

Enduring Value of Stock Market Indexes and Land

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Introduction

Diseases, economic disruptions, and other material miseries torment living entities. From the perspective of the ordinary man, these disasters appear to come out of nowhere, depriving him of basic supplies and amenities, and taking away his loved ones. However, investments in land alone cannot provide a defensive wall against calamities. Although land can serve as a bulwark during times of crisis, an individual is well-advised to allocate the bulk of his investment capital to highly diversified stock market indexes. The stock market is the single best performing investment class over the long run, although obviously it does not rise in a smooth, straight line. But whenever the stock market collapses, it always recovers and goes on to attain new highs, as it did in 2020. Even massive geopolitical and economic crises, including the coronavirus pandemic, do not derail the stock market's long-term upward trend.

Gadi das and Hridayananda das: Dueling Perspectives

Gadi das (ACBSP) wrote an editorial for [Sampradaya Sun](#) during perhaps the darkest period of the coronavirus pandemic. Gadi das contends that devotees would be safer and more protected in self-sufficient villages situated outside of cities, and that ISKCON failed to develop these autonomous safe havens—“*The cities are for preaching, the village is for living.*” Gadi das (ACBSP) retired from his business activities in 2009 and is currently Temple President of Murari's Kirtan Valley. Murari Sevaka is a 265-acre farm in Lynchburg, Tennessee (www.murarisevaka.com).

Gadi das states, “*So instead of investing in large parcels of land to make villages, devotees, especially the ‘leadership’ have invested in the stock market, petroleum, and a wide spectrum of business scams and ventures... all for nothing when faced with this present situation [coronavirus pandemic]. You can't eat, drink or breathe ticker tape or oil... only watch it disappear...*” It is a fact one cannot eat or drink the aforementioned items. However, the stock market (S&P 500) increased more than 18 percent in 2020 (including dividends), rewarding disciplined investors with a handsome profit. I had little difficulty purchasing necessities, but I did notice quite a bit of price gouging by retailers. Fortunately, I am in the habit of keeping emergency supplies of food and other items in my house because of my childhood experiences.

Gadi das raises important issues that are a useful counterpoint to Hridayananda das. Hridayananda das cites several obstacles to rural development and cow protection in his awkwardly titled and flawed essay, "[Facing the Reality and ISKCON Rural Communities](#)." Hridayananda das fails to concede that internal factors, specifically deviations from Srila Prabhupada's principles, have impeded agricultural development in ISKCON, as I point out in [ISKCON Farm Communities: A Reply to Hridayananda das](#). Throughout its history, ISKCON squandered vast amounts of time, human talent, energy, and money on absurdly extravagant projects. These wasteful enterprises, allegedly for glorifying Vaishnavism, had much more to do with bringing fame to certain leaders, and most definitely had the effect of diverting valuable resources away from much-needed investments in agriculture and child care. ISKCON paid for its useless projects by engaging in various illegal money-making schemes. Public opinion and law enforcement turned against the movement. "Consequently, ISKCON has few flourishing Western urban programs that have surplus resources to invest in farms, as in the past."

Obstacles to Self-Sufficiency

Agricultural development differs greatly from the more extreme objective of self-sufficiency. The former merely involves building a functioning farm sector within ISKCON, an impressive achievement in itself, but still short of complete food autonomy. A self-sufficient community stands completely independent of the outside world, as its members produce everything they need internally. Even a more enlightened leadership class could not overcome the technical and economic factors that make self-sufficiency an elusive goal, not just for ISKCON, but for any other religious organization. I would like to be proven wrong.

I sympathize with efforts to achieve food sovereignty and autonomy, regardless of whether those efforts are carried out by ISKCON or maybe Ritviks or whomever. Devotees are forced to operate within materialistic societies that are inimical to cow protection and small-scale farming. This difficulty is compounded when internal divisions and conflict emerge within a devotee farm community. Even if perfect harmony prevails within the community, substantial challenges remain.

A truly self-sufficient village generates its own electricity (from solar panels, for instance), has its own water sources, and does not rely on petroleum-powered vehicles, the internet, chemical fertilizers, commercial pesticides, and mechanized farm equipment. For purposes of practical implementation, the members of the devotee village need to reach an agreement on a working definition of self-sufficiency that is less extreme. The initial consensus-building phase must

determine which types of modern conveniences are to be permitted during normal growing conditions, and how the rules could be relaxed in emergency situations. The inhabitants of the devotee village could also create a multi-year plan or path to self-sufficiency.

Self-Sufficiency is Risky Business

Unfortunately, there is a strong tendency to underestimate the financial costs of achieving self-sufficiency, costs which include outlays for processing and storage facilities. How will devotees hedge the risks that are inherent to farming? Weather-induced crop failures will inevitably occur from time to time, and if devotees do not have adequate amounts of food held in storage, off-farm income will be critical for survival, in violation of the principle of self-sufficiency. Devotees may attempt to mitigate the impacts of inadequate rain by developing water impoundment and irrigation systems, which are also costly.

Devotee agricultural communities would be forced to depend heavily on revenues gained from the outside world to cover the initial investments, variable costs, maintenance, and of course emergencies. Usually a small farm, situated within a specific set of growing conditions, cannot produce a wide enough variety of crops for proper nutrition and health. In that case, “self-sufficient” farm communities will need money to purchase at least some of their necessities on a regular basis. It is exceedingly difficult for devotees to disconnect from mainstream society and its monetary economy.

The above paragraphs firmly establish that off-farm income is indispensable for devotee agricultural centers, which means the survival of the farm depends on job prospects and external economic conditions in surrounding areas. Land purchases anchor devotees to one geographical spot, and consequently, they are held hostage to the fortunes of one county or even one neighborhood.

Gadi das writes, “Land never disappears.” That is not quite accurate. Land could be bombed, saturated with landmines, contaminated by runoff and pollutants, or rendered unusable by natural disasters. Having said all that, I will agree with Gadi das by stipulating land never disappears. I do not believe in fixating on apocalyptic scenarios, although obviously I recognize crises do occur.

However, purchasing land to build a self-sufficient farm village is an incredibly risky gamble for other compelling reasons. This “investment” essentially ties the devotee landowner and farm residents to the economy and government policies of one narrow locality. Property owners are exposed to risks stemming from sharp

increases in state and local taxes. Opportunities for off-farm income will be affected by plant closures and / or businesses leaving the area in search of more favorable locations. A fixed farm residence is immobile and it offers almost no diversification. A total stock market index on the other hand is extremely diversified, geographically and across a wide range of businesses.

Individual Stocks Die ... Stock Market Index Lives On

Stocks are often characterized (incorrectly) as illusory paper assets that are inferior to hard assets such as real estate, and precious metals and other commodities. Far from being illusory, stock purchases provide partial ownership of a corporation—you actually own a piece of a business. Through diversification, one can avoid unnecessary risks. When individuals invest in a total stock market index, they have achieved a high degree of diversification because they own a piece of every publicly-traded company. The key is to buy and hold the entire market through a passively managed or indexed fund.

The total market index is dynamic. Companies compete intensely with each other. Firms that are stronger and more efficient drive the weaker firms out of business while also driving them out of the total market index. New companies are born, and if they are successful, then they enter the total market index and replace the dying companies. Individual stocks disappear, but the market index lives on because fresh vibrant companies enter the index. The index does not remain static. The total market index is analogous to a living species in which firms that are stronger replace those that are weaker. The index is self-cleansing, dynamic, diversified, and therefore enduring. (Please read [Enlightened Investing](#))

Stock Market Index Trends Higher

By buying and holding the entire market through a passively managed or indexed fund, you guarantee that you will own all of the winning companies and thus get all of the market return. One may object to index funds because you will also own all of the losing companies in the economy. This objection is essentially groundless. The worst outcome for any one losing stock is that it would lose 100 percent of its purchase value (in which case it would drop out of the index). In contrast, the winners can easily make 1,000 percent, and exceptionally 10,000 percent, within a decade or two. If an investor misses just one or two of these winning stocks, his entire portfolio will suffer.

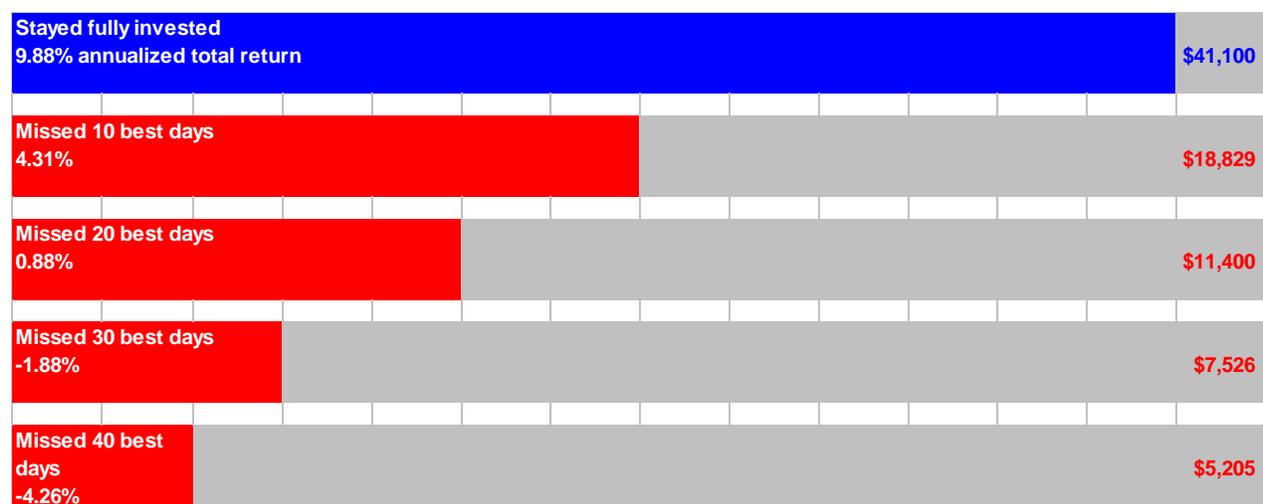
An investor need not attempt to predict which firms will be winners or losers because that determination will be made by the dynamics of competitive interactions which force weaker firms out of the total market index. In the long

run, the total stock market index is driven higher along a strong upward trend because of survival of the fittest—the maximum loss for the weaker firms is that their stock prices will drop to zero, while in contrast the upside potential of the winners is enormous. A combination of limited downside and almost unlimited upside potential means that on average, the total stock market index trends higher. (Please read [Enlightened Investing](#))

Losing Money in Stocks is Easy

As shown in Figure 1, \$10,000 invested in the S&P 500 grew to \$41,100 from 12/31/2005–12/31/2020, if the portfolio remained fully invested over the entire time period. That is to say, a straightforward, non-speculative buy-and-hold approach resulted in a 9.88% annualized total return, including reinvestment of dividends [source: [Time, not timing, is the best way to capitalize](#)].

Figure 1. \$10,000 invested in the S&P 500 (12/31/05–12/31/20)



Source: [Time, not timing, is the best way to capitalize](#)

How could anyone have lost money, given that the S&P 500 grew 9.88% per year from 12/31/2005–12/31/2020? The answer is simple. Stocks do not climb in a straight line; whenever the market collapses, it induces fear, panic, and irrational behavior. People react emotionally by selling their shares, and then they typically sit on the sidelines waiting to confirm that the market has actually bottomed before getting back in. By the time individuals decide it is safe to move their money back into stocks, they have already missed some of the best days the market has to offer—returns tend to occur disproportionately early in a recovery.

Missing out on just a few of the best up days is destructive of wealth accumulation. As shown in Figure 1, missing just the best 10 days is devastating to investment results, as the annualized return is only 4.31% from 12/31/2005–12/31/2020. An individual would have been much better off if he or she had simply ignored the volatility that is inherent to stocks and stayed fully invested all throughout. Wild fluctuations induce fear. It is not uncommon for risk-averse persons to miss the 30 best days, and in that case, they lose money! A \$10,000 investment falls to \$7,526 (Figure 1). The stock market severely punishes fear, greed, ignorance, and lack of discipline. If an individual is extremely risk-averse and prone to irrational financial decisions, he will have more money if he avoids the stock market altogether, and simply deposits his money in an interest-bearing bank account. Goldman Sachs Bank (Marcus) currently pays 0.5% interest, as of July 2021.

Size of Stock Portfolio Needed for Financial Independence

The key determinants of long-term capital accumulation include the seemingly obvious strategy of keeping living expenses low, coupled with disciplined investments in a portfolio of broadly diversified stock indexes. There is no substitute for austerity. Materialistic consumers who invest only a small fraction of their salary will have to work several decades to build up enough assets to maintain high levels of sense gratification during retirement. An austere devotee can minimize his working years by carefully tracking and controlling costs, while relentlessly following a disciplined investment program of making regular deposits into index funds.

The level of assets needed to sustain financial independence can be estimated from a useful guideline known as the 4% rule. Following the 4% rule, an individual withdraws 4% of his portfolio to cover living expenses in the first year of retirement, and then increases the size of the withdrawals to keep up with inflation. Therefore, when an individual has accumulated a portfolio that is 25 times higher than his or her annual living expenses, they are financially independent and able to retire at any time. For instance, if a devotee can live on \$20,000 per year, this figure is multiplied by 25. Thus, he will require a portfolio of \$500,000 (computed as $25 \times \$20,000$) to achieve financial independence. (Please note that 4 percent of \$500,000 is indeed \$20,000.) In contrast, a karmi that is addicted to high levels of sense gratification with expenses of \$50,000 per year will require a portfolio of \$1.25 million (computed as $25 \times \$50,000$).

The 4% rule has been tested by examining a wide variety of potential market scenarios that take fluctuating market returns into account, using a technique known as Monte Carlo simulations. Instead of basing calculations on just one

average rate of return, Monte Carlo simulations generate 100,000 simulations of hypothetical market scenarios, and calculate the impact on the individual's asset levels during his retirement. Each simulation includes up and down markets of various lengths, intensities, and combinations. The 4% withdrawal rule was created to survive worst-case market scenarios. (Please read [Enlightened Investing](#))

This article assumes an individual does NOT receive a pension or social security payments from the government. That is to say, his stock portfolio is the only way he can pay for his living expenses. Obviously, if a devotee receives a pension and social security, he or she will require a smaller stock portfolio since he has other sources of income. A devotee might be able to cut his living expenses a bit by growing a large garden or by learning basic but important skills to maintain his house.

Farmland is a Useful Hedge Against Crises

A farm can be a wonderful asset for devotees who have accumulated significant stock portfolios after years of saving and investing. Although a small farm is a prohibitively risky stand-alone enterprise, it can be a valuable addition to a financial portfolio that is dominated by stock indexes. Do not put all of your eggs in one basket. Humans create all manner of destructive events. If a stock portfolio is your only store of wealth, then you are in a somewhat vulnerable position. If a farm is your only wealth, then you are in an extremely vulnerable position. But the combination of a large garden and stock holdings puts devotees in a stronger position to survive crises.

The late Barton Biggs, a highly skilled and greatly respected global investment strategist, clearly understood the material world is a dangerous, violent, and brutish place. He lived through truly dire periods that the younger generation cannot fathom. In his book titled, *Wealth, War and Wisdom*, Barton Biggs carefully examined how wealth was preserved over long periods of time, and what assets were worth holding when society collapsed. His analyses reveal the resilience of stock markets. Indeed, Biggs recommended you should hold the bulk of your wealth in stock indexes.

But Biggs also points out that in chaotic periods, clothing and food held much more value than any number of stock shares or any weight in gold. "You couldn't eat stock certificates, and food was what people had to have to survive." That is exactly the point Gadi das forcefully made in his insightful article. Echoing Gadi das, Barton Biggs also writes, "...land is always there. It can't be plundered or shipped off to somewhere else." In these respects, Barton Biggs strongly supports

Gadi das. However, unlike Gadi das, Biggs recommends farmland as one relatively small component of an individual's overall wealth holdings.

Barton Biggs specifically recommends an unostentatious farm or farmland because wealth provokes envy and attracts plunderers. "During World War II in most of the occupied countries, if you had a self-sufficient farm, you could hunker down on it and with luck wait out the disaster. At the very least you were sure of food in a starving country, and in France and Italy owning and operating a vineyard was a wonderful wealth protector... There are few things as fulfilling as having drink in the sunset and looking at your fields and cows." In my view, true self-sufficiency is almost impossible to achieve. But if you have farmland, at least you can produce some amount of food. In times of disruption and crisis, something is better than nothing.

Health Benefits

Financial independence bestows considerable freedom of movement upon devotees, as they are no longer tied down to jobs located in concrete jungles known as cities. Financially independent devotees can move to remote locations blessed with natural surroundings. As Srila Prabhupada explains, advancement of civilization rests on reviving the potent spiritual instincts of the human being, to give humans the opportunity to return to the Kingdom of God. Perfection of human civilization is made possible by properly utilizing the gifts of nature. Srimad Bhagavatam describes an ideal city (Dwarka Dhama) as being nicely surrounded by flower gardens, parks, and fruit orchards, along with reservoirs of water where lotus flowers bloom. [SB 1.11.12]

The Vedic scriptures, which are infallible and complete, do not require validation from materialistic scientists. Nevertheless, it is interesting to observe that recent research has found evidence that nature's gifts include key health benefits, as explained in Forest Medicine. Nature walks enhance memory. Spending time in forests reduces inflammation and leads to lower heart rates and lower levels of cortisol—a hormone often used as a marker for stress. Nature functions as a restorative force that counteracts mental fatigue. Natural surroundings, especially when combined with exercise, have been found to ease anxiety, depression, and other mental health issues. Nature walks have the strongest restorative impact on the ability to focus. Natural surroundings improve cognitive functioning as well as creativity. Proximity to green space leads to reduced mortality rates. (Please read [Forest Medicine](#))

Of course, the leaders of modern civilization select their own residential quarters in places where they are surrounded by natural beautiful gardens and reservoirs of water, while leaving the common men to live in congested areas without any parks and gardens, as Srila Prabhupada points out in Srimad Bhagavatam.

Final Remarks

Pure devotees do not necessarily reject wealth. On the contrary:

“A pure devotee may be attracted to accumulating wealth just like an ordinary man, but the difference is that a devotee acquires money for the service of the Lord, whereas the ordinary man acquires money for his sense enjoyment. Thus the acquisition of wealth by a devotee is not a source of anxieties, as is the case for a worldly man. And because a pure devotee accepts everything in the sense of serving the Lord, the poisonous teeth of accumulation of wealth are extracted. If a snake has its poison removed and bites a man, there is no fatal effect. Similarly, wealth accumulated in the cause of the Lord has no poisonous teeth, and the effect is not fatal. A pure devotee is never entangled in material worldly affairs even though he may remain in the world like an ordinary man.” [SB 3.9.6, purport by Srila Prabhupada]

Long-term investments in the stock market do not violate the 4 regulative principles, as explained in [Srila Prabhupada on the Stock Market](#). Most people lose money in the stock market because they are gambling, rather than following a disciplined methodology of remaining steadfastly invested, even in the face of economic and geopolitical crises. Market collapses set the stage for powerful advances that propel index funds along a long-term upward trend. The stock market is the single best-performing investment class over the long run. The enlightened investor utilizes highly diversified stock index funds as the core component of his overall portfolio, with farmland serving as a hedge against uncertainty.

The non-monetary benefits of owning a large garden or a small farm are the more decisive factors. Although a small farm typically cannot produce the full range of crops necessary for proper nutrition and health, it can help greatly in emergency situations while serving as a safe haven. Natural surroundings bestow significant health benefits. More importantly, properly utilizing the gifts of nature helps to revive the potent spiritual instincts of the human being.