Fox-Smith Wealth Management
Quarterly Commentary

3rd Quarter - 2020

Economic Outlook and Market Commentary – Gustin D. Fox-Smith AIF®, ChFC®

With all of the upheaval and uncertainty in the markets over the last several months, I feel it is important to use this commentary to deliver something slightly different this quarter.

First, you are all used to hearing my take on the economy and markets. While I have plenty to say on that topic, I will be brief by saying that my view is that we will all make it through this test, like others in the past, since we are resilient and resourceful. Just give it time.

Beyond that opinion, I felt you might find value in hearing comments from a few other financial experts that have recently published articles, used with permission, that I found to be educational, enlightening, or insightful. I hope you enjoy them.

Articles enclosed:

- Cetera Investment Management Commentary
- Fidelity Quarterly Viewpoints
- S&P500 at All Time High: This Time Could Be Different ~ D.M. Martins research
- Star Trek and the Economics of Hate ~ Jason M. Barr

Most importantly, however, I am motivated by a desire to help bring some sense of normalcy and hope into this very difficult time. As human beings we simply cannot operate in crisis mode 100% of the time. Doing so brings us depression, anxiety, and a myriad of other physical and emotional health problems. So, my answer is to help us step back for just a moment to find a little joy in the pain and, hopefully, bring some laughter into an all too serious world.

To this end, I have collected some of my favorite jokes, comics, memes, and other humorous hodge-podge from across the globe in hopes that they might bring you a smile right when you need it. We can get back to the serious economic analysis of our normal quarterly publication next quarter. But for this issue, just try to laugh.

Many blessings of health and joy to you and your family from me and your Fox-Smith Wealth Management Team,

Gus Fox-Smith, AIF®, ChFC®
President and Chief Financial Advisor
Regional Director

CETERA"
INVESTMENT
MANAGEMENT

COMMENTARY

07/30/2020

Economic Output Plummets, But What Does the Future Hold?

- U.S. GDP expectedly suffered its worst quarterly drop in recorded history.
- Labor data may be a better indication of what the future holds.
- We think the recovery will be slow and is dependent on containing the virus.

Gross Domestic Product, or GDP, plummeted to its worst quarterly reading on record, which dates back to 1947. United States' economic output fell by 32.9% in the second quarter. As shocking as this seems, the eye-popping number was anticipated by investors and economists alike. The second quarter is already old news and investors are looking for signs of what is to come in the third quarter and beyond. In another economic report released today, investors did get a better look at the future.

The U.S. Department of Labor released initial jobless claims this morning and it indicated that workers are still losing jobs at an alarming rate. While in line with expectations, over 1.4 million workers lost their jobs and filed for unemployment claims last week. After falling from very elevated levels, this was the second week in a row the number increased. Claims seem to be stabilizing, but at an elevated rate compared to before the pandemic when they generally averaged about 225,000 a week. The total workforce is still about 10% below pre-pandemic levels.

So, with elevated unemployment numbers seemingly here to stay, where does the economy go from here? Lawmakers are distributing more stimulus checks, but for how long can this continue? After the election, the political will to send checks could fade. This is meant to be a stop-gap measure and is not sustainable as government debt grows to World War II-levels on a percentage of GDP basis. The stimulus is providing help for those in need, but not stimulating the economy to its fullest potential, as the savings rate has jumped to historic levels. With fewer places to spend money, people are saving it. This could stimulate future growth when the all-clear sign comes. But in reality, we know there isn't a magical economic stop-and-go traffic light. If there was one, it would be yellow for a long time. We think service workers will slowly come back to the workforce, but other sectors that have been damaged less might be impacted more as earnings recover more slowly than expected and banks take write-offs. We think this will be a slow recovery and we are watching the virus news and our social distancing measures closely. The sooner the virus dissipates, and social distancing measures are eased, the faster the recovery.

The second-quarter economic picture is clear, but the future is less so. Stock investors are very optimistic about future growth brought on by the stimulus packages, but eventually the economy will have to swim on its own. We feel investors will have to reassess the speed of the economic recovery and this could cause volatility in markets. There are risks in both stocks and bonds, so we recommend sticking to risk tolerances consistent with your long-term goals and objectives and being diversified among sectors and asset classes. Your financial professional can help you stay focused on your own individual goals.

Cetera

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A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The **S&P 500 is an index** of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **Dow Jones Industrial Average** is a price-weighted average of 30 U.S. blue-chip stocks traded on the New York Stock Exchange and NASDAQ. The index covers all industries except transportation, real estate and utilities.

The **Russell 2000 Index** measures the performance of the small cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index includes over 2,500 companies, spanning all 11 sector groups.

Fed stimulus, reopening hopes spur rebound

US stocks bounce back as the global economy shows signs of improvement.

Quarterly market update - Q3 2020
Fidelity Viewpoints, 07/15/2020

Key takeaways

- At this point, China seems to be ahead of the rest of the world in terms of economic recovery, though the worst seems to have passed for the US and Europe.
- Consumer sentiment showed a significant boost as the US began to reopen in Q2, though reopening progress stalled in states that reopened quickly and activity remains below normal.
- 2020 earnings are expected to fall nearly 20o/o-about average for the past 5 recessions. We believe profit growth may be slower than anticipated.
- Almost all asset categories posted a strong Q2 recovery from steep Q1 declines, and US stocks posted their best quarterly results in more than 20 years.

In a dramatic recovery supported by Federal Reserve actions, US stocks posted their best quarterly results in more than 20 years, spearheading a global rally in riskier assets that trimmed year-to-date losses from the Q1 sell-off. The decline in credit spreads boosted returns on corporate bonds, with longer-duration and higher-quality bonds posting the best year-to-date results. Gold benefited from negative real interest rates, but commodity prices overall continued to lag.

The sharp recovery in prices for riskier assets reflected abundant liquidity and hopeful expectations about reopening after the global shutdown. Economic conditions sequentially improved from extremely low levels, but progress has been uneven and will largely depend on COVID-19's trajectory and on continued policy support. Uncertainty and volatility are likely to remain high, meaning a well-diversified portfolio may be as important as ever.

Economy/macro backdrop: Tentative economic stabilization after historic declines

Global activity showed early signs of improvement from extremely low levels. Near-term sequential progress is likely to continue as COVID-19-related restrictions on routine activities are lifted. China appears to be somewhat ahead of most major economies due to its earlier shutdown and reopening. While the worst of the recession appears also to have passed for the US and Europe, activity levels remain far below normal.

As the US economy started to reopen during Q2, consumer sentiment improved significantly. This trend typically begins during recession and lasts into the early-cycle phase. Industries most directly impacted by the virus-such as travel, leisure, restaurants, and hotels, which account for roughly 20% of US jobs and economic output-may be the most difficult to fully reopen.

In June, new COVID-19 cases climbed in states that had quickly relaxed social distancing measures, whereas formerly hard-hit states such as New York experienced a decline in new cases. High-frequency data-such as

businesses reopened and employee hours worked-showed improvements in US economic activity from historic lows. Progress stalled among fast- reopening states, however, and activity remains far below n01mal levels.

2020 earnings are expected to fall nearly 20%-about average for the previous 5 recessions. Consensus estimates are for S&P 500 earnings-per-share (EPS) to return to pre-recession levels by the end of2021-a much faster rate of recovery than the historical average of closer to 3 years. Given the damage to the economy and uncertainty about the path of recovery, we believe profit growth may be slower than anticipated.

Core CPI dropped by nearly half in recent months, but alternative inflation measures from regional Fed banks fell much less and suggested the biggest disinflation is behind us. We expect inflation to remain range-bound in the near term against a weak economy, but longer-term inflation risks may be higher than anticipated-market expectations for long-term inflation are lower than they were during the deflationary global financial crisis of 2008.

The Federal Reserve delivered massive monetary accommodation, pushing its balance sheet above $7 trillion by the end of Q2. The Fed ramped up purchases of Treasury's and mortgage- backed securities (MBS), bought municipal and corporate bonds through new facilities, and also provided support via other activities. Europe and Japan increased their quantitative easing (QE) progran1s as well, with global central banks injecting more than twice the liquidity of previous easing periods.

While both the policy response and the market recovery have been dramatic, some of the near- term remedies may have exacerbated pre-COVID-19 underlying weaknesses. The Fed's emergency lending facilities have driven corporate debt-already at record levels--even higher. In addition, gains in: financial assets tend to benefit wealthier households but not lower-income tiers, which face greater economic distress.

Longer term, we believe the longstanding global regime of relatively stable and investment- friendly policies, politics, and regulation is nearing an end. Rising populism, geopolitical destabilization, and de-globalization pressures are key drivers of this change. We expect greater government intervention may inhibit corporate profitability, distort market signals, and lead to higher political risk in investment decisions throughout the world.

The worldwide surge in public and private debt in recent decades reflects monetary and fiscal policy-makers' proclivity to use low interest rates and government support in an attempt to boost growth. Deteriorating demographics for most advanced economies create increasing fiscal pressure to raise pension and health care spending, and already-elevated government debt/GDP levels are likely to rise much further. Greater policy experimentation and "peak globalization" trends will eventually cause long-term inflation to rise faster than expected, in our view.

Asset markets: Sharp recovery from Q1 losses across categories

Almost all asset categories posted a strong Q2 recovery from steep Q1 declines. Returns for most equity categories remained negative year-to-date, but US growth and technology stocks moved into positive territory. Riskier credit segments such as emerging-market debt and leveraged loans led for Q2, but returns for longer-duration and higher-quality bonds remained in the lead and positive for the year.

The rally in stock prices and decline in earnings drove global equity valuations back to near pre- pandemic levels. The rise in price-to-earnings (PIE) ratios was broad-based across regions, with the US and emerging-market *PIE* ratios finishing the quarter above their long-term historical averages. US forward *PIE* ratios also are elevated, but EM forward valuations remain below their long-term norm.

Cyclically adjusted *PIE* (CAPE) ratios for international developed-market and emerging-market equities remained below US valuations, providing a relatively favorable long-term backdrop for non-US stocks.

In Q2, the US dollar depreciated against many of the world's major currencies; nevertheless, US dollar valuations remain relatively expensive overall.

In fixed income, US 10-year Treasury yields remained near record lows, held in check by weak economic activity, quantitative easing, and a global low-yield environment. The real cost of borrowing fell deeper into the negative during Q2, offsetting a rise in inflation expectations from depressed levels.

Credit spreads tightened during the quarter, but remained elevated relative to their long-term averages. Massive central bank accommodation in both the sovereign and credit markets pressured both rates and spreads, helping push bond yields in high-quality debt categories down to their lowest levels on record. Market expectations for inflation-represented by breakeven rates for TIPS (Treasury Inflation-Protected Securities)-climbed from decade lows but remain near the bottom end of their historical range. Oil prices recovered during Q2 but remain below pre-virus levels and, on an inflation-adjusted basis, low relative to history, as well. Unlike valuations for many other asset classes, prices among inflation-resistant asset categories remain relatively inexpensive.

The business cycle can be a critical determinant of asset performance over the intermediate term. Stocks have consistently performed better earlier in the cycle, whereas bonds tend to outperform during recession. While we believe a business cycle approach to actively managed asset allocation can add value, portfolio returns are expected to even out over the long term (10 years or more), regardless of the starting point of the cycle phase.

S&P 500 Near All-Time Highs: This Time Could Be Different

Aug. 12, 2020 4:33 PM ET
D.M. Martins Research

Being at or close enough to peaks has historically been a positive for the S&P 500's returns, especially in risk-adjusted terms. However, 2020 has been a very atypical year for stocks. Volatility remains historically high at these price levels.

I feel compelled to balance optimism with some caution, considering the many unknowns that the market still faces.

Get ready for the numerous headlines: The S&P 500 (SPY) is about to hit all-time highs. The price level to watch is 3,386 points, reached at the close of the trading session, on Feb. 19 of this year.

This may be the right tin1e to revisit my October 2019 article regarding market peaks. Back then, I explained why making new highs could be important for the stock market, but perhaps for a reason that few people think about:

It's well-documented that returns have an inverse correlation with volatility, and that volatility tends to increase in an environment of recent market weakness. Logically, it follows that future returns should be better when markets are strong - for example, when they are at or near all-time highs.

In other words, reaching (and climbing past) a previous top could have more than a psychological impact on investors and headline-grabbing relevance. Historically, being at least close enough to peaks has also been a positive for risk-adjusted returns.

Credit: The Zweig Letter

Will this time be different?

Before declaring bullishness based on observations of past price action, let me remind the reader that there's nothing historically consistent about the stock market in 2020. I can list many abnormalities that investors have witnessed so far this year, including:

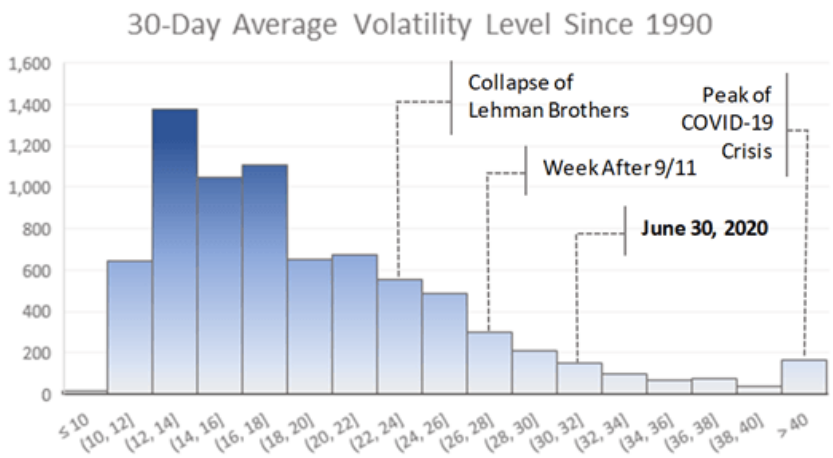
- The S&P 500 unde1went the fastest 30% correction in history;
- But the S&P 500 is also about to reclaim all its losses in record time;
- The market experienced the greatest 50-day rally in history in June;
- but in the same month, the broad index dropped nearly 6% on a single day after being within five percentage points off all-time highs in the same week - something that had not happened since the dot-com bubble days, and only five times since the Great Depression of 1929.

I also would point out that, even as recently as June 30, implied volatility in the S&P 500 remained at very high levels. Take a look at the histogram below, which displays 30-day average VIX levels since 1990. At the end of the second quarter, short-term expectations for volatility in equities were higher than they were around the collapse of Lehman Brothers in 2008 and the week after the attacks of 9/11.

Granted, the 30-day average for the VIX has recently dropped to just under 25, the lowest level reached since early March. But still, historically speaking, volatility remains well above average, given current market price levels (see chart below). For reference, the VIX average was less than 14 when the S&P 500 reached new peaks following both

the 2001 and 2008 recessions - but keep in mind that those recoveries lasted substantially longer.

My best interpretation of the data is that the rally to all-time highs accompanied by relatively high volatility reflects a more polarized dynamic between bulls and bears compared to previous recovery periods. Looking around the markets, it's hard to find a consensus "fair value" for risk assets like stocks given the distortions caused by the COVID-19 crisis, generous fiscal and monetary stimulus, and speculative behavior by retail investors.

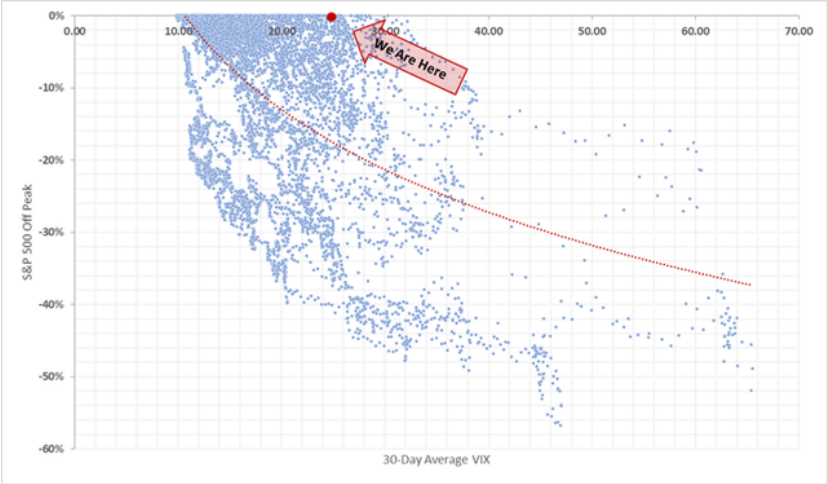


Source: DM Martins Research, data from Yahoo Finance

For as long as half of the market thinks that stocks are intrinsically overvalued and the other half continues to confidently buy assets at elevated prices, without much middle ground, I think that stocks remain at higher-than-usual risk of hitting a soft patch - even if the S&P 500 reclaims its peak.

In summary

Generally speaking, and using history as my guide, I'm encouraged to see that the S&P 500 is about to reach all-time highs. Beyond the headline impact, the milestone solidifies bullish sentiment that has brushed off so much bad news in the past several weeks: The resurgence of COVID-19 cases, the spike in unemployment, and the mounting cases of bankruptcies across the US.



Source: DM Martins Research, data from Yahoo Finance

But this time, I feel compelled to balance optimism with a bit of caution. Asset prices continue to fluctuate a bit more intensely than usual at current price levels. Just think about the S&P 500 dropping 1.4% on Monday in a matter of two and a half hours and for no good reason when some media channels already had started the afternoon countdown to all-time highs.

In my view, the jitters may be well justified, considering the many unknowns that the market still faces: From full economic recovery to the impasse regarding additional government stimulus to the upcoming US presidential election that has barely kicked off.

*Daniel Martins is a Napa, California-based analyst and founder of independent research firm DM Martins Research. The firm's work is centered around building more efficient, easily replicable portfolios that are properly risk-balanced for growth with less downside risk.

Star Trek and the Economics of Hate

Jason M. Barr, July 15, 2020

> *"Captain Kirk: It exists on the hate of others.*
>
> *Mr. Spock: To put it simply. And it has acted as a catalyst, creating this situation in order to satisfy that need.*
>
> *-In "Day of the Dove," Star Trek {S3:E7)*

E Pluribus Unum?

America in the 21st century is a deeply divided country. Looking back at the nation's long history of economic growth and technological improvements, one might have thought that the political, social, and economic divisions among us would have been considerably lessened by now.

There are, to be sure, many bright elements. Healthcare is vastly improved as compared to a century ago. New technologies have created more free time and given us additional social, political, and economic freedoms to decide what to do with our time and personal resources. The tremendous income generated by our economic system has allowed more people than ever before in the history of humanity to enjoy cultural activities, literature, art, and nature. Computing technologies provide a degree of interconnectedness never witnessed in human history.

And yet, despite these advances, the full promise of democracy and economic growth has not been completely realized. Our democratic institutions are increasingly controlled by those with the money and resources to steer policies in their favor. After declining for a half-century, income inequality reversed itself, and today the wealthiest one percent garner about a quarter of the nation's income. In 2017, the U.S. dumped 6.5 billion metric tons of carbon dioxide into our atmosphere. The legacy of American slavery and the racism it created remains a wound on the body politic. And just as importantly, modern media technology, instead of being used solely for the improvement of the common good, is exploited to divide and engender hatred between us.

Star Trek and the Fear of Hate

Gene Roddenberry, who created *Star Trek,* saw, in 1966, the world at a pivotal moment-one with boundless possibilities for its future, yet one still trapped by excessive greed and aggression. The starship *Enterprise,* in the original series (TOS), captained by James T. Kirk in the 23rd century, roamed the galaxy encountering species that either tested humanity's progressiveness or presented foils. These encounters were continued in the 24th century in *The Next Generation* (TNG) with Captain Jean-Luc Picard at the helm of the *Enterprise.*

The show offered two contrasting visions: first was a kind of "paradise on Earth," where we retain our freedoms and individualism to seek out maximum fulfillment, but only on the condition that we also check our hatred. Second, by presenting an array of other societies, be they Klingon, Romulan, Cardassian, and so on, we could better understand the hazards of succumbing to violence. The main lesson is that hatred and division can destroy all that we have gained through hard work, cooperation, technological improvements, and faith in democratic institutions. The warnings remain as relevant today as half a century ago.

The Market for Hatred

Homo sapiens, through its evolutionary past, is programmed to create psychological divisions between those perceived as in-groupers versus out-groupers. Members of the ingroup tend to trust each other and collectively work toward the welfare of the whole. On the other hand, those they perceive as outsiders are viewed as potential threats. The social emotion of hatred is the extreme feeling of anger toward those who are perceived as "the other."

These feelings are directly tied to perceptions of fairness. We all desire equal access and opportunities or to be treated similarly in similar situations. Hatred develops when one group perceives that the fairness rules are being skewed. Hatred, of course, exists within all of us, but not everyone has it triggered. Collectively, as the wealth of the humans of Planet Earth has grown, we have, bit by bit, replaced war and divisions with commerce and cooperation.

Enter the Hate Entrepreneur

However, because our latent instincts for hatred remain, they can be exploited by a "hate entrepreneur," who "sells" hate through modern media technology. Knowing that there exists a latent demand, hate entrepreneurs can peddle hate through the distribution of false information about the other, in exchange for power, adulation, and profit. The consumer of hate consumes the false information because it stokes feelings of being treated unfairly, despite their being part of a "majority" group.

Hate and the Prisoner's Dilemma

In most situations, we go to the marketplace for goods like milk or computers because it offers a win-win proposition. A seller brings milk to the market and gains a profit. The buyer gets to enjoy a milkshake. And that's that. Those who prefer another beverage are not affected in any way by the transaction. But the market for hate is very different. The group that hates harms their fellow humans in some way, either through unequal treatment, generating fear, or by producing outright violence. The gains to the hate consumer occur directly on the backs of others, forcing the victims to respond in some way to preserve their well-being.

This situation introduces what economists call the Prisoner's Dilemma, illustrated with the following story. Two robbers are caught in the act of robbing a house. They are both hauled off to separate jail cells. The police say to the first one, (/If you confess to the crime, you can go home, and your accomplice will go to jail for ten years. But, if you remain silent, and your accomplice confesses, you will go to jail for ten years, and your accomplice goes free. However, if you both remain silent, you will each go to jail for two years. And if you both confess; you will each go to jail for four years."

What Would You Do?

Are you willing to remain silent? What incentive does your accomplice have to keep his mouth shut? If he knew that you were going keep quiet, he would blame you and walk free. If he knew you were going to rat him out, he would also blame you, since going to jail for four years is better than ten. In the end, the "rational" thing to do is for both robbers to confess to the crime. As a result, they each go to jail for four years. But if each chose to remain silent, they would have collectively done better for themselves. But they can't-because they are apart and are unable to coordinate their actions (or enforce them).

The critical point of the Prisoner's Dilemma is that individuals' actions are not separate and independent of the collective whole. The decision of one can help or hurt someone else, depending on the action. The "dilemma" is that if they could work together to cooperate, they could do better than if they acted independently. The (/freedom to choose" in this example means society is worse off-each person harms the other by being selfish. In a way, the consumption of hate is a form of Prisoner's Dilemma. The haters gain a short run "victory," but at the expense of fueling further divisions, which will lead to more conflict, or, in the extreme, war.

Star Trek and the Prisoner's Dilemma

One of the themes that runs throughout the original series is that if humanity is to save itself, it must overcome its instincts for hatred. Mr. Spock is offered as a role model in this regard. Spock has suppressed (repressed?) his emotions so deeply that he is (nearly) incapable of feeling hatred (though it is severely tested on several occasions, such as in *Plato's Stepchildren* (53:ElO) where he is mentally tortured to cry). He embodies the idea that only through logic and the dispassionate pursuits of science, art, and philosophy, can we peaceably co-exist.[1]

Implicitly, the show recognizes the nature of the Prisoner's Dilemma by frequently depicting this (/game," and having the crew choose between "cooperate" (not killing) versus (/defecting" or "cheating" (killing). But the show is also aware of something else that social scientists have discovered-that when the Prisoner's Dilemma game is played repeatedly, frequently, and with little likelihood of ending soon: there is an opportunity for the players to learn to cooperate.

Checking Hate: In the *Star Trek* episode, (/Arena" (S1:E18), Kirk has a chance to kill his enemy, the Gorn, who would kill him if given the chance. In the end, Kirk suppresses his instincts and spares his life in the name of peace and humanity

The reason is that the players face a new choice. If they select the selfish option now, they possibly relinquish any future benefits from cooperation because their rivals are not likely to cooperate in the future. On the other hand, when the benefits to cooperation are substantial and can be received over a long time (think of enjoying the fruits of peace), the temptation to "cheat" by being selfish can be avoided. Captain Kirk is frequently tested in some way by being forced to choose whether to kill (/the other" because it seeks to kill Kirk. Each time, he suppresses his rage because he knows that getting the rush of victory now is not worth sacrificing the (possible) future gains of peace.

The Arena

In the "Arena" (S1:E18), for example, Kirk finds himself on a strange planet face to face with the Gorn, a reptilian humanoid. They are required by an alien being to fight each other to the death. After a series of battles and cat and mouse chases, Kirk gains the upper and approaches the creature, drunk with rage, ready to kill him. But he does not-he checks his anger and refuses to kill. The alien being, Metron, is pleased. He appears and turns to Kirk:

> *Metron:* By sparing your helpless enemy who surely would have destroyed you, you demonstrated the advanced trait of mercy, something we hardly expected. We feel there may be hope for your kind. Therefore, you will not be destroyed. It would not be civilized.
> *Kirk:* What happened to the Gorn?
> *Metron:* I sent him back to his ship. If you like, I shall destroy him for you.

Kirk: No. That won't be necessary. We can talk. Maybe reach an agreement.
Metron: Very good, Captain. There is hope for you. Perhaps in several thousand years, your people and mine shall meet to reach an agreement. You are still half savage, but there is hope. We will contact you when we are ready.

The Evolution of Cooperation

In 1984, the political scientist, Robert Axelrod, published a book called "The Evolution of Cooperation." In it, he describes an experiment that he performed. He asked several scientists to submit proposals for how they would play when engaged in a Prisoners Dilemma game that was repeated many times. They were asked to offer any type of strategy they wanted, and one which they thought would be successful (note that similar to the robbers example above, one can assign points to the different outcomes). For instance, they could submit, "always cooperate," or "cooperate three times and then defect one time," and so on.

The Horrors of War: In the *Star Trek* episode, "Taste of Armageddon" (SI:E23) two planets wage a war using computers. Kirk destroys the machines so that they either make peace or face the horrors of real war.

He took the proposals and created a simulated battle. Each scientist's strategy was pitted against the others in a series of one-on-one round-robin competitions. The strategy that earned the highest total score was called "Tit for Tat." It said, start by cooperating and then from there play the same action that your rival played in the past round. If your opponent cooperated, then cooperate; if not, then don't. This strategy rewards cooperation but also punishes a rival's selfishness. It is simple and clear and can help the two players move to a situation where they are always cooperating.

Star Trek and Tit for Tat

This tit-for-tat strategy was implicitly suggested, for example, in "A Taste of Armageddon" (S1:E23). Kirk and crew beam down to the planet, Eminiar VII, where their leader, Anan, warned them to stay away. They find the inhabitants engaged in a brutal war with neighboring planet Vendikar—but by computer. Each time the enemy hits, they must send their "causalities" to a disintegration chamber. For centuries, each society has maintained this status quo, as being better than actual war. Kirk, in the end, destroys the computer. Anan is horrified.

> *Anan:* You realize what you have done?
> *Kirk:* Yes, I do. I've given you back the horrors of war. The Vendikans now assume that you've broken your agreement and that you're preparing to wage real war with real weapons. They'll want do the same. Only the next attack they launch will do a lot more than count up numbers in a computer. They'll destroy cities, devastate your planet. You of course will want to retaliate. If I were you, I'd start making

The Hate Entrepreneur: In the *Star* Trek episode, "Day of the Dove" (S3:E7), an alien entity feeds off the hatred and violence between humans and Klingons. The two peoples must cease hostilities and cooperate to defeat the creature.

bombs. Yes, Councilman, you have a real war on your hands. You can either wage it with real weapons, or you might consider an alternative. Put an end to it. Make Peace.

Anan: There can be no peace. Don't you see? We've admitted it to ourselves. We're a killer species. It's instinctive...

Kirk: All right. It's instinctive. But the instinct can be fought. We're human beings with the blood of a million savage years on our hands, but we can stop it. We can admit that we're killers, but we're not going to kill today. That's all it takes. Knowing that we won't kill today. Contact Vendikar. I think you'll find that they're just as terrified, appalled, horrified as you are, that they'll do anything to avoid the alternative I've given you. Peace or utter destruction. It's up to you.

Recognizing the Hate Entrepreneur

Hate, however, can only be stoked and grow by the work of the hate entrepreneur who peddles it for his gain. The TOS episode, "Day of the Dove" (S3:E7) remains timely. A strange alien entity starts antagonizing the *Enterprise's* crew, but makes it seem the work of the rival Klingons, who also think the *Enterprise* is victimizing them. Each time someone is harmed, the entity heals them so the fighting can be renewed. The entity feeds off the negative energy and violence. Realizing its *modus operandi,* Kirk must convince the Klingon leader, Kang, to cease hostilities, which he is loath to do.

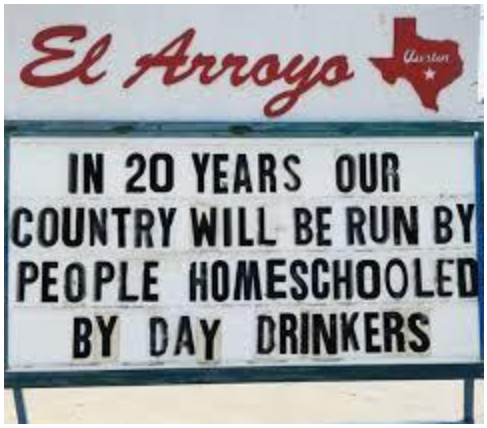
Kirk: All right. All right. In the heart. In the head. I won't stay dead. Next time I'll do the same to you. I'll kill you. And it goes on, the good old game of war, pawn against pawn! Stopping the bad guys. While somewhere, something sits back and laughs and starts it all over again.
McCoy: Let's jump him.
Spock: Those who hate and fight must stop themselves, Doctor. Otherwise, it is not stopped.
…
Kirk: Be a pawn, be a toy, be a good soldier that never questions orders.
…
Spock: All fighting must end, Captain, to weaken the alien before our dilithium crystals are gone.
…
Kang: Out! We need no urging to hate humans. But for the present, only a fool fights in a burning house. Out!

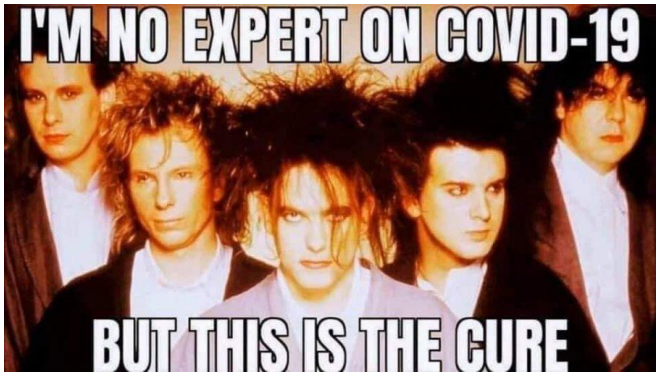
A Future of Peace?

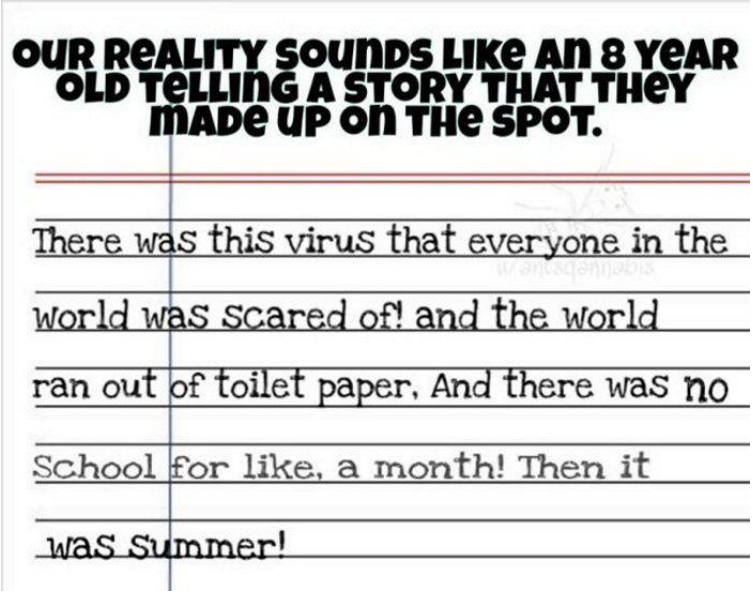
So, which future will we choose? One where our society continues to permit the hate entrepreneurs to peddle their faulty wares, or one where we recognize the hate entrepreneurs for what they are? The lesson of the Prisoner's Dilemma is that there are two ways to achieve the everyone-cooperates outcome. One is that we can collectively agree to work together (and also punish any "defectors"); and the other is to set the stage so cooperation can naturally emerge over repeated interactions.
In the first case, this would require that citizens vote into national office leaders who make laws against peddling false information, just as it is illegal to falsely label consumer products. In the second case, the "defectors"-the consumers of false information-must be willing to switch their actions and to give "cooperation" a try. They must see the future rewards of working together are greater than any short-term rewards of selfishness. Again, this requires leadership, if not outright, legislation.
We can at least begin by revisiting the lessons of *Star Trek,* which dramatically shows us that hate and paradise on Earth are inherently incompatible.

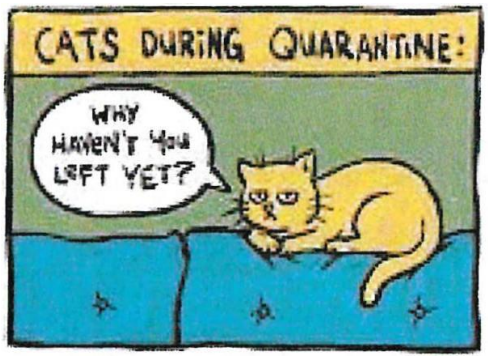
[1] Though Dr. McCoy is continually reminding Spock that by having no emotions, he is also unable to enjoy the benefits of human emotions, such as love.

You have to laugh. Because if you don't, you will certainly cry!









HOW IS HOMESCHOOL GOING?

2 STUDENTS WERE SUSPENDED FOR FIGHTING.

ANOTHER STUDENT IS REQUESTING TO TRANSFER TO ANOTHER SCHOOL.

THE LUNCH LADY QUIT ON THE FIRST DAY.

THE JANITOR HAS NEVER HAD TO CLEAN SO MUCH MESSINESS.

AND A TEACHER WAS FIRED FOR DRINKING ON THE JOB.

GREAT. JUST GREAT.

digitalmomblog.com

Those of you quarantined without kids, how is it?

Can you just do whatever you want all day? Are there naps? Do you get to eat your own snacks--without sharing? Is there any of that peace-n'-quiet stuff going on?

So, after this quarantine... will the producers of My 600 Pound Life just find me...or do I call them...or how will this work?

I don't know who needs to hear this today, **but its Blursday the fortyteenth of Maprilay.**