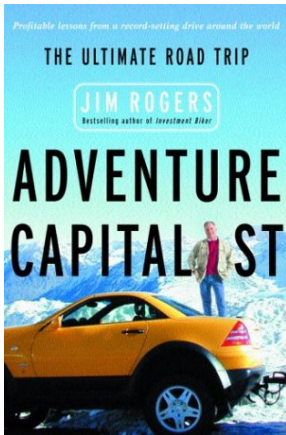


## Sources of Information and Critical Thinking

Jim Rogers, a self made billionaire has driven around the world once by motorcycle and once by car. Check out the books *Adventure Capitalist* and *Investment Biker* at Amazon for details. Click the picture for a link. Jim was a founder of the Quantum Fund with George Soros, another self-made Billionaire. He is unbelievably smart and when he speaks, everyone should shut up and listen. Of course, some haven't learned that lesson.



The first letter is from a Harvard MBA. Then the second letter is the response by Jim. It was sent to me by a friend of mine as I don't know Jim Rogers. Obviously, the point isn't Russian History or even their market. The goal is to expand your understanding of the value in information and advantage of reading critically and considering your source. So to get a leg up on the Ivy league, read this, think about what went wrong and try not to make the same mistakes in this class or any where else for that matter. You'll surprise some people and astonish others!

In commenting on this exchange, ignore the manners of both parties. Emotions are surely playing a role but that isn't relevant here. Try to focus on the why the student thinks he is so right when Rogers' shows him so wrong. What errors did he make? Why does Rogers know more about what is going on? Why didn't he make the same mistakes? What does this have to do with your information processing and how you make decisions? Can you see any parallels in those around you or yourself? The issues can go on and on. The goal is to get you started thinking about the implications of our sources of information and their impact on our decision making and our lives.

Here's the first letter:

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Dear Mr. Rogers

I am the "lad" who disputed your factual claims with regard to Russia today. First of all, I would like to thank you for speaking to us at the Harvard Business School. I think I speak for my fellow HBS students when I say that we enjoyed your original views and interesting stories today. However, I must address the unfortunate reality that your facts about Russia are plain wrong. You made three principal inaccurate claims today - I will deal with all of them in sequence.

Claim #1. People are leaving Russia Wrong. In fact, according to Financial Times, your favorite newspaper, Russia turns out to be the second largest recipient of immigrants after the US (see attached FT article). Oops.

While it is true that Russia's population is declining but the reasons for that have nothing to do with people leaving the country, it is things like low birth rate (only 1.2 per woman), which is an issue that confronts many European states.

Claim #2. Russia's production of oil is declining, oil companies do not reinvest in production Wrong and wrong. Russian oil production has increased for the fifth year in a row (see attached Reuters article), and Russian oil majors are reinvesting in production (many of them have US GAAP accounts audited by Big Four firms you could easily have access to if you chose to look).

Claim #3. Investors are leaving Russia Wrong again. Equity indexes (US Dollar denominated) are trading around their all time highs (see attached Barons article), Russian bond yields are at historical lows. As an experienced investor, surely you will recognize these as pretty convincing signs of investor confidence.

Overall state of the economy Finally, I would like to quote World Bank's recent report on Russia

"The Russian Federation has made remarkable progress in tackling crisis and moving towards sustainable development between 1999 and 2002. With a much more stable political environment, the government has been able to build on experience gained in the 1990s and implement a sound reform agenda, in addition to maintaining macro-economic stability. Since 1999, assisted by high commodity prices, the economy has recorded strong growth, business confidence has revived, and poverty has declined. Russia's sovereign credit rating has improved, although it has yet to reach investment grade. The speed and extent of recovery has taken most observers by surprise. Between early 1999 and end 2001, GDP grew by 21 percent, inflation fell from 86 percent to 18 percent, the fiscal situation turned around from a deficit of 5 percent of GDP to a surplus of 3 percent of GDP, and barter and arrears largely disappeared.

"Source:<http://www.worldbank.org.ru> GDP growth of 21%? Hardly a picture of total collapse, don't you think?

Conclusion: I believe the facts speak for themselves. I have no time or desire to try to convince you to invest in Russia. However, I do kindly ask you to abstain from spreading inaccurate information. You are a public figure and many people including future leaders at Harvard Business School listen to you; it would be very unfortunate if they were misled by your inaccurate statements. Finally, if nothing else, it is not good for your own public image.

Kind regards, Dmitry Alimov, CFA

MBA Class of 2004 Harvard | Business | School

P.S. I took the liberty of sending a copy of this email to my fellow students so that we can set the record straight.

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Here's Jim's reply:

From: James Rogers

Subject: RE: The real facts about Russia

Thank you for coming and for writing. I rarely suffer fools gladly and even more rarely bother with chauvinistic know nothings, but since you sent this ludicrous canard:

[1] My goodness. Not only do you have no idea about what you are speaking, we now know you cannot read. The "immigration study" you mention was a bunch of estimates for the years 1970 to 1995. What the hell does that have to do with Russia in the past 8 years? Many were forced to go into Russia from the Soviet Republics under the Communists, but that was hardly free immigration as in the other countries. Even if people were going into Russia in the early 1990s, they were Russians being forced to leave the old USSR republics as the USSR dissolved in the early 1990s and those Russians fled back into Russia.

You have demonstrated you cannot read nor analyze nor have any concept of what is happening in Russia today, but do you not at least know a little Russian history?

[2] Oh my. You really should have kept your mouth shut and stopped long ago. This is not from "Reuters". It is from the Russian government - the same group which claims to have had a balance of trade surplus for the last 9 years. The same group of bureaucrats and charlatans who became a laughing stock with their "facts" under the USSR. The same who say that the Russian balance of trade in that period has been among the largest in the world. I did not think even B school students fell for that claptrap any more. But then you are the one who says the ruble is a good buy and that "it is a strong currency". I suggest you check your facts on what has happened to the ruble in those 9 years when Russia "had the strongest balance of trade surplus in the world". And that was a period when huge sums were also flowing in from the World Bank, IMF, etc, etc. "Inflows from the strongest balance of trade in the world and billions from the World Bank, etc" yet the currency kept declining. I and most others find that extremely strange.

Somehow or another the currency kept falling since most of us realized the same old bureaucrats were spewing out the same old garbage. I guess you were buying rubles all that time. No wonder you are in school rather than making it in the real world. You must have gone broke buying all those rubles.

And if Russian oil production is really up so much, why is the price of oil still so high? So you are indeed a gullible lad, but fortunately the market knows a lot more than you and your wailing into the wind.

You might read the section of my book about Russia's reported figures - especially the trade figures. Or get some one to read it to you and explain it to you.

I know you said you have driven across Russia from the Pacific to Europe, but I'd like to know your route and which border crossings you used and who you found out there counting all this stuff.

[3] You really should have kept your mouth shut, but since you opened it: What balderdash. Now we know you have no understanding of markets in addition to being unable to read or comprehend. The Russian "market" is tiny and is insignificant compared to GNP so it is meaningless. Even your article points out that the few big hydrocarbon companies account for 70% of the stock market. [a] The price of oil more than doubled in the period the article discusses and [b] those stocks went up because of that and because of the manipulation by the oligarchs. Perhaps you did not notice your article mentioned the "murky" dealings in Russia?

I hardly consider 2 mutual funds and 4 or 5 manipulated oil stocks "as pretty convincing signs of investor confidence".

But if you really believe all this codswallop, why are you in business school? Why aren't you there making your fortune?

I presume you are long the Russian stock market?

For what it is worth, I was short the ruble and the Russian market in the summer of 1998 and back in the earlier bubble in the mid 1990s when Russia and its bureaucrats were going on and on with the same absurdity. Go back and look up what happened both times. Or perhaps you were long then too and got wiped out which is why you had to go to b school.

[4] "Overall state of the economy": Now we are getting really embarrassed for you! The World Bank also praised Russia in 1998 just before the last collapse and in the mid 1990s just in time for that collapse. They also wrote in rapturous terms about all the Asia Tigers in mid 1997 just in time for the Asian Crisis [I was short Hong Kong back then too right into the World Bank's rapture.] And the World Bank could not give Argentina enough money in the summer and fall of 2001 because of "its progress" when I was getting all my money out.

[All this is very much on the public record so you do not need to fret about my image.]

Need I go on? No one has ever stayed solvent much less made money listening to the World Bank [except business school professors who "consult" for them].

Oh dear, you get your information from the Russian government and the World Bank!? Are you mad? I know you say you have driven across Russia, but who do you really think is out there in those 11 time zones and tens of thousands on kilometers of Russia collecting all this "reliable data"?

And thanks for your advice about my analysis, facts and my "public image". If you had done your homework, you'd know the public was and is extremely aware that I had shorted the ruble in 1998 and back in the mid 1990s [when I guess you were long]. It was the same kind of misinformation back then too that gullible souls like you swallowed.

And the public is extremely aware of my record of investing in many markets all over the world for many years.

You might read John Train's Money Masters of Our Time or one of several other books. I do not worry about it, but you should worry about yours.

But as for public image and inaccurate statements, you have demonstrated quite publicly and vocally that you can neither read nor comprehend what you read nor can you analyze anything in front of you and that you fall for anything someone tells you and that you have absolutely no knowledge of even recent Russian history. I was terribly embarrassed for you when you stood there babbling on in front of the others about the strong ruble - a currency which has been nothing but a catastrophe for a decade [despite your painfully absurd statements], but now you have shouted your hopelessness from the roof tops for all to see.

I hope your classmates will pull you aside and pass on this word of advice: It is better to remain silent and have people wonder if you are an idiot rather than to open your mouth and prove to everyone in sight that you are an idiot beyond all doubt. And one should never, ever go shouting from the rooftops when one is a total idiot because then the entire school knows it.

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Clearly you see what I mean when I say to ignore the rather rude nature of the comments. These two are not happy with each other, that's for sure. But focus instead on the content that is related to the sources of information and the need to read and think critically. This is a key for success in the financial markets and in business in general.