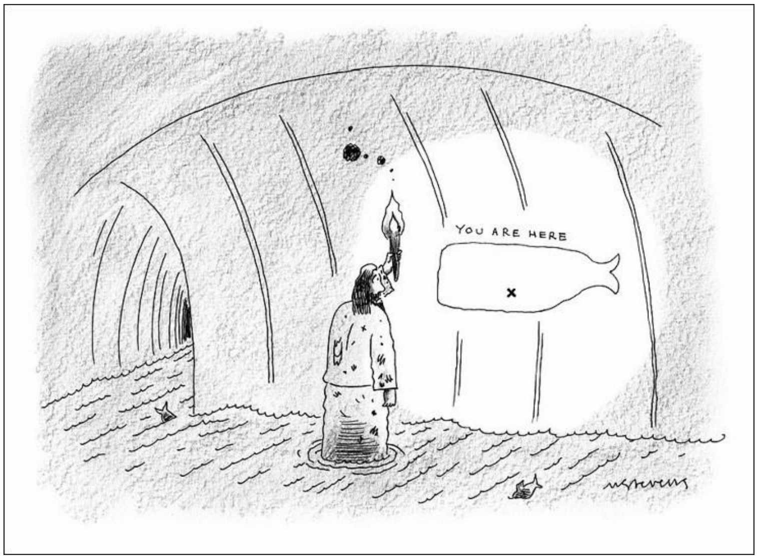
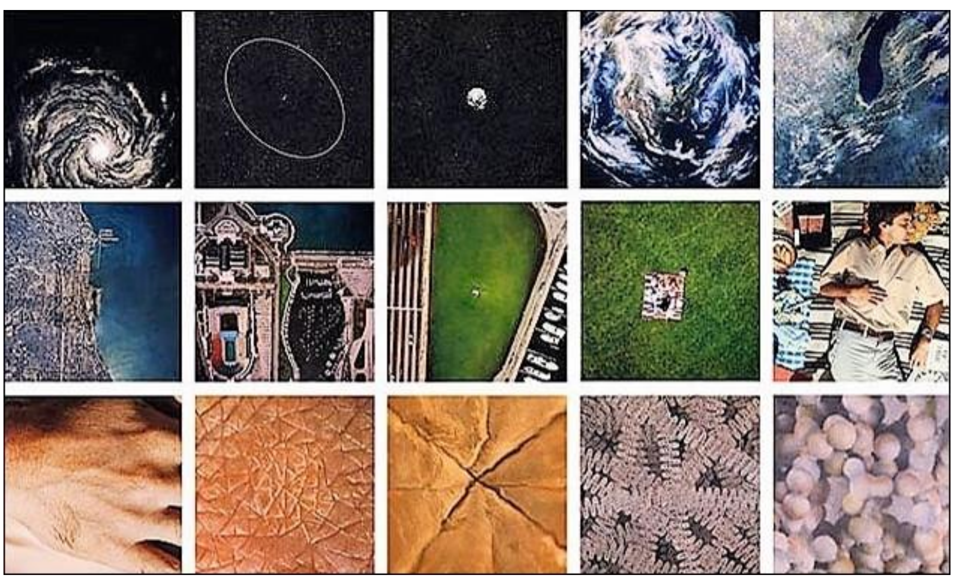
Epsilon Theory

You Are Here

January 10, 2019



My favorite Mick Stevens cartoon. That's us, alright, smack dab in the belly of the beast.



Those of us of a certain age will remember the *Powers of Ten* movie by the Eames's, a map of the universe that zooms out to the size of everything and then zooms in to the size of nothing. That's us, alright, at every level of magnification.

I've always been a sucker for maps, particularly maps that visualize the world in a novel way, that show our *place* in the world with a perspective or in a dimension that we hadn't previously considered. I call these *maps of self-sovereign discovery*, maps that reveal a path of self-directed exploration of our world and ourselves.

The art historian and critic Robert Hughes called the experience of discovering your place in the world in a novel way *The Shock of the New* (still the best book and TV series on art I've ever read/seen).

Art is a map of self-sovereign discovery.

The science historian and critic Jacob Bronowski called the experience of discovering your place in the world in a novel way *The Ascent of Man* (still the best book and TV series on science I've ever read/seen).

Science is a map of self-sovereign discovery.

You know what I miss most about the world before Amazon? I miss going to the library and looking up a book in the card catalog, searching the stacks for the book in question, *and then losing myself in the experience of discovery AROUND the book I was originally searching for*. It's one of the best feelings in the world, and I'm not sure that my children have ever felt it. I haven't felt it in at least 20 years.

Libraries are maps of self-sovereign discovery.

And no, the shelves at Barnes and Noble aren't the same thing. At all. And no, Amazon's recommendation algos aren't the same thing, either, but are in fact an outright perversion of self-sovereign discovery. Why? **Because "discovery" algos are a Wolf Trap**, the modern version of a design used by wolf hunters for a thousand years, where you set a blood trail through a one-way wicker door in a large circular fence built around a central pen with a scared, bleating sheep. The key to the Wolf Trap? We wolves can't see each other until it's too late, *each of us lured in by what we believe is a personalized and uniquely rewarding path of discovery*.

The illustration above is from *Le Livre de la Chasse (The Book of the Hunt),* published circa 1407. **I'm pretty sure you can find the original hanging in Mark Zuckerberg's office.**

Amazon and Netflix and Facebook and all the other Leviathans of recommendation algos provide a constructed discovery "experience" designed to take our money. It's no more of an actual discovery than Disney's Jungle Cruise™ is an actual jungle cruise.

And we all know it.

We know we're being led on very specific paths of "discovery" and "experience". We know that we ARE *Bandersnatch*. But we play their game anyway.

For now.

I can see the world changing, though, in its awareness of the artificiality and constructedness of the narratives that provide the choice structure that envelops us.

We are all Epsilon Theorists now.

The world is changing because a critical mass of people are fed up with seeing the world through the constructed "experiences" of commercial media providers, like Amazon and Netflix and Facebook in consumer-world, like CNN and Fox and MSNBC in voter-world, and like CNBC and other financial media outlets in investor-world.

I'm not saying that these commercial media providers are bad guys *per se.* I'm saying that they are professional narrative creators. That's their business. They are paid handsomely to be the Hand of the King. Except it's not a king, of course. **It's a Nudging Oligarchy and a Nudging State.**

The path to changing the world … the path to unmasking the Potemkin Villages projected by commercial media providers in service to the Nudging Oligarchy and the Nudging State … has two initial milestones.

Step One – create an independent media platform with enough wattage and enough listeners tuned to your frequency so that you can get your message into every government, every bank, every asset manager, and every financial services firm of significance on the planet.

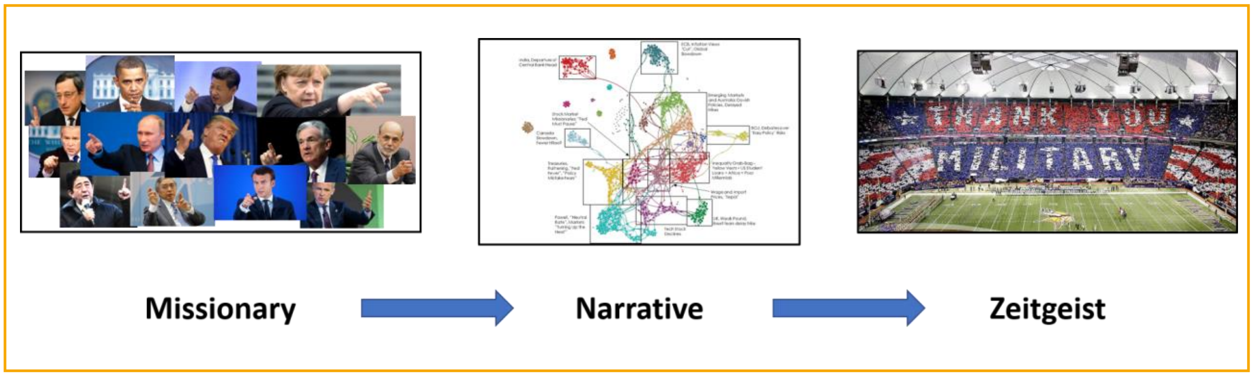
Check.

Welcome to the Epsilon Theory pack.

Step Two – broadcast a novel, authentic map of *self-sovereign discovery* for investors and citizens alike. Give people the tools to see for themselves the invisible threads of markets and elections. Because you're smart enough to make up your own damn mind.

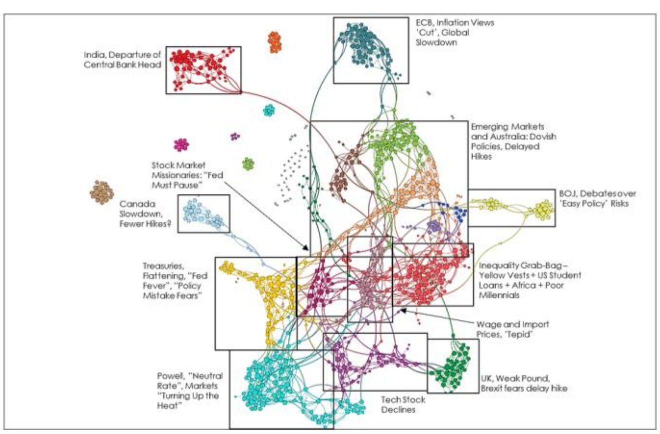
You are here.

So here's the map.



The **missionary** is the atomic scale of our social lives as investors and as citizens. The missionary shakes his or her finger at you and tells you how to THINK about the world. The missionary presents an opinion of proper social behavior as news or fact, what we call **Fiat News**. The missionary is the act. The missionary is the driver of the **Common Knowledge Game**.

We write a lot about missionaries in Epsilon Theory.



The **narrative** is the human scale of our social lives as investors and as citizens. The narrative is an invisible organism, as alive as you or I, with **a memetic lifecycle** determined by the interaction of missionaries, media platforms, and the crowd watching the crowd. We are both biologically hardwired and socially trained to respond to narratives.

We write a lot about narratives in Epsilon Theory.

The **zeitgeist** is the macro scale of our social lives as investors and as citizens. The zeitgeist is the long-term ecosystem of narrative colonies. It is the spirit of an age, the driving ideas of social interaction, active over decades. Although never seen and hardly felt at the human scale, the zeitgeist is exuded by a society, like placards held up by a stadium crowd.

We have written little about the zeitgeist in Epsilon Theory.

"**You Are Here**" is the first chapter in a virtual book of Epsilon Theory notes, new and old, focused on the investment zeitgeist of our modern age. I'm doing this for a simple reason:

For asset owners and long-term investors, the greatest risk to your portfolio is a change in the zeitgeist.

It's not whether Jay Powell is a hawk or a dove. It's not whether earnings are weak or strong this quarter or this year. It's not whether budget "reform" passes or fails. It's not whether we have a recession in 2019 or 2020 or 2021 or whenever. It's not whether China or the US "prevails" in this game of trade Chicken. It's not whether Brexit happens or not.

These are all narrative-level phenomena. Are they important for making money or losing money in the market? Are you HERE in a map sense? Yes and Yes. But these are neither existential risks nor once-in-a-lifetime opportunities. Everyone recognizes the existence of narrative-level phenomena. They are known unknowns. They're big, sure. But only big on a human scale. To use the language of **Things Fall Apart**, these are the three horsemen of the investment semi-apocalypse. They're bad news if they break against you. But they're not Death.

You are also HERE at the zeitgeist-level of social phenomena, and changes here ARE existential risks and once-in-a-lifetime opportunities. They do not exist on a human scale, only on a macro social scale. And because we can't hear them or feel them like we can hear and feel narratives, we never talk about them. The zeitgeist contains our most cherished assumptions, the behavioral conditions that we take for granted and bake into everything we say and do. There is no more difficult task than to identify a zeitgeist *while you are in it,* and it is only through the application of non-human intelligences like Natural Language Processing (NLP) technologies that I feel confident in our ability to step outside of the ocean we swim in and measure if and how the zeitgeist is changing.

I believe that the investment zeitgeist is changing in three ways.

1) **Deflationary expectations, now 40+ years old, are becoming inflationary expectations.**

2) **Cooperative and multi-play games in both international politics and domestic politics, now 70+ years old, are becoming competitive and single-play games.**

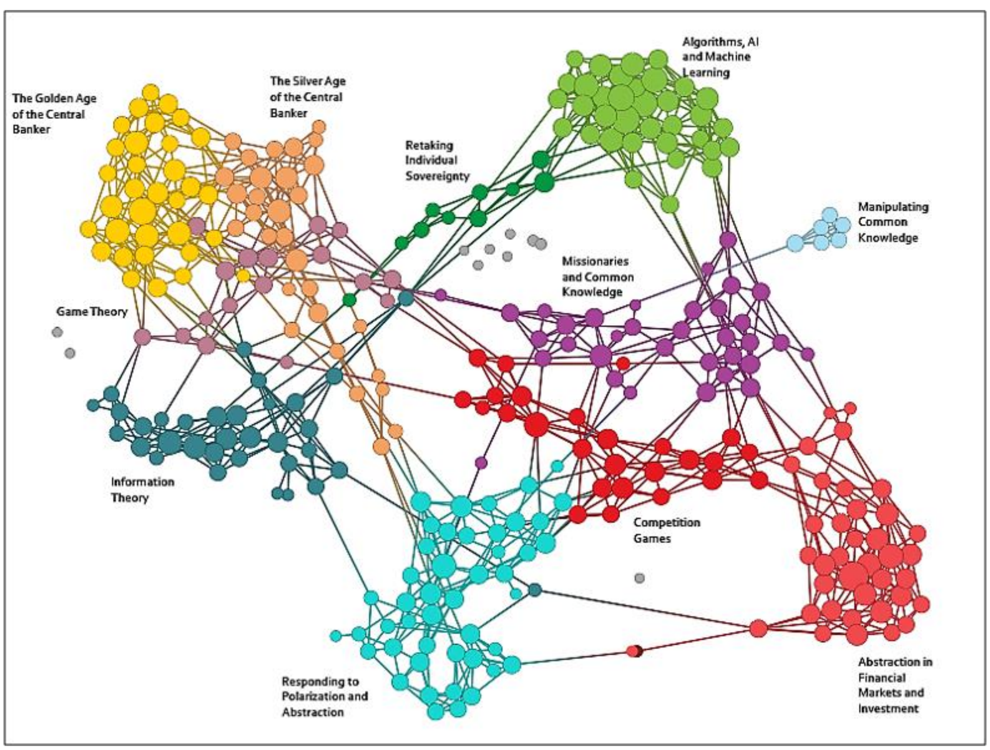
3) **Modern capital markets, now 150+ years old, are becoming political utilities.**

I can't prove any of this to you, but I can show you why I think what I think. I can make the case. All I *really* care about doing is getting you to think in terms of missionaries, narratives and zeitgeists. All I *really* care about is inspiring you to undertake your own acts of true, self-sovereign discovery. If I can get you to do THAT … well, that really is how the world changes for the better.

So here's the plan.

I've got a bunch of new ideas to write up on these three zeitgeist changes, including novel applications of the Narrative Machine. I've also got some old ideas that are highly relevant for making the case, but are written up in some older Epsilon Theory notes. Usually I'd just include a link to the older notes and leave it at that. For example, I cover Zeitgeist Shift #1 extensively in **Things Fall Apart (Pt 3)**. But for the much older notes I want to do something a little different here.

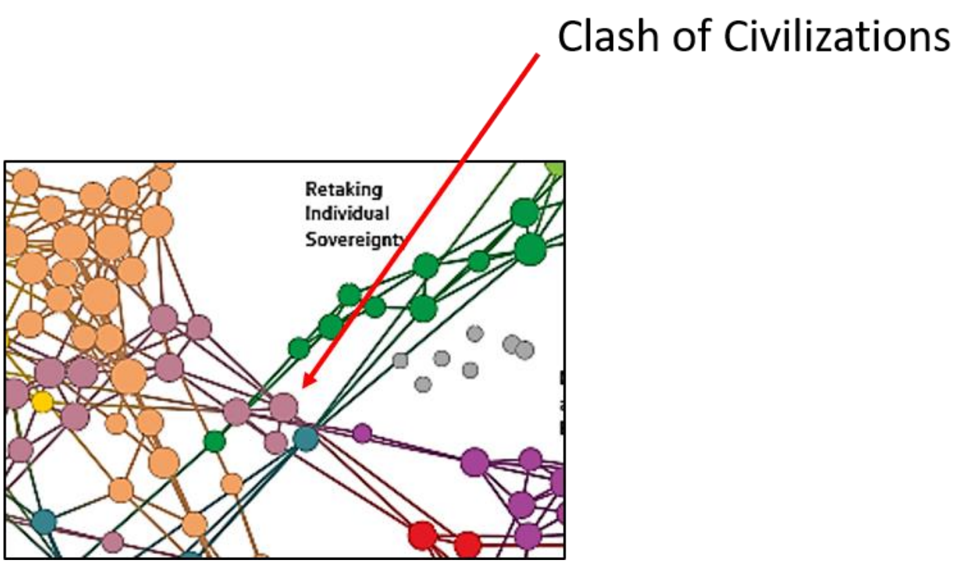
Epsilon Theory is a map of discovery, too.



We put the texts and notes of Epsilon Theory underneath the NLP microscope provided by our friends at **Quid**. Each node is a separate article, and the AI clusters them according to the similarities of their words and phrases and textual construction. It's an organization by *meaning*, not by date or author or title or keywords or the like. Combine this with some simple scripts to generate dynamic rollovers and active links, and **the Epsilon Theory map truly comes alive.**

There is sooo much more we can do with the metadata embedded in the Epsilon Theory map, and we will in the weeks to come. Size of nodes representing how many people have read the note … brightness of nodes representing how recently the note was published … if you can imagine a dimension of meaning, authorship, or reading as a social experience, it's now possible to create a visual, interactive representation of that dimension. And not just for Epsilon Theory texts, but for any collection of texts. Warren Buffett's annual letters. Sell-side analyst reports on Tesla. **The collected Fed prayers of Jim Cramer**. Well, maybe not that last one.

In addition to highlighting areas of the Epsilon Theory map that may lead you to "library shelves" that you'll want to explore, I want to highlight specific notes, both old and new, to the website version of "You Are Here." It's an experiment, for sure, in authorial discovery, but in the same way that I like to talk about playing the metagame, I think there's an opportunity to create a metatext that can be useful for readers who want a comprehensive resource on what is admittedly a hard thing to wrap our heads around – the zeitgeist.



So here's the first of those "special attention" notes, a piece I wrote four years ago (!) on the transformation of international politics into competitive and single-play games, what I'd now call Zeitgeist Shift #2. It's called "**The Clash of Civilizations**", and I think you'll find it useful.

I'll close this note with these two quotes from that note, because they're sure to raise some hackles. They're from my two favorite war criminals, Sam Huntington and Henry Kissinger.

The West won the world not by the superiority of its ideas or values or religion … but rather by its superiority in applying organized violence. Westerners often forget this fact; non-Westerners never do. – *Samuel P. Huntington (1927 – 2008)*

Upon learning of Cardinal Richelieu's death, Pope Urban VIII is alleged to have said, "If there is a God, then Cardinal de Richelieu will have much to answer for. If not … well, he had a successful life." – *Henry Kissinger, "Diplomacy" (1994)*

There is nothing more important for your portfolio than the future trajectory of the American empire and the prospects of geopolitical conflict. Nothing. It's time to wrestle with that.