexity, but need to keep your day jobs, the Santa Fe Institute has just announced its first MOOC (online course), starting in January, and the NECSI offers some short intensive seasonal courses, plus executive education. Also, there is an online introduction to biomimicry available through Biomimicry 3.8 that gives much more detail than our prior Honeybee highlights have been able to do. Plus, lots and lots of books and papers highlighted on all three organizations' websites.

Here are the links:

- *SFI Complexity Course* - <http://www.santafe.edu/mooc/subscribe>
- *NECSI* - <http://www.necsi.edu/education/index.html>
- *Biomimicry Foundational Course* - <http://biomimicry.net/educating/online-courses/foundational-courses/>

PART 2: YEAR END BOOK LIST

Here is our “BEST OF 2012” collection of books – some new, some favorites from earlier issues. If you want to purchase, click on the underlined titles (the ones above the book covers) and you’ll pop straight to Amazon.

A truly good book teaches me better than to read it. I must soon lay it down, and commence living on its hint. What I began by reading, I must finish by acting.

- Henry David Thoreau

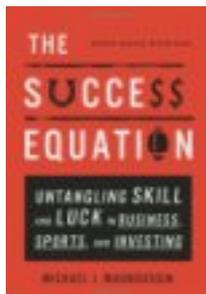
A book must be the ax for the frozen sea within us.

- Franz Kafka

THE UNCERTAINTY QUARTET:

Our first four books all discuss difference elements of luck versus skill, chance versus predictability, and how we interpret and process information. My executive summary (which does not do justice to any of these authors) is that Kahneman describes some of the challenges in our cognitive systems, Mauboussin describes some of the challenges in our definitional systems, Silver describes some of the challenges in data itself, and Taleb describes some of the challenges in our fundamental approach to uncertainty and its management. This is a crucial set of topics for any investor (or any human being) and we expect them to be recurring themes in future Honeybee issues.

The Success Equation

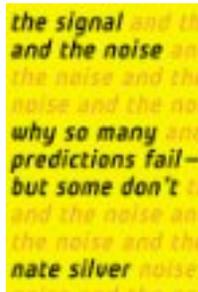


THE SUCCESS EQUATION, by Michael Mauboussin

Are you sure your kid is smarter than their SAT scores indicate? Are you frustrated that your obvious genius at work seems under-appreciated? Did you love your new sweater, until you saw your friend’s fancier one? Do you have great 3-year investment returns but still wonder if you’ve “got it”? Then you must, must read this book.

Here is a brief interview with some highlights from the book:
<http://www.wired.com/wiredscience/2012/11/luck-and-skill-untangled-qa-with-michael-mauboussin/>

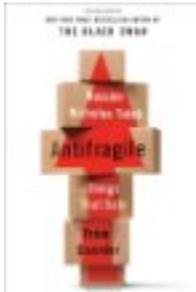
The Signal and the Noise



THE SIGNAL AND THE NOISE, by Nate Silver

Otherwise known as “the election god”, Silver embraces a Bayesian approach to analysis. To his credit, I think I know what that means now... it uses big long term data sets and interprets new data relative to that historical base, incrementally changing probabilities based on the new inputs. Most traditional statistical analysis takes a frozen data set and manipulates it, but Silver’s approach accounts for BOTH depth of history AND incorporation of new information. I’m not quite finished with this one yet, but like Mauboussin’s books this is full of cool case studies, which make the more abstract principles a lot easier to comprehend.

Antifragile

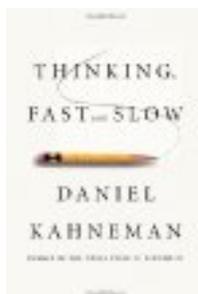


ANTIFRAGILE, by NASSIM NICHOLAS TALEB

In his most recent work, Taleb hopes to move beyond resilience and robustness discussions – his quest is to answer the question, how do we create systems that allow for continuous evolution and improvement, in a world where uncertainty is certain? My executive summary: It’s all about optionality and convexity – making wins count more than losses hurt (which is the opposite of our natural wiring). A short “cliff notes” conversation with Taleb about this work can be found on edge.org:

<http://www.edge.org/conversation/understanding-is-a-poor-substitute-for-convexity-antifragility>

Thinking, Fast and Slow



THINKING, FAST & SLOW by Daniel Kahneman

Okay, technically this book is from last year, but I still love it. What I admire most about Kahneman’s work (and writing) is that he can so convincingly show our lack of awareness, without making us feel too stupid. Just as importantly, he is able to explain our irrationality quite – well, rationally - and coherently, framing the discussion around System 1 (fast/unconscious) and System 2 (slow/conscious) – two systems that are always clashing and combining in our own minds, though both are necessary and valuable. I have recently come to think of Kahneman as a kind of “Trojan horse”, because many of the concepts he frames scientifically are the same as those embraced by spiritual leaders for centuries – but he speaks a different language, science - and so is able to be heard by a different audience.

Quiet

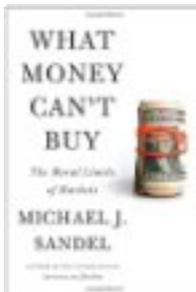


QUIET, by Susan Cain

Though it is hard to avoid generalizations with a topic like Cain's ("introverts are good at..."), her work contains vital insights, such as the distinction between shyness (when social interaction can be painful) and introversion (when a person thrives with less social stimulation versus more). She had me thinking of how little we consider these differences when designing workspaces, for example. Once my team moved to new offices where the doors were all see-through, and within two days several colleagues had papered their clear doors over. The feeling of being constantly open to any and all interactions was unbearable for some! I love that Cain makes the case for contributions and leadership that are not so centered on being loud and gregarious.

<http://www.thepowerofintroverts.com/>

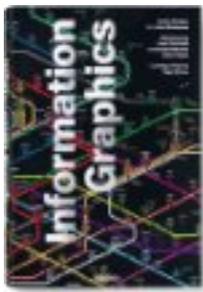
What Money Can't Buy



WHAT MONEY CAN'T BUY, by Michael Sandel

Professor Sandel touched on an important theme in his earlier book, Justice – what is the relationship between civic duty, ethics, and a market economy? Indeed, his primary concern is that we have moved from a market economy to a market society. Here he explores the essential question, what should be priceless?

Information Graphics

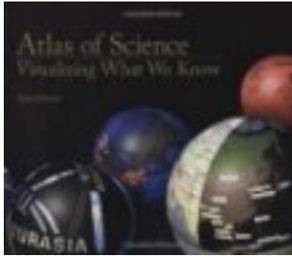


INFORMATION GRAPHICS, by Sandra Rendgen

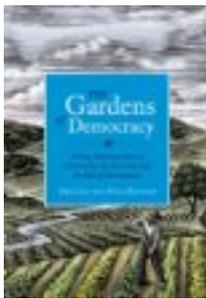
ATLAS OF SCIENCE, by Katy Borner

Here is a duo of fantastic data visualization books, Tufte-style. You could get lost in either of these for hours on end... so much information in such a small space (well, relatively small – they are massive books). If you are wondering how to convey dense information in a coherent way, without watering it down, you will find inspiration here.

Atlas of Science



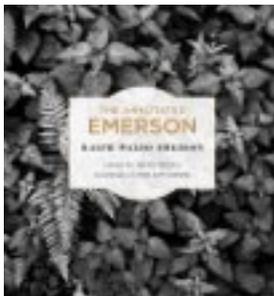
The Gardens of Democracy



THE GARDENS OF DEMOCRACY, by Eric Liu and Nick Hanauer

What a quirky, awesome little book! Liu and Hanauer reframe democracy as a garden, not a machine (parallel to much of our Honeybee work, trying to reframe investing as a natural system, not an engineered one). “True self interest is mutual interest”! And their list of inspiring books is, well, inspiring.

The Annotated Emerson



THE ANNOTATED EMERSON by, umm, RW Emerson – Edited by David Mikics

This book is a geeky joy! Yes, I have a whole shelf of Emerson already. Yes, I bought this book. Yes, I am glad! Mikics includes big fat footnotes that add context to Emerson’s own text – biographical detail, perspective from news of the day, references to others that are (sometimes subtly) quoted by RWE... I am not a fan of footnotes that are just citations, but notes that explain something, that make the primary text even better – well, that’s somethin’! I am squashing together my other volumes on the shelf to make room for this one.

David Steindl-Rast

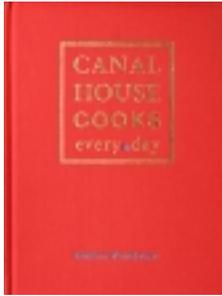


BROTHER DAVID STEINDL-RAST

Please allow me to introduce you to Brother David, a Benedictine monk with close ties to Paul Tillich and Thomas Merton. I recently heard him speak, and he is both a brilliant philosopher (in the most intellectually rigorous sense) and a brilliant spiritual leader (in the most genuine and inspiring sense). His central concept is gratefulness – not in a glitter and unicorns way (though there’s nothing wrong with that), but in a deeply rooted, action-oriented way. I started my reading with his “Essential Writings”, a great place to begin.

<http://www.gratefulness.org/>

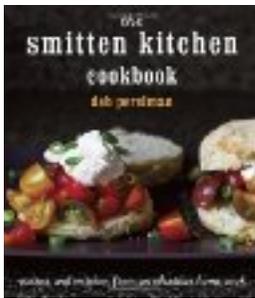
Canal House Cooks Every Day



CANAL HOUSE COOKS EVERYDAY, by Christopher Hirsheimer and Melissa Hamilton

Observant Honeybees will know that we've consistently recommended the smaller Canal House books, so it's no surprise this bigger one makes the list. Awesome recipes, gorgeous photos, helpful context and commentary. Both useful and inspirational, a rare combination.

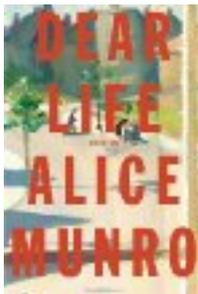
The Smitten Kitchen Cookbook



THE SMITTEN KITCHEN COOKBOOK, by Deb Perelman

Hip internet foodies will already know all about Smitten Kitchen, as Deb writes a popular blog by the same name. To her credit, this book is mostly NOT just "greatest hits" from her website, and Deb has a great conversational tone to her writing. It makes you feel like you are cooking together for a fun casual dinner party. And since that rarely happens in real life, it's all the more welcome in book form. For those who prefer e-recipes, the site is www.smittenkitchen.com

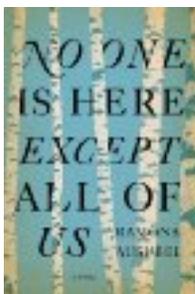
Dear Life



DEAR LIFE, by Alice Munro

I love short stories, especially during hectic times of the year – they are like mini-vacations to me, and Alice Munro's are always excellent. Weeks, months, years later you will find them popping to mind, and you will think, that was real...right? They stick with you – read them.

No One is Here Except All of Us



NO ONE IS HERE EXCEPT ALL OF US, by Ramona Ausubel

This book is stunning, full of poetry and poignancy so sharp it hurts. Aside from the compelling micro-story (a village in Romania that decides to re-imagine itself in the midst of WW2), it raises fantastic questions about the nature of storytelling and reality. Don't get me wrong, this is not a happy fairy tale (consider the setting) – but within its un-reality lies deep truth. If you liked The Tiger's Wife, I bet you'd like this.

Need more books? Here are some other lists!

- **A DELIGHTFUL LIST OF LISTS FROM BRAINPICKINGS.ORG:**

<http://www.brainpickings.org/index.php/2012/12/17/best-graphic-novels-graphic-nonfiction-2012/>

<http://www.brainpickings.org/index.php/2012/12/18/favorite-food-books-2012/>

<http://www.brainpickings.org/index.php/2012/12/10/best-history-books-2012/>

<http://www.brainpickings.org/index.php/2012/12/07/best-childrens-books-2012/>

<http://bookpickings.brainpickings.org>

- **BILL GATES' TOP READS OF 2012:**

http://www.thegatesnotes.com/?WT.mc_id=12_18_2012_Book1_tw&WT.tsrc=Twitter

THE FINAL WORD:

Someone once asked me what I regarded as the three most important requirements for happiness. My answer was: 'A feeling that you have been honest with yourself and those around you; a feeling that you have done the best you could both in your personal life and in your work; and the ability to love others.'

But there is another basic requirement, and I can't understand now how I forgot it at the time: that is the feeling that you are, in some way, useful. Usefulness, whatever form it may take, is the price we should pay for the air we breathe and the food we eat and the privilege of being alive. And it is its own reward, as well, for it is the beginning of happiness, just as self-pity and withdrawal from the battle are the beginning of misery.

- Eleanor Roosevelt, via the awesome brainpicker.org