Epsilon Theory

Fiat World

March 8, 2019

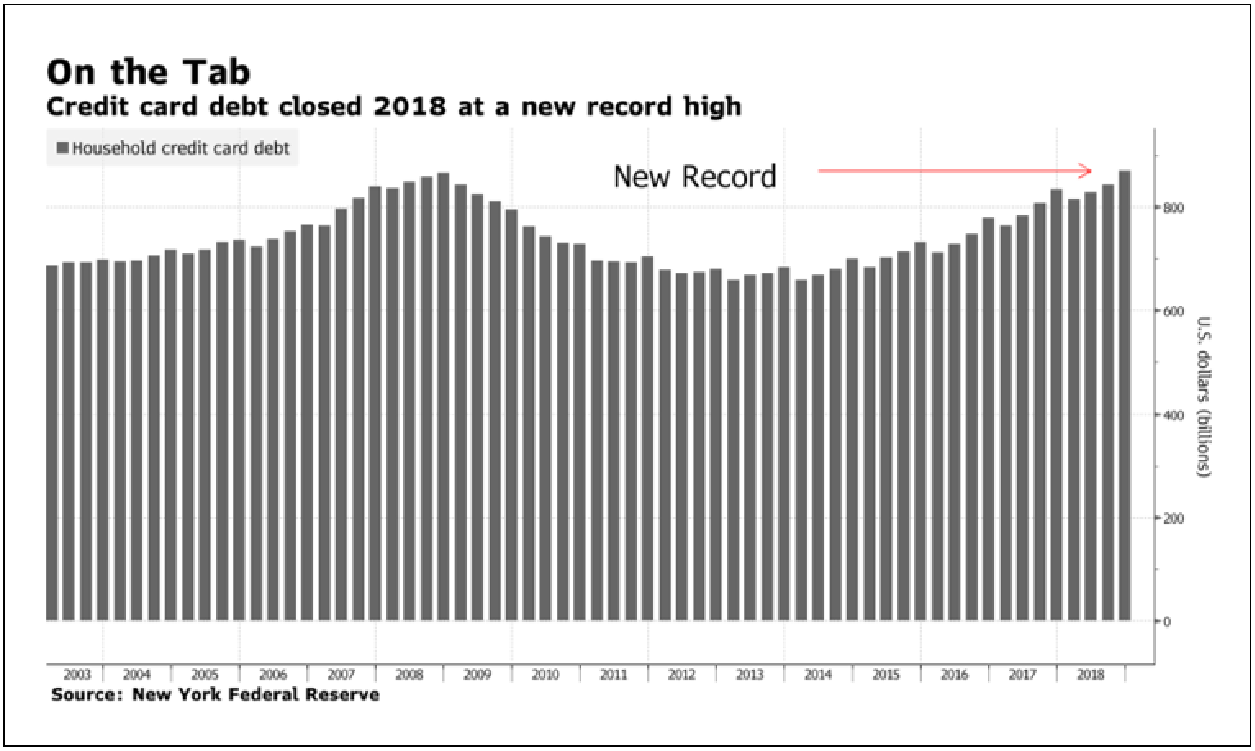
That's a still photo from the Netflix documentary "Behind the Curve", a really good movie about the Flat Earth movement. I'll come back to this in a minute.

But first … I was going to save this email for the Mailbag, but couldn't resist using it now.

> *Hey There Ben   You and your contributors seem to be continuously complaining, whining and expressing a kind of morose discontentment. Why are you all so unhappy and dissatisfied? Maybe take a few of your intellectually earned dollars and buy yourself and each of your contributors a surfboard, mountain bike, snowboard, and climbing gear, with the proviso, all must be put to use. Then see if the tenor of future essays will have changed. Who knows, maybe action speaks louder than words. — By the way, the idea of Joining a Pack is very unappealing. — Anyway, Cheers and Aloha from the North Shore, Charles*

I mean, Charles is an ass. But he's not wrong.

And then I came across this gem (h/t Bloomberg Radio's Lisa Abramowicz):



https://www.bloomberg.com/news/articles/2019-03-05/u-s-credit-card-debt-closed-2018-at-a-record-870-billion

Sixty percent of that record credit card debt (**per this survey**) is for daily expenses (food, utilities, rent, etc.) and retail purchases. When asked what they would be willing to give up to get out of debt, only 6% would give up their smartphone. Of course, 13% said they would give up their right to vote. *[Pro tip: you already have.]*

I thought about this record credit card debt, mostly comprised of food and rent and clothes, when I paid $4.99 per lb for organic, boneless/skinless chicken breasts at Stop and Shop last night, because *it was the cheapest chicken breasts they had for sale*. I am not making this up.

And then, of course, I was greeted this morning with the news that Mario Draghi and the ECB, by unanimous vote, had decided to resurrect the term loan stimulus program to European banks as some sort of … precautionary measure? effort to slam the euro in our DM beggar-thy-neighbor race to the currency bottom? retirement present for Mario?

The guy is 71 years old … he doesn't look good (sorry, but he doesn't) … and like every other Boomer politician who rules the world, **he's not even pretending anymore.**

On both sides of the Atlantic, we have well and truly entered the DGAF stage of our modern fin de siecle.

So yes, "Charles from the North Shore", I am indeed experiencing a wee bit of morose discontentment.

Not that "discontentment" is really a word, but I get your drift, brah.

We live in a world of **Fiat Currencies**, where central banks add a zero or two or three to reserve balances as part of some sort of magical spell to spur inflation or control inflation or create growth or whatever the hell they're trying to do. None of these spells have accomplished ANY of their intended "benefits" for a decade, which in any other human endeavor would at least give the magicians pause, but in our **modern magical thinking world** the response is never wait what? but always MOAR.

We live in a world of **Fiat News**, where opinion is *relentlessly* presented to us as fact, in both our social lives as citizens and our social lives as investors. Where professional opinion-as-news presenters – 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 – work their magic in service to **the Nudging State and the Nudging Oligarchy.**

We live in a **Fiat World**, where we are TOLD that inflation does not exist, where we are TOLD that wealth inequality and meager productivity and negative savings rates just "happen", where we are TOLD we must vote for ridiculous candidates to be a good Republican or a good Democrat, where we are TOLD that we must buy ridiculous securities to be a good investor, where we are TOLD we must borrow ridiculous sums to be a good parent or a good spouse or a good child.

And we believe what we are told.

We're not Flat Earthers. Ha Ha! Those guys are idiots! Can you imagine holding onto those wacko beliefs, to the point where they deny the evidence of their own eyes?

No, we're not Flat Earthers. Perish the thought.

We are Fiat Earthers.

So it struck me … OF COURSE we borrow record sums to live a daily life beyond our means. OF COURSE we swallow (literally) the inflation that engulfs us with our $4.99 per lb. chicken breasts and our $1000 smartphones.

THIS is the cave in which inflation hides … our Fiat Lifestyle, where we simply declare into existence the manner in which we deserve to live. Declared into existence exactly like everything else in the Fiat World.

Pulled into the present from our future selves and our children. Without a second thought.

---

must be noted, that no one can accurately predict the future of the market with certainty or guarantee future investment performance. Past performance is not a guarantee of future results.

Statements in this communication are forward-looking statements.

The forward-looking statements and other views expressed herein are as of the date of this publication. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and there is no guarantee that any predictions will come to pass. The views expressed herein are subject to change at any time, due to numerous market and other factors. Epsilon Theory disclaims any obligation to update publicly or revise any forward-looking statements or views expressed herein.

This information is neither an offer to sell nor a solicitation of any offer to buy any securities.

This commentary has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Epsilon Theory recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.