

Happiness Running



Happiness runs in a circular motion...

Happiness runs, happiness runs.

Donovan, 1968

*The three grand essentials of happiness are: something
to do, someone to love, and something to hope for.*

Alexander Chalmers

*Happiness is wanting what you have
and not wanting what you don't have.*

Shakyamuni Buddha, 500 BC

I think a lot about happiness – what makes a person happy, whether or not happiness should even be a life's priority – things like that. My best high school friend stunned me at the early age of 17 by suggesting it should not – be a priority that is. Sacrifice, service, devotion to a cause were higher orders he felt, although presumably, since those were choices, their pursuit could secondarily lead to happiness.

Through the years I've accumulated a short list of quotes that express a personal view of what makes people happy. You, I'm sure have your own candidates, but most of them probably


resemble some of the ones listed above: Stay busy doing something you love; be mindful of other people and the world in, around, and above you; don't let your reach exceed your grasp; find someone to share your happiness with. My favorite of all of these is the one by Donovan – that somewhat kooky "love generation" folk singer of the late 1960s – if only because it's so succinct. "Happiness runs in a circular motion...happiness runs, happiness runs." There may be more to this refrain, however, than appears at first glance, the entirety of which I've tried to encapsulate artistically in my open-ended smiley face that wasn't ever popular when Donovan

crooned the tune. For years I thought that the gist of Donovan's phrase was the obvious – the “be kind to others, pay it forward” allusion – and it undoubtedly is. But there are hidden nuances, at least to me. The “running in a circular motion” also connotes a self-contained, inward-looking, self-satisfaction that equates happiness to being content with yourself as a person. And the last phrase – “happiness runs, happiness runs” may speak to the Buddhist philosophy of impermanence and the priority of the moment. Donovan might not rank up there with Kant and Spinoza, but his little song packs a powerful message. Rock on, flower child, wherever you are.

My wife Sue and I just returned from a 12-day Alaskan cruise where we shared much happiness with fellow PIMCO employees, as well as over a hundred Orange County Teachers of the Year. The joy ran and ran in a circular motion and we are more complete people and a better company for having had the experience. Thoughts, even investment ideas tend to come easier in such an environment and so I reproduce for you near verbatim, a short, three-page memo to myself summarizing analysis and investment strategy that may be applicable over the next several years:

Financed based
economy


(1) In contrast to prior decades, we live in a finance based economy with excessive debt. Accelerating short term interest rates à la 1979-81 are not possible. — Must use all means including “ceilings” to keep cost of financing low.



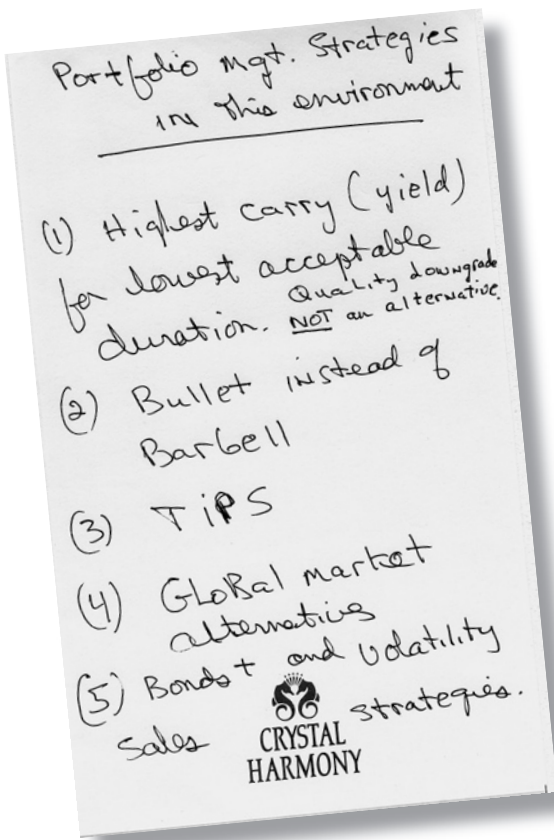
CRYSTAL HARMONY

(2) Reintiers (debt holders) must be reflated away — so while capping their returns via “ceilings”, inflation erodes the purchasing power of their principal

(3) Must depreciate value of currency (dollar)



CRYSTAL HARMONY



petitive influence of China and India is lessened via currency revaluation. These and other wet logs may prevent a “quick start” to government’s inflationary efforts. Nonetheless, the high tide for bond (and stock) investors has already taken place, although at different times. Mid-year of 2000 is an obvious high water mark for stocks and June of 2003 is a likely one for bonds. Both bond and equity strategies should begin with the assumption of low, single digit returns for the next decade and then be engineered to improve on those returns by 1% or so annually. My “Crystal Harmony” note pad lists those strategies which currently represent opportunities to do just that in the bond market.

I hesitate to elaborate in much detail. There’s a certain simplicity to these notes – they may not tell it all, and they may in fact be proved wrong, but they sort of lay it out there rather succinctly and certainly quickly. Let me just add that the referenced “reflation” in a “financed based economy” may take years to engineer. As our May Secular Forum suggested, there are substantial structural impediments – “wet logs” – that will make it difficult for reflation to catch fire. Strong cyclical economic recoveries may be a thing of the past until high global debt levels are diluted via reflation, and the negative com-

If they are successful, then PIMCO will probably have lots of “happy” clients. “Can’t buy me love” the Beatles sang once, but “happiness?” Well I’ll leave that one for another day. Until then, I wish you “success” in your pursuit of investment market returns and much happiness in your life...if that is your primary goal!

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