



The weight of an ox

Looking back on my life, the most treasured memories are a combination of deeply personal and private experiences, balanced by some very public ones.

Needless to say, on the personal side, meeting my wife and being present for the birth of our daughter are highlights that stand out; there have also been many wonderful moments spent with other family and close friends.

Most of the more public ones, however, have been spent in the company of large crowds. I was fortunate enough to attend both the opening match as well as the final of the 1995 Rugby World Cup, for example; I also saw the Springboks victorious in Paris twelve years later.

As human beings, our need to be part of a much larger group is hard-wired. Abraham Maslow identified this when he described our hierarchy of needs in terms of five sets of priorities that essentially build on each other.

After taking care of physiological basics such as food and water, the next two imperatives (safety and social needs) essentially depend on those around us; it seems self-evident that the chances of achieving both are enhanced by being in the company of more people, rather than fewer.

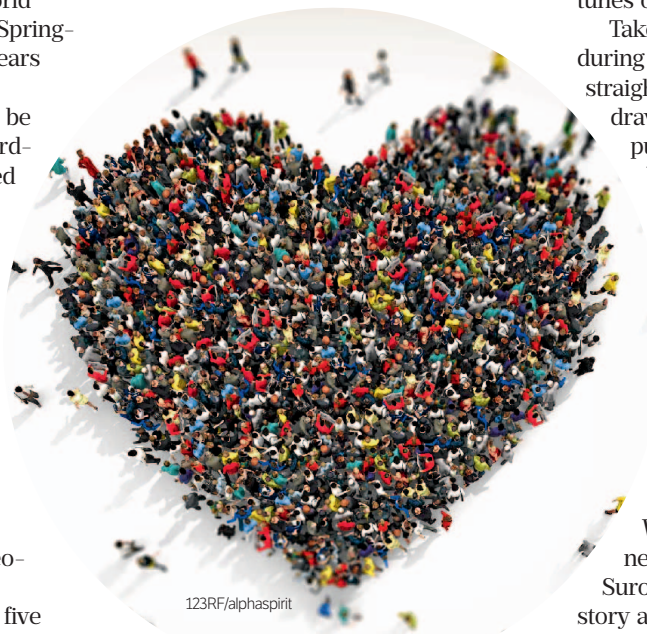
It's only in the final two of the five priorities defined by Maslow where we see a return to the private and the personal, namely a person's hankering for esteem and self-actualisation. Or, as a professor of mine once said: first, you want to be part of a group, then you want to crush that same group. It's all part of our evolutionary make-up.

This interdependence between personal endeavour and group dynamic is evident in practically every walk of life, including the world of work.

Clearly, career success for most will depend on burning some midnight oil on your own from time to time. But practically every company executive will tell

you that the strength of a business is ultimately a function of corporate culture: the behaviours that determine how employees and management interact with each other.

How do you develop a corporate culture when the work day consists of putting on your tracksuit and sitting behind a laptop in a corner of the kitchen for most of the day, as most of us have been doing ever since the first news of a novel coronavirus nearly a year and a half ago? How do you really relate to your colleagues, if you've only ever "seen" them via Zoom or Microsoft Teams?



This is part of Covid's unfortunate legacy: it has provided people in lockdown with an overdose of individual experience, while denying us the opportunity of meaningfully developing the groups we naturally form part of.

Thanks to vaccination programmes, there does, however, appear to be light at the end of the tunnel and so-called "Freedom Day" is about to dawn in the UK. Soon we will be able to get on with our lives without worrying about masks or social

distancing. Attendance at sporting events has already started to return to full capacity.

Crowds are much maligned, but they are a powerful force in the world, including in the financial markets.

You can lament market inefficiency and the formation of periodic bubbles all you want, but, on the whole, the vast majority of securities trade around levels which are ultimately justified by subsequent data points. This generally holds, whether you have an interest in macro information such as economic activity, or whether you choose to focus on more micro detail such as the fortunes of individual companies.

Take the rapid rise in equity prices during the second quarter of 2020, straight after the quickest and steepest drawdown in market history. Many pundits suggested that this bullish behaviour could not be justified in the circumstances; a year later, we can say with some certainty that the market was actually spot on, as company after company reported record earnings in spite of the Covid blip (and in some cases thanks to it, of course). Put differently, the crowd got it broadly right.

This was the key tenet of *The Wisdom of Crowds*, published nearly 20 years ago by James Surowiecki. The book opens with a story about the West of England Fat Stock & Poultry Exhibition, held in Plymouth in 1906, where people were asked to guess the weight of an ox. When individual guesses were averaged, the resulting number was much closer to the true weight of the animal than the individual estimates of most participants. Once again, the crowd got it right.

Roll on, Freedom Day, and let the crowds reconvene.

Personally, I cannot wait to get back to the Emirates Stadium, for example ... even if it is just to witness live how my beloved Arsenal loses once more. ✘

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