



PACIFIC INVESTMENT MANAGEMENT COMPANY

INVESTMENT

OUTLOOK

November 1989

Programmed

Those blue eyes were unmistakable. Even at six months they seemed as wide as silver dollars and the sky reflected in and out of them as if they were one and the same. They were her mom's eyes--no doubt. On the other hand, the nose was stubbed with a slight downward curl at the tip. It could only have been her dad's, and her dad's dad's at that. Still everyone thought she looked just like her mom, except when she was whining. Then she was her dad--probably because he whined in much the same way after a hard day at the office or a poor round of golf. The comparisons, after awhile though, became almost futile. Not because no one could agree which parent she resembled the most, but because there seemed nothing left she could claim for her very own. Her body had been chiseled by her mother and her personality seemed almost a carbon copy of her dad's. What was left? Where, deep down inside, would she discover as she grew older the part of her that said, "This is me and only me. I have free will and the ability to choose. Everything I do is not determined by my genes, or for that matter my environment. I am not, in my entirety, a program."

She'll have to consult Darwin or, better yet, God about that I suppose. Here on Earth there are programs, and then there are programs. The first kind is the type of our story's baby girl, and the kind that has bothered me for at least a few decades. The second kind is a species that has bothered much of America's investment community for the past few years. I'm talking about program trading, of course. Now I must warn you that I've been warned. This is a

topic that inflames the marrow of any investor who knows how to pronounce the words "stock market". It is a topic like sex, politics, and religion that is taboo at the dinner table and probably in most investment outlooks. Too many people can be rubbed wrong. Still what's an education for if you can't form an opinion. For those of you who disagree with what follows, I'll simply acknowledge at the start that I don't have an open and shut case and all of us at

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