

Why We Fight

Weekender

May 27, 2024

Don't be seduced into thinking that that which does not make a profit is without value.

Arthur Miller

The only way to win a war is to prevent it.

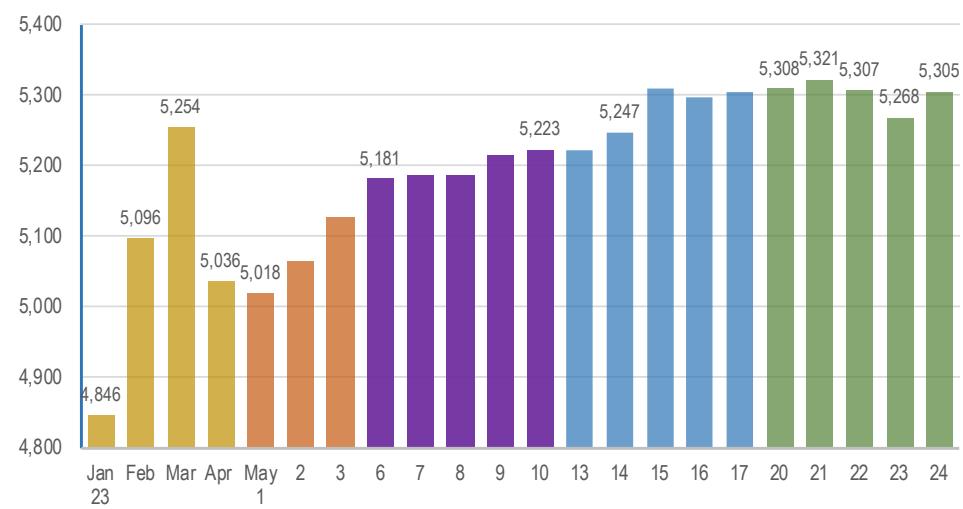
The price of peace is eternal vigilance.

General George C Marshall

Good morning, and welcome to the *Weekender* for Monday, May 27, 2024. Memorial Day. This *Weekender* will be a bit unusual compared to others given the nature and importance of today's holiday. We will summarize last week's market action and then go directly into our *One More Thing* segment.

S&P 500 Index Levels

(Source: Bloomberg)



US equity markets, as measured by the S&P 500, demonstrated their resilience last week. Despite some fluctuations, they remained primarily flat, with a slight positive bias, higher by 0.03% on the week. Another testament to this resilience was the record set by the tech-heavy Nasdaq, thanks mainly to the high-flying chip company Nvidia, which reported earnings for the first quarter that blew past all expectations.

Anticipation was high as we entered the week, with market pundits predicting that Nvidia's earnings release would be a game-changer. The outcome of this report could potentially set the tone for the future, either confirming the strength of the AI theme and propelling equity markets forward, or softening the outlook. In the first quarter, Nvidia grew its revenue by 262.2% compared to last year. A blowout.

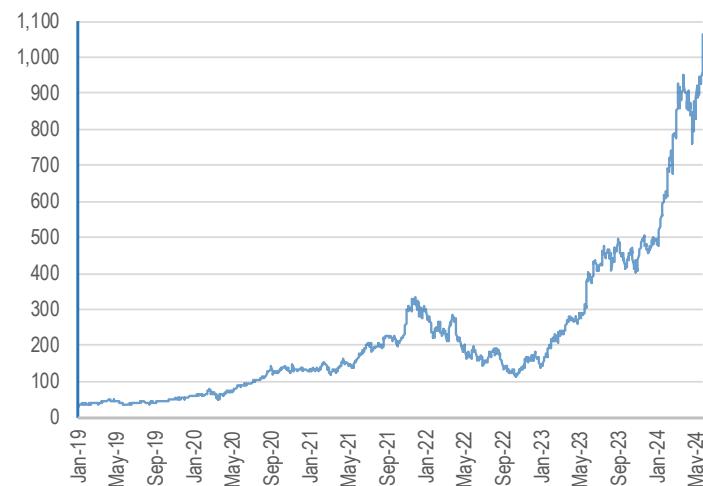
The combined profits of the magnificent seven for the first quarter came in at \$108.9 billion, a gain of more than 50.0% versus last year. Meanwhile, S&P 500 earnings grew by 5.5% over the same period. If the magnificent seven, all members of the S&P 500, are removed, combined profits for the rest of the index declined in the first quarter.

From the beginning of the year, the magnificent seven returns have accounted for more than half of the total return of the S&P 500. Nvidia's year-to-date gain of \$115.0% alone accounts for almost 25.2% of the index gain. However, we are seeing a general sense of market rotation into other areas, such as utilities, which is gaining momentum. We expect this rotation

Nvidia Stock Price

January 2, 2019 - May 24, 2024

(Source: Bloomberg)



to continue. Nevertheless, we remain bullish on Nvidia.

One More Thing

One more thing. Decoration Day was a celebration that began in the spring of 1865 following the Civil War. Claiming more lives than any other conflict in US history, national cemeteries were created to inter the bodies of the fallen. Communities would gather and decorate graves each spring, recite prayers, and hold tributes. Over time, Decoration Day changed to Memorial Day, and in the early 1970s, it became a national holiday.

It's fitting and good to celebrate and remember the fallen for the sacrifices of their last full measure of devotion. As Americans become increasingly uncertain about themselves, considering why we fight may be worthwhile.

Perhaps the most important British philosopher of the 19th century, John Stuart Mill, was the architect of philosophical utilitarianism. He was also the Rector of the University of St. Andrews, a position for which he was voted by the students. His inauguration speech is a masterful treatise fueling our contemporary debate on the purpose and function of higher education. It's worth reading, delivered on February 1, 1867, and running for 113 pages.

Embedded in his speech is a gem,

Let not anyone pacify his conscience by the delusion that he can do no harm if he takes no part and forms no opinion. Bad men need nothing more to compass their ends than that good men should look on and do nothing.

At the beginning of the 1920s, Jews were well integrated into German society. However, with the appointment of Adolf Hitler as Chancellor on January 30, 1933, things began to change. Accounting for only 0.86% of Germany's total population at the time, Jews became increasingly singled out for identification, persecution, and alienation. Jews were blamed for the country's loss in World War I and all related economic disasters, including a period of hyperinflation and the gut-wrenching dislocation of the Great Depression.

As early as April 7, 1933, the *Law for the Restoration of the Professional Civil Service* was passed, forbidding Jews from working in the civil service. The Nuremberg Laws, which began in 1935, stripped German Jews of their citizenship and related legal protections and prohibited them from marrying non-Jewish Germans.

Reading the tea leaves, many German Jews tried to emigrate to other countries. But in the main, as Chaim Weizmann wrote in 1936, “The world seemed to be divided into two parts—those places where the Jews could not live and those where they could not enter.” Jews in Germany, as well as the countries it had annexed and controlled, revoked Jewish residence permits, making them stateless. It became increasingly difficult for Jews to leave or stay in Germany.

On the Polish-German border, an *ad hoc* refugee camp was established with Jews who were in limbo. Neither Polish nor German governments acknowledged Jews’ right to residency, leaving those in the camp with nowhere to go. Camp conditions were so poor that some tried to escape back into Germany. They were shot and killed.

Sendel and Riva Grynszpan, Polish Jews who emigrated to Hanover, Germany, in 1911. In the dead of night on October 27, 1938, they were loaded with their fellow Jews into trucks and trains and taken to the frontier between Germany and Poland. Townspeople lined the streets yelling, ‘*Juden Raus! Auf Nach Palästina!*’, translated “Jews out, out to Palestine” as they were hauled away. A hastily written postcard describing their destitute condition was sent to their seventeen-year-old son Herschel, who was living in Paris with an uncle. The Grynszpans pled with their young son to send them some money.

On November 7, 1938, Herschel purchased a revolver and a box of bullets. He went to the German embassy and was shown to the office of Nazi diplomat Ernst vom Rath where he shot him five times. Herschel was apprehended without incident and confessed to the killing. In his pocket was a postcard written to his parents, which read, “May God forgive me … I must protest so that the whole world hears my protest, and that I will do.”

The next day, German governments banned Jewish children from elementary school and suspended all Jewish cultural activities. Jewish newspapers were shuttered. Heinrich Himmler, commander of the Jewish police, issued a proclamation forbidding Jews from possessing weapons of any kind with twenty years of confinement in a concentration camp as the penalty for disobedience.

Hitler was at a dinner with loyalists on November 9, commemorating the 1923 Beer Hall Putsch, when he heard Rath died of his wounds. He stood and left the celebration in disgust, leaving his propaganda minister, Joseph Goebbels, to address the gathering. Goebbels suggested that Hitler wanted any demonstrations to erupt spontaneously. The message was clear. Within hours, Hitler Youth, German Citizens, and plain-clothed Nazi party members shattered the windows of 7,500 Jewish stores and businesses, hence the name Kristallnacht (Crystal Night). Jewish homes were ransacked throughout Germany. Beatings, rapes, and murders were widely reported.

Rioters destroyed 267 synagogues in Germany, Austria, and the Sudetenland, which accounts for substantially all of those that existed at the time. More than 30,000 Jewish men were arrested and imprisoned in Dachau, Buchenwald, and Sachsenhausen.



During the night’s devastation, spectators littered the streets to watch. Throngs of ordinary Germans cheered on looters and thugs as they chanted “Death to the Jews.” Local fire departments passively looked on, taking care that fires did not spill over into non-Jewish buildings. Police watched without intervening.

Ordinary German involvement in the holocaust was a powerful endorsement of its success.

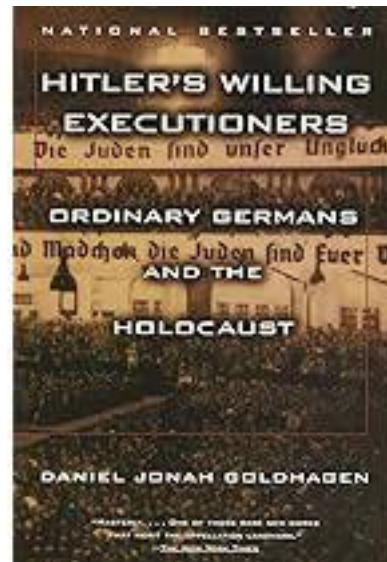
Kristallnacht is often considered the beginning of the Holocaust. From this night forward, Adolf Hitler's obsession with the "Jewish Question," politically correct language for "what do we do with the Jews," increasingly took center stage. Hitler's "Final Solution to the Jewish Question" involved the attempted annihilation of the Jewish race, collectively known as the Holocaust.

While some notable exceptions exist, when the embers of Kristallnacht cooled on the morning of November 10, 1938, most of Germany and the majority of Germans remained silent. At so many points along the rise of Adolf Hitler, quiet ordinary Germans and others could have raised their voices and put an early end to his tyranny. Given the ruthlessness of his regime, it is inevitable that speaking up would have come at a cost, but it would have paled in comparison to the lost lives and treasure that resulted from quiet complicity.

In the aftermath of World War II, historians have tried to come to terms with the precipitating causes of World War II and its catastrophic impact on human existence. Private communications between Nazi leaders suggest that Kristallnacht was more important than previously believed. The "informal" uprising was critical for Nazi leaders for what it revealed about the feelings of ordinary German people. Germany's response to Kristallnacht would set boundaries for how far Nazi leaders could go to address the Jewish Question. If a night of mayhem against the Jews met only modest reproof by the German people, full-scale destruction of the Jewish race could proceed. Significant push-back by the German people would have altered the regime's genocidal stance significantly.

Daniel Goldhagen's book *Hitler's Willing Executioners: Ordinary Germans and the Holocaust* suggests the German population willingly looked the other way in the face of prevalent atrocities against their neighbors. As bystanders to one of the world's most reprehensible atrocities. In fact without such complicity, the Holocaust may never have happened.

Adolf Eichman, considered the architect of Hitler's Final Solution, escaped US custody and fled Europe



as the Allies pressed on Berlin, eventually ending up living in a small home in Argentina and working for a Mercedes Benz manufacturing plant. He was a handsome man, known as a wonderful husband and father. Israel's Mossad eventually tracked Eichman down and stealthily returned him to Israel to stand trial in 1962.

Hannah Arendt watched the trials and published her findings in a book, *Eichman in Jerusalem*. Her most confounding observations were what she termed the banality of evil. She was perplexed at how ordinary were those responsible for such gross atrocities. In his trial, Eichman suggested he should not be held personally accountable since he only did what he was told. Both evil and good are dressed in common clothes.

It is common among choruses of everyday blowhards to cite Hitler, the Holocaust, or World War II to elevate the validity of a particular issue or ascribe a degree of repugnant evil to a specific person. In candor, very few problems of our day justify any such comparison. Invoking with hubris a demeaning comparison in any contention is nothing more than an illustration of the weakness of one's position. And yet quiet appeasement holds a comforting evil that emboldens the lines of tyrants and despots just as much as active participation in their schemes.

On this Memorial Day, perhaps a powerful lesson can come from a recast of John Stuart Mill's inaugural statement combined with the story of Kristallnacht. Begin today. Right now. Being a bystander will not do. Never let a good word be left unsaid, nor an unkind or evil word or deed go unchecked. No matter how

small or inconsequential. Stand up today for those who cannot defend themselves and speak up for those who have no voice. Never stand by and quietly watch the persecution of anyone else. Instead, be the first to speak or act. Be curious about the positions and views of others and follow the path of discourse and persuasion when the consequence is crucial.

Conclusion

That's it for this *Weekender*. Have a wonderful week.
That's all for this *Weekender*. Have a wonderful week.

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