

OPINION

George Costanza's Investment Tips



INSIDE VIEW
By Andy Kessler

I'm frequently asked what it takes to run a hedge fund. Translation: "If a dope like you can run one, I certainly can too." Fair enough. A lot of hedge funds are getting killed in a huge upmarket: Brevan Howard's Master Fund shrank 5.4% in 2017, while David Einhorn's Greenlight was down 12% in the first two months of 2018. It's time for a new batch of fund managers. Think you can do better?

When I smile, tell me some bad news / Before I laugh and buy or sell like a fool.

First, let's see if you're up to it. Right now, go out and buy a 60-inch flat-screen TV. Easy, right? As soon as it arrives, return it for a 75-inch model. Then, when that shows up, return it and get the 42-inch version. Still having fun? It's a royal pain. As soon as you're comfortable with something, it's probably time to sell it. This self-qualifying exercise will show if you can turn on a dime when, say, tariffs tank the economy.

Next, visit all the people you know and ask them to

take out their wallets and give you a slug of their money. Do the same for a bunch of strangers, too. Then promise that you'll return triple the money in a decade, minus your modest 20% of the upside fees. Ready to invest? What's your style, your edge? Macro, distressed debt, long-short, dollar-event-driven, cryptocurrency arbitrage? Actually, there's only one way to invest, especially in today's environment. It works for everyone, from \$20 billion hedge funds to individual retirement accounts worth a few thousand bucks: Take the pulse of the market and figure out how everyone is wrong.

Easier said than done. It isn't hard to get caught up in the emotion of the market. It's euphoria when stocks are booming and you're getting crypto tips from Uber drivers—and despair when everyone is dumping stocks and swearing never to own them ever again. You've got to zig when everyone else zags. "Serpentine, Shel, serpentine!"

How do you know what's right? It almost always feels wrong. There's an old saying on Wall Street: "Your hand should be shaking when you place your order." You can learn from George Costanza of "Seinfeld." He once lamented, "Every decision I've ever made, in my entire life, has been wrong. My life is the opposite of everything I want it to be." When Jerry Seinfeld



Do the opposite.

opines, "If every instinct you have is wrong, then the opposite would have to be right," George gets it. "Yes, I will do the opposite. I used to sit here and do nothing, and regret it for the rest of the day, so now I will do the opposite, and I will do something!"

Being contrarian, as Monty Python explains, "isn't just saying, 'No, it isn't.'" ("Yes it is!" "No it isn't!") But Costanza was never on his way to becoming a fund manager. There's that twisty feeling in your gut, constantly second-guessing. You wake up with goblins in the middle of the night. You train yourself to think different, to feel wrong when things are rosy. Who gets this right? Investor-guitarist Pete Townshend wrote in 1971: "When my fist clenches, crack it open / Before I use it and lose my cool / When I smile, tell me some bad news / Before I laugh and

act like a fool." Or invest like a fool.

Shrinks call this borderline personality disorder, like living on the outside looking in. It's required to succeed, though it's better if you teach yourself to simulate rather than live it. It sounds odd, but you harness these out-of-body vibes through the bile in your gut.

My former and very sane fund partner Fred Kittler had it perfected. I bumped into him in February 2000, during an internet conference at San Francisco's Palace Hotel. I—metaphor alert!—was headed up the escalator and passed him on his way down. Everything in our portfolio was popping up five, six or seven points that day. He looked terrible and told me, "I need to go home and throw up." He wasn't sick, but his gut was calling the top. Fortunately, we had already been selling.

Not 16 months before, on the morning Long Term Capital Management blew up, our fund temporarily lost hundreds of millions before breakfast. Fred was absolutely giddy, buying everything in sight.

George Costanza again: "It's all happening because I'm completely ignoring every urge towards common sense and good judgment I've ever had. This is no longer just some crazy notion. Jerry, this is my religion."

If you want success running money, pay heed.

BOOKSHELF | By Naomi Schaefer Riley

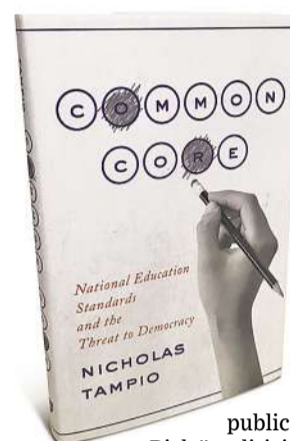
Standards Put to the Test

Common Core

By Nicholas Tampio
(Johns Hopkins, 200 pages, \$24.95)

If you spend enough time on Facebook, you'll see a lot of elementary-school math problems. Frustrated parents post pictures of their kids' homework and rail about how confusing it is. Dozens of other parents chime in with their own hair-pulling experiences. The math homework, like a lot else in the school curriculum these days, is likely to be a product of what is known as Common Core, a set of learning standards that began as the recommendations of a task force in 2009 and have since been adopted by more than 40 states.

It is hard to think of anything that unites parents from different races, classes, political persuasions and geographical regions as much as opposition to national educational standards. Such standards are seen, variously, as elitist, politically skewed, badly defined, or intrusive on local customs and preferences.



In "Common Core: National Education Standards and the Threat to Democracy," Nicholas Tampio offers a concise and readable anatomy of the Common Core movement as well as a case against national standards generally. They are, he believes, the wrong solution to our education crisis.

Since at least 1983, with the publication of the report "A Nation at Risk," politicians, parents and educators have focused on two major problems in education: that American children are not performing as well as their peers internationally and that, within the U.S., there is a gap between the performance of kids of different races and socioeconomic backgrounds. The extent of the second problem became especially clear after the passage of No Child Left Behind, a 2002 federal law that forced states to disaggregate data by race. Common Core was an attempt to raise performance across the board, by defining what should be learned at each grade level and by instituting tests that would measure success or failure.

Mr. Tampio, a professor of political science at Fordham University, acknowledges that American education is not what it should be, but he is wary of a system of uniform, federally driven standards. Indeed, he believes that national control of the school curriculum can lead to unwelcome outcomes. He cites China, for instance, which he says emphasizes rote learning at the expense of creative thinking and individual initiative.

But it is also the content of the Common Core that Mr. Tampio finds problematic. The English Language Arts curriculum, he says, is so heavily focused on close textual analysis and providing evidence to support arguments that it doesn't allow students much chance to react to what they are reading and offer opinions. David Coleman, who was the lead writer of the English standards and the chief "architect" of Common Core, once told an audience: "People really don't give a s--t about what you feel or what you think. What they instead care about is can you make an argument with evidence, is there something verifiable behind what you're saying."

There is something for everyone to hate in the Common Core educational initiative: politics, subject matter, method. Are the criticisms fair?

For those of us who think that our schools could use a little more of this attitude, Mr. Tampio warns that there are other aspects of Common Core that might not suit us so well. U.S. history is presented (though less so now, after various revisions) as a series of ethnic conflicts and stories of victimization. The math curriculum has so many word problems that it seems to put verbal skills ahead of computational ones; relatedly, students are often asked to explain in words how they arrived at an answer rather than simply showing it with numbers. The science standards place less emphasis on testing actual knowledge—what is a volcano, why would it erupt—than on being able to read charts and maps and come to conclusions based on the data provided in multiple-choice questions. As for sexual-education standards, suffice it to say that they include a game called "Identity Bingo."

In short, there is something for everyone to hate in these standards, which is why, Mr. Tampio argues, they should be scrapped. The control of education, he says, should be returned to parents and local officials. Maybe such a shift will result in some anti-evolution nuts or transgender advocates forcing their views on people who disagree with them, but at least they won't get their way over the whole country. And he cites evidence that local control makes parents more involved in their schools and communities.

Mr. Tampio presents what he calls a "Madisonian explanation" for why national standards are so worrisome. They risk a form of tyranny, as James Madison warned broadly in the Federalist Papers, "by granting too much power to a single faction." He suggests that "people in a free society tend to disagree about how to educate children. A free society ought to create space for many factions to shape education—on the condition that people can exit to other educational models if they so choose."

But there's the rub. Too many children cannot exit the system. It is one thing to rally behind the families in Scarsdale, N.Y., as Mr. Tampio does, when they try to regain control of their public-school curriculum. If they don't like what the school board comes up with, they can often go elsewhere—to private schools or the next town over. But for disadvantaged children the options are few, unless a charter school happens to be nearby.

Mr. Tampio cites educators and activists who complain that too much Common Core focus on math and reading is depriving inner-city kids of art and music. Perhaps so, but what is to be done about black 12th graders who are reading at the level of white eighth graders? Too many schools in too many ZIP Codes are structured to protect teachers from the harsh light of evaluation, evaluation that is most easily done when students are held to common standards and regularly tested on what they have learned.

Ms. Riley, a visiting fellow at the American Enterprise Institute, is the author of, most recently, "Be the Parent, Please: Stop Banning Seesaws and Start Banning Snapchat: Strategies for Solving the Real Parenting Problems."

Fast Chilean Growth Can Happen Again



AMERICAS
By Mary Anastasia O'Grady

Arica, Chile This hard-scrabble port city is less than three hours from Santiago by jet. But in terms of development, the distance is far greater.

Much of the Chilean capital is modern. By contrast this sprawling metropolis, with its shabby skyline and gritty streets, is a work in progress. It's a classic example of why—more than three decades after the birth of the Chilean miracle—this country still needs the investment that drives fast growth.

Sebastián Piñera, a center-right politician who served as president from 2010-2014, was inaugurated for a second term on Sunday. His Socialist predecessor, Michelle Bachelet of the New Majority coalition, leaves behind a legacy of economic malaise. Annual economic growth was less than 1.8% over her recent four-year tenure and only 1.6% last year, leaving what was once the puma of Latin America looking like a sick, aging house cat.

Chile's peers in the Pacific Alliance—Mexico, Peru and Colombia—all grew faster. A last-place finish in the group is no small feat given that Colombian President Juan Manuel Santos spent his political capital for eight years almost exclusively on securing amnesty for the terrorists of the FARC. Chile's economy

also underperformed the world-growth average during the Bachelet years, something that had not happened in decades.

During Mr. Piñera's previous term as president, the economy grew at an average annual rate of 5.3%. Chileans expect him to help the country get its mojo back.

Plenty of "experts" don't think that's possible. They explain the years of Bachelet drudgery as a return to the old normal for Chile. The 30-year stretch of stellar economic performance and wealth creation that began in the mid-1980s, in this view, was a "parenthesis" in a country capable only of mediocrity.

That's hard to believe looking at the financial district in Santiago, where I visited before flying north. It is dotted with shiny skyscrapers—including the tallest building in South America—coffee shops, chic restaurants and shopping centers. It's summer in the Southern Hemisphere, and at lunchtime office workers stroll the sidewalks and eat at outdoor cafes as they do in big cities in the developed world. Chileans sometimes wryly describe the neighborhood as "Sanhattan" for its New York feel.

Chilean exceptionalism is also a regional phenomenon. Around the continent Chileans are known for their competitiveness, ambition and risk-taking.

Yet Santiago's prosperity hasn't reached many parts of the country. Here in the arid north, a stone's throw from

the Peruvian border, people are no less entrepreneurial. But life is considerably less glamorous.

With its sunny weather and gentle sea breezes, this is a popular destination for domestic tourists. But capital is lacking, and that's a drag on productivity. The small four-floor boutique hotel where I stayed, for example, was built only four years ago but has no elevator. The attentive innkeepers helped us drag our luggage up to our room. Their time could have been better spent.

A pragmatic president returns to office and the country may get its mojo back.

Ms. Bachelet was also president from 2006-2010. But her recent term was especially unkind to capital. Her New Majority coalition, which includes the Communist Party, set out to destroy the pillars of the market economy. Her government obsessed about equalizing the distribution of income rather than raising living standards.

A prime target was business, which, for the Chilean left, is public enemy No. 1. Upon taking office in March 2014 Ms. Bachelet almost immediately complicated the corporate tax code, raising rates and reducing incentives for entrepreneurs to plow profits back into their enterprises.

In an interview in Santiago I asked José Ramón Valente—who has been named Mr. Piñera's minister of the economy—why Chile grew so slowly during the Bachelet years. "They had a total disregard for what it takes to create 5% growth," he told me. "They thought they could do and say whatever they wanted and could treat business however they wanted and, because Chilean businesses are so greedy, they would still produce the same as before."

That didn't happen. According to Leonidas Montes, director of the Center for Public Studies in Santiago, investment as a percentage of gross domestic product fell every year during the recent Bachelet government. It was 25% of GDP in 2013, the year before Ms. Bachelet took office, and by the last year of her tenure it was down to 21.5% of GDP.

High taxes and heavy regulation also push economic activity underground, forcing many job seekers to go to the black market for employment. Writing recently in the Chilean journal Pulso, Carolina Grunwald of the Institute for Liberty and Development in Santiago noted that during the last four months of 2017 almost 30% of the Chilean labor force was paid off the books. These are low-productivity jobs that do not pay well. They also provide workers fewer state protections.

Chile's fast growth wasn't an anomaly. It was the outcome of smart public policy, and it can happen again.

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Help Workers Without a Trade War

By Henry Olsen

President Trump's proposed tariffs on steel and aluminum are bad economics. Free trade benefits America and its trading partners. But Mr. Trump is right that it doesn't benefit everyone. Supporters of global trade ought to think about other measures governments can take to reduce the pain many individuals and communities experience.

Economists have documented the negative effect increased trade, especially with China, has had on American employment. Gordon Hanson, David Autor and David Dorn have found that Chinese accession to the World Trade Organization caused the U.S. to lose more than a million manufacturing jobs. Their work was corroborated by researchers at the University of Maryland, who estimated the total job loss at 1.75 million since 1999 because of

increased trade with China.

This has political salience. The Pew Research Center found last year that only 36% of Republicans thought free-trade agreements were good for America. Among Trump primary voters, the proportion was only 27%. Republicans who oppose tariffs must

Training programs or even wage subsidies are better than tariffs.

face the reality that their supporters want action to mitigate trade's downside.

Fortunately, there are alternatives to protectionism. Expanding vocational education is one. Many employers say they can't find workers with job-specific skills. Trade-friendly Republicans could sponsor an expansion of such training, in high schools and for workers who need retraining.

One model is the Swiss system, which combines subsidies with local control and strong business input to design curricula that meet regional skill demands.

Redesigning the haphazard social safety net is also crucial. Unemployed people in low-growth areas do not get information about good jobs elsewhere. If we can track packages instantly throughout the world, why shouldn't an out-of-work coal miner in West Virginia learn about similar jobs open in Wyoming?

Entitlements like Medicaid, food stamps and housing vouchers should also be made portable across state lines for short periods of time to encourage people to move for work. Currently, a person who receives one of these benefits has to reapply and go without for a time when he moves to a different state. That in turn encourages employers to turn a blind eye to illegal aliens, often the only

readily available workers.

Congress might also consider wage subsidies or location-specific tax breaks for employers. Given the choice between tariffs and either topping off an \$8-an-hour wage in rural Maine or subsidizing Carrier to stay in Indiana, both forms of subsidy look attractive.

Free trade is the cornerstone of a market economy. But just as employers learned last century that they had to offer workers' compensation and unemployment insurance to take the rough edges off an industrial economy, free-trade advocates must recognize the need to ensure that as many people as possible don't get left behind.

Mr. Olsen is a senior fellow at the Ethics and Public Policy Center, editor at UnHerd.com and author of "The Working Class Republican: Ronald Reagan and the Return of Blue-Collar Conservatism."