



Epsilon Theory

RUSTY GUINN

## Before and After the Storm

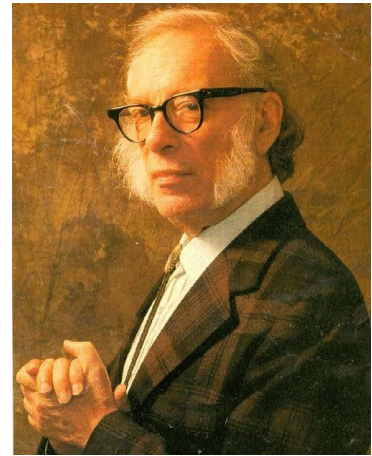
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Mr. Advocate, the rotten tree-trunk, until the very moment when the storm-blast breaks it in two, has all the appearance of might it ever had. The storm-blast whistles through the branches of the Empire even now. Listen with the ears of psychohistory, and you will hear the creaking.

— Isaac Asimov, *Foundation* (1951)

**Do you hear the creaking?**

**I don't. It's not that I don't see what's going on in America or that I'm not pained by an increasingly bi-polar distribution of political, social and ethical views. After all, the belief in narrative-driven politics and narrative-driven markets isn't a belief in their virtue, only their existence. I also don't know how we get out of this cycle, but I believe that we will. This is not a Seldon Crisis, and Trump is not the Mule.**



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That Nature smiles at the union of freedom and equality in our utopias. For freedom and equality are sworn and everlasting enemies, and when one prevails the other dies. Leave men free, and their natural inequalities will multiply almost geometrically, as in England and America in the nineteenth century under laissez-faire. To check the growth of inequality, liberty must be sacrificed, as in Russia after 1917. Even when repressed, inequality grows; only the man who is below the average in economic ability desires equality; those who are conscious of superior ability desire freedom, and in the end superior ability has its way.

— Will and Ariel Durant, *The Lessons of History*, 1968

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**Cersei Lannister:** You should have taken the realm for yourself. Jaime told me about the day King's Landing fell. He was sitting in the Iron Throne and you made him give it up. All you needed to do was climb the steps yourself. Such a sad mistake.

**Ned Stark:** I've made many mistakes in my life, but that wasn't one of them.

**Cersei:** Oh, but it was. When you play the Game of Thrones, you win or you die. There is no middle ground.

— **Game of Thrones, Season 1, Episode 7**

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Perhaps the cause of our contemporary pessimism is our tendency to view history as a turbulent stream of conflicts — between individuals in economic life, between groups in politics, between creeds in religion, between states in war...but if we turn from that Mississippi of strife, hot with hate and dark with blood, to look upon the banks of the stream, we find quieter but more inspiring scenes: women rearing children, men building homes, peasants drawing food from the soil, artisans making the conveniences of life, statesmen sometimes organizing peace instead of war, teachers forming savages into citizens, musicians taming our hearts with harmony and rhythm, scientists patiently accumulating knowledge, philosophers groping for truth, saints suggesting the wisdom of love. History has been too often a picture of the bloody stream. The history of civilization is a record of what happened on the banks.

— Will Durant

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**Reporter:** You guys going to jump in and help out?

**Unidentified Man:** Yes, sir.

**Reporter:** Where you coming from?

**Unidentified Man:** Texas City.

**Reporter:** What...what are you going to do?

**Unidentified Man:** I'm going to try to go save some lives.

[Unidentified man/hero/Texan](#)

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"Val", said Father, "we don't expect you to understand this, but some of the things that make Peter...difficult...are the very things that might also make him great someday."

"What about me?" asked Valentine. "As long as you're telling fortunes."

"Oh, Val," said Father. "All you have to do is live your life, and everyone around you will be happier."

"No greatness, then."

"Val," said Mother. "goodness trumps greatness any day."

"Not in the history books," said Valentine.

"Then the wrong people are writing history, aren't they?" said Father.

— Orson Scott Card, *Ender in Exile*, (2008)

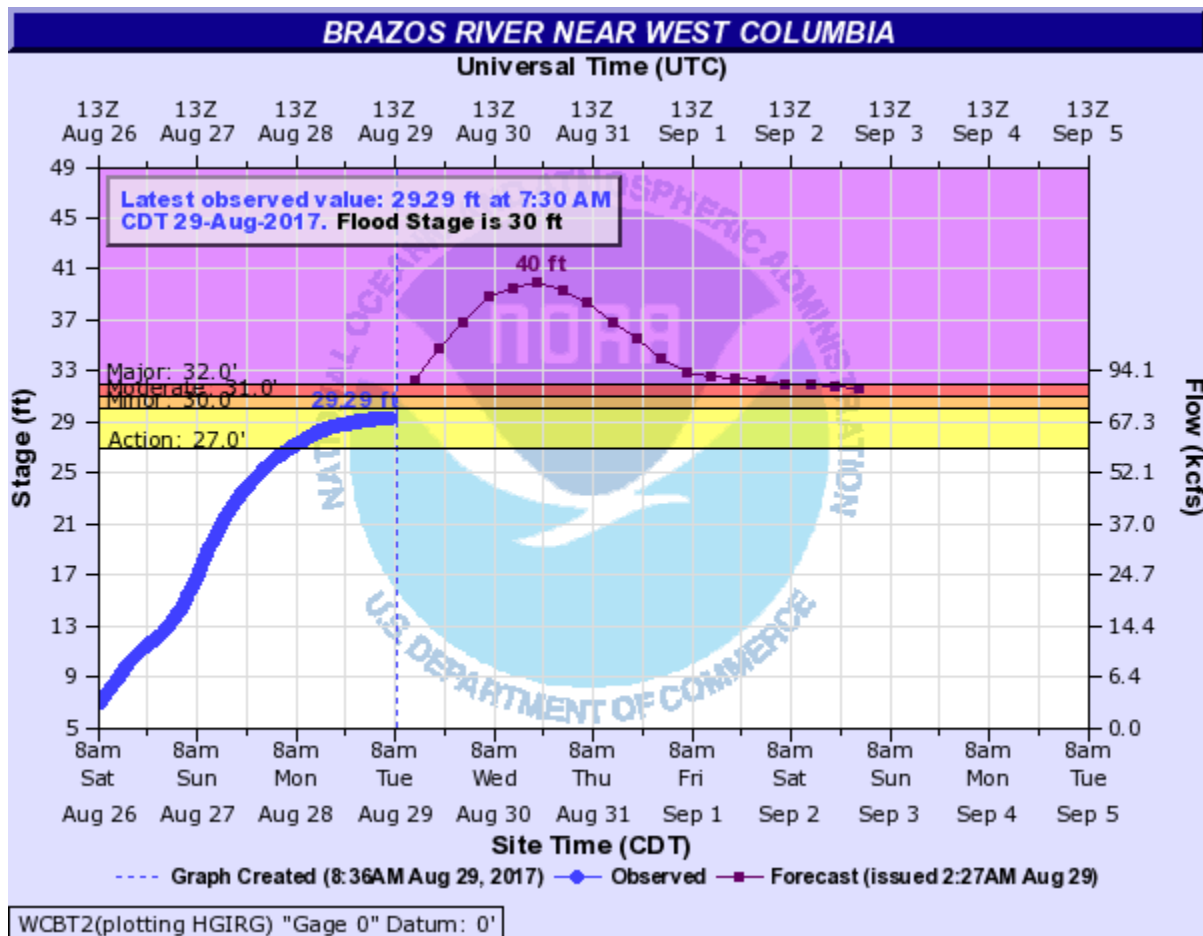
**Damn right, they are.**

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It's hard to stay focused on a lot of things in the face of human tragedy. Including markets.

I'm writing this on Tuesday, August 29 from my home office in Memorial, a village on the west side of Houston. We've gotten more than 30 inches of rain through this morning, we can still do our jobs, and we're doing fine. The people to the west of us in Katy aren't. Waters from rains upstream have led to overflowing reservoirs that will be released over time, keeping flood waters high. People to the east of us aren't, either. Many of Houston's most populated areas are under water. We have colleagues that have been evacuated *from* houses they evacuated *to*, and clients and friends who haven't been able to leave their second floors for a week.

My little hometown in Brazoria, Texas, some 60 miles to the south, is about to have the screws put to it next. It sits between two rivers. One is a stream called the San Bernard River. The other is a Big, Nasty River called the Brazos. It puts nine times as much water through it as the Rio Grande. Come later this week when this piece is published, it will be putting through 45-60 times as much water — at my hometown maybe some 70-80,000 cubic feet per second. If extrapolations from this NWS projection are to be believed, it could be more like 120-140,000 cubic feet per second. As you can see from the missing right axis, it is both literally and figuratively an unfathomable amount of water — an Olympic-sized swimming pool flowing every 3 seconds through a channel where it usually takes **two** minutes.



We tend to think big thoughts when big things like this happen, and there's been a lot of that going on. For me, those thoughts have turned local, but I know a great many people outside of the Greater Houston area are focused on other things that are going on: Charlottesville, the Trump presidency, Berkeley, Eclipses, Nazis. It's a lot to take, and Ben has **accurately predicted** and is **now observing** how some of these issues are manifesting themselves in Competitive Games that force us all into positions where we must either fight or lose. He was absolutely right that the aftermath of the Trump presidency would break us, that it would destroy any chance at productive political, social — hell, even investment dialogue. Was the event that broke us irrevocable? How do we get out of this Competitive Game? Can we?

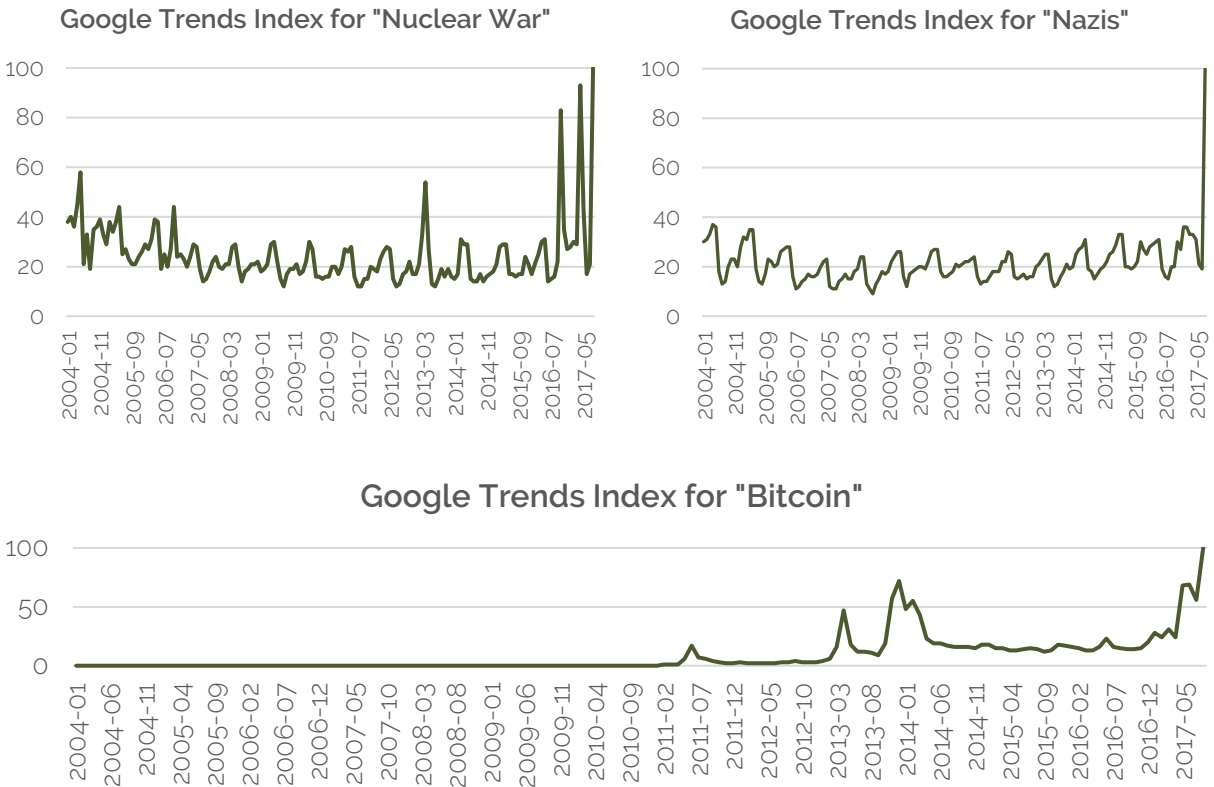
These questions form the central context for one of the greatest works of science fiction ever written: *Foundation*, by Isaac Asimov. Spoilers follow, but frankly if you haven't read it, you should stop reading this note and **read it instead**. It's better. The story of *Foundation* is the story of a massive multi-planetary civilization and the development of a robust, flexible system for understanding and modeling the sociopolitical trends of its very large societies: psychohistory. The main champion of this system, a generational genius named Hari Seldon, identifies the inevitable fall of the prevailing government and its devastating aftermath. While the collapse is unavoidable, he determines, not all subsequent outcomes are equivalent. He devises a plan to plant seeds of the civilization that would

survive in two corners of the galaxy, predicting that the evolution of those societies over future generations would lead to the maximum possible peace and stability. The system of psychohistory hinges on the behaviors of very large groups of humans and the simplifying assumption that no individual could possibly have the influence or power to break these models.

There are two kinks in Hari Seldon's system. The first is the idea that Foundation — but really, any civilization — will reach inflection points from time to time where one set of actions will break the path back to peace and harmony, and one set of actions will maintain it. These events require active intervention outside of the *normal behaviors* that those in power would otherwise pursue. These are Seldon Crises. The second kink is different in that it is unpredictable, or at least was unpredicted. It is the existence of a single individual who *does* reach the level of power — in this case through the development of abilities to influence the emotions and judgments of those he encounters — to change the inevitability of Seldon's map of history. The Mule, as he is called, nearly breaks the Seldon model, until those who rediscovered psychohistory rebuild the models and determine the appropriate strategy to ensure that the Foundation civilization gets back on its long-cycle path back toward peace and stability.

This is fiction and there is nothing in political science <polite giggle>, economics <barely contained laughter> or sociology <full-on Dumb and Dumber bathroom scene-level belly laughter> that approaches psychohistory's fictional robust stochastic framework for predicting the ebbs and flows of history. But there is truth here. The long cycles of history do have repeating features, which have never been better described in a non-fictional sense than by Will and Ariel Durant. Despite already having recommended one book, I think very few books are truly "must-reads." Still, every human should own and read [The Lessons of History](#) as well. Among many other lessons, the Durants present a framework in which the path of history swings between liberty and freedom on the one hand, and equality through social control on the other. That control may extend from a government, from the seat of a priest, spiritualist or imam, from a military strongman or warlord, or from a particularly influential social structure.

In the days and weeks since Charlottesville, I think that a lot of people are starting to see President Trump's election as a sort of Seldon Crisis. The language people used — the language "I" used when I left the GOP to be a #NeverTrumper — was the language of statistical distributions. "Sure, Hillary Clinton has a lower mean, but Trump has a fat left tail" was the particular phrase I used to sound smart and inoffensive to friends and family who either supported or opposed him. In a lot of ways, this is the language of a Seldon Crisis, because it begins to characterize the threats to society posed by an event or person as *existential*. I don't know exactly how to communicate to you that existential language is now our *lingua franca*, but do I really need to?



Source: Google, 08/29/2017

A lot of people see the president as The Mule now, too, I think, by which they imply that Trump was both unpredictable and capable of disproportionately large influence on the direction of society relative to what we would have expected from the ordinary ebbs and flows of history. Of course, the Voxsplainer types would be happy to provide you with their latest patronizing explanation for why and how Trump was elected. They'll also **follow it up** with a **series** of **snide** sub-tweets to give themselves ironic cover. But the many on the left who cannot understand his election or his continued support often have difficulty fathoming that his base did not form as the result of Mule-style manipulation of some sort of another. It's a backhanded compliment for a big slice of humanity: *they couldn't possibly be this stupid*. Of course, it's also condescending as hell.

The truth is even more condescending. Trump is not a Seldon Crisis. Trump is not the Mule. Sorry. The rotation between equality and liberty continues unabated, peacefully or otherwise, over the centuries. And it's all happening again. Except it is different this time. It is happening faster. Much faster. Not because of the existence of a Mule character like, say, Hitler, whose individual influence thwarts the ability of the psychohistorians like Hari Seldon or Will Durant to predict paths. And it's not because of Trump, as much as many want to paint him with that brush.

It's because of the internet.

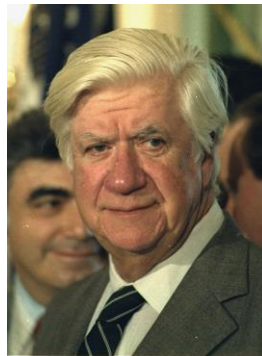
# Taxonomy of Tribalism

It wasn't that long ago that Speaker O'Neill was right in saying that politics was local. Politics and civics were largely formed in a household, shaped by a local community and then influenced by a largely regional experience. Most people shared party affiliations with their parents, and if they shed them, it was a ritualistic shedding of those affiliations in favor of another held by a similar group — think Woodstock or Haight-Ashbury. Diversity of belief was protected by general isolation from other groups. You knew what the politics and civics of a small town in Oklahoma with one Baptist church would be. You knew what politics a union town in Ohio with a steel mill would adopt. The meeting at the community center in a poor district of a big city held few secrets. Our towns, our families, our communities were our echo chambers.

I come to bury this notion, **not to praise it!**

These structures fostered social stability, which was often a boon to those communities. People had structures for emotional and material support, people who would be there to keep an eye on their home when they traveled. People who would stop by with food after a funeral (**which they always went to**). People who provided accountability and comfort and resources to empower productive risk-taking. They show themselves in the wake of tragedies like Hurricane Harvey in huge quantity because — and I genuinely believe this — people are generally good. But as much as I sobbed like a baby watching the good-ol-boys of the Cajun Navy roll in from New Orleans, Lafayette and Baton Rouge, I'm not naïve, Kay. I know this won't last forever. In a few weeks, maybe a couple months, we'll be back to business as usual. A lot of people (these are not the generally good people I was talking about earlier, in case you were wondering) have already jumped the gun, trying to decide which political stance they want to justify through use of the disaster. If history is any guide, the rest of us will follow.

If Charlottesville and Berkeley are a reminder of anything, however, it's that our community echo chambers were often vile, too. When a community jointly agreed that racism was acceptable, that a socialist revolution was imminent, that communists were under every bed, or that southerners were all provincial rubes, the forces compelling change in those views were few. Oh, sure, some bold ones would stand up from within the community to speak truth to power. These were virtuous men and women, those who accelerated the necessary conversations. People moved, television and radio and newspapers still communicated narratives, and thoughts still flowed through the country.



“All politics  
is local”

— Tip O'Neill, Jr.



But slowly. And slowly but surely change took place in gradual, predictable ways. For centuries, it was a conservative America, not in the modern issue-based political sense but in the more traditional Buckleyan sense of standing athwart history yelling, "Stop!" It wasn't slow because of some strong political force, but because the force required to change the inertia of a geographically massive country with relatively low population density was not there. Politics instead followed the patterns of linguistic dialects, where isolation and proximity drove deviations in diction, syntax and grammar, and where the things that caused interaction like trade, diplomacy, television, culture and politics, led to their convergence.

Both virtue and vileness notwithstanding, everyone was generally still playing a Collaborative Game. Not because of any special virtue of the parties involved, but because there were so many pockets of difference in experience that any kind of engagement required identifying commonalities and finding compromise. *Of course* there was conflict. But these were (figuratively) isolated populations coming together to discuss radically different world views, which generally required explanation, empathy and patience. Going Competitive meant true isolation, because the other side didn't have to play our game, not really. Politics were local. In the same way that people coming together who speak different languages had to find a means of communication to proceed to rubrics and translations, there was a natural need for collaboration — and the occasional threat of conflict bred out of mistranslation! But after any negotiation, there was a home to return to. The Competitive Game didn't work, because people had the option to leave that game and join another. You couldn't force people to play in your game and lose, because they could take their ball to their community and go home.

The internet broke that.

It didn't happen immediately, in part because of the pace of adoption of the technology itself, but more because the forms that constant, broad communication would take took some time to settle on. The message board begat the chat room begat the personal webpage begat the blog begat closed social media networks begat open social media networks. That was the singularity. The open social media network — Twitter and, increasingly, Facebook — replaced the community. Even for those who weren't active participants in the networks themselves, a critical mass of other of society's structures became connected to it, its language and its norms. The media, corporate executives, politicians — even sports leagues — cannot escape the influence of the norms promoted by these networks.

You could argue that churches, community groups, neighbors, extended families, political action groups, and other causes still act as anchors for cultural values, but for the most part, you'd be wrong. The average child may spend 6-8 hours a day on social media. The average adult spends two. How many hours does the average American spend in Church/Temple/Mosque? Reading his Bible/Torah/Koran? Outside of a natural disaster, how often does he really talk to his neighbors? Add to this the network effect of other media that are inextricable from the ways in which news is consumed, evaluated and parsed, and it becomes clear that there is no community to run to. Choose your box, because the game has changed, and you can't leave the table.



So what's the big deal? The big deal is that this has driven much more rapid propagation, acceptance and incorporation of new ideas. In the same way that a meme is already the subject of meta-jokes about cynical responses to the original meme by the time that half the country is just seeing it, dizzying new social values emerge almost daily. It took 396 years for America to decide that it probably doesn't make sense to criminalize being born as a gay person. It took 12 years after that for America to recognize that the world isn't going to come crashing down around us if we recognize that gay people who love each other ought to be able to get married. It took 2 years after that for social media to decide that there are 183 shades of human sexuality, and read the sticky post on the top of the forum for the acceptable terms to use for each of them, because the old terms you used yesterday are now hateful. The world is moving very, very quickly.

The social liberal looks at this state of affairs and says, "Hell yes!" Maybe we overshoot sometimes, but that overshooting is overstated. If moving quickly and pissing people off along the way is the cost of taking away the safe places for bigots, racist and sexists, and starting the process of taking away oppressive systems put in place by rich white men, then it's worth it. Look, I hear you. A lot of good people think this way.

The social conservative looks at this and is puzzled. We've transitioned from a society that cared what you did, to a society that cared what you said, to a society that cared what you thought, he says. I'm kind to my family, to my friends, and to strangers. I really do try to improve myself, and I know I'm not perfect. I really do care about what happens to people, and I'll drive 300 miles with my pick-up truck, a boat and some hip waders, and I'll work myself to exhaustion for a week for people I don't know and will never see again. But I also have values and beliefs I grew up with, and they're values that have worked for hundreds of years. I'm not ready to throw them away on a whim. I hear you, too. A lot of good people think this way.

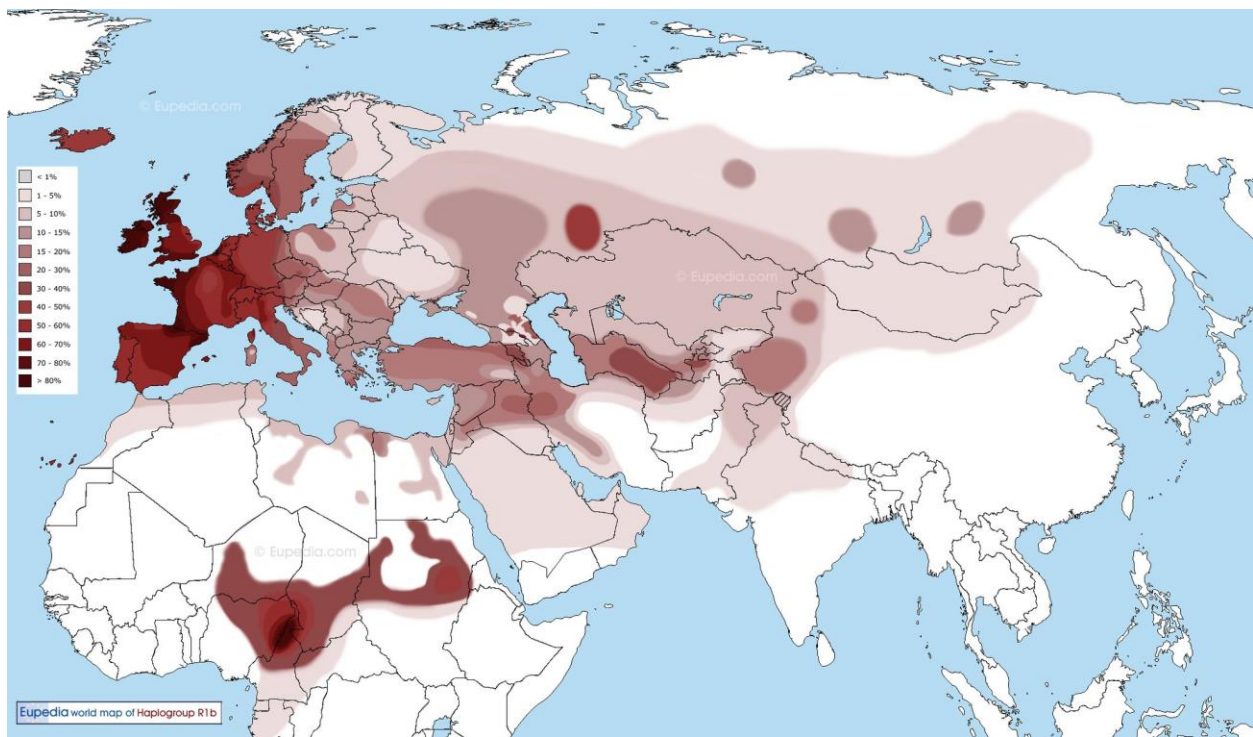
Good or not, neither of these people can take his ball and go home anymore, because there is no home. If they would be a part of the process of making social, cultural and political decisions at all, they must play, whether it is a Collaborative Game or a Competitive Game. The **steering wheel** has been ripped away from them, but to make the game of chicken complete, someone must point the cars at each other and set the stakes. Those who would marshal these forces find an easy tool to achieve this, whether intentionally or subconsciously: **convince people they're part of a tribe, and tell them they're under attack.**

What I'm talking about here isn't just applying names to things we or others attach ourselves to. It isn't just saying that "You're a democrat so you'll think this" or "You're a black/white/Hispanic man, so this must be your view on this topic." No, what we are talking about is the scorched earth tactic that treats every defining issue as an existential one. It's us or them. You win or you die.

This dynamic isn't out of character with the path of history, some aberration caused by an unduly influential Mule. It is an emergent property of a society undergoing too-rapid change.

## Manufactured Existential Crises

The forces that seek to manipulate the political right do so through the creation of wholly imaginary ideals that are assumed to be in need of defending. Since they are imaginary, to conjure threats against them is purely a matter of narrative creation of the sort that has graced these pages for years. Consider the white race or white culture. It is a myth — **it doesn't exist**. Racially, admixture analysis finds a tremendous amount of diversity within Europe. Mediterranean populations often have more in common with those of the Levant than with Northern Europe. Modern and ancient DNA archetypes found within Scandinavia, Ireland and the Balkans are extraordinarily different. I belong to a Y-DNA sub-clade called A738, a relatively recent off-shoot of M-222 that includes a narrow set of names: Guinn, Egan, Keegan, Morgan, Goggins, Larkin. And I am more likely to share a direct male line ancestor with a man from N'Djamena than a man from Nuremberg or Nizhny Novgorod. The below is the spread today of the R1b haplogroup, which is even further up the chain.



The Lost Cause vision of the Confederacy is a myth. I say this as someone who will defend almost any cemetery installation celebrating the simple bravery and honor of the individual soldier, and as someone who thinks Robert E. Lee was sufficiently brilliant as a tactician to merit historical remembrance. But anyone who says the largely disposable plaques and generic statues churned out by a generic factory to celebrate the “spirit of the Confederate Cause” are those kinds of monuments to history is defending an imaginary construct. **It is vapor, but useful vapor to those who would divide us.** It's forced us into a world where people who don't know Paul Johnson from Paul Blart have become self-appointed *defenders of history*, and where people who learned about the Federalist Papers in a Broadway musical are *deeply concerned* about celebrating treason. Please.

The forces motivating and influencing the political left in America have cultivated an even more perfect, self-reinforcing tool for division, I think. The post-modern sensibilities of the movement are

utterly Foucauldian. In a rather clever sleight-of-hand from the intent-, conviction- and character-driven views that drove the Civil Rights movement, the manipulators of the American left now fully embrace the language of the **Panopticon**. By presenting society as citizens operating within a controlled and monitored system, the left can argue at any juncture that those who oppose their arguments are simply agents of an oppressive system. Can't find data to support your statement? Can't develop a logical path to support your conclusions? You need only say that your opponent argues from a place of privilege or status within an oppressive system, and the argument is over. This kind of language that automatically asserts the pervasive existence of oppression as an argument-ender, whether it exists or not, is just another way to promote the constant existential crisis.

If after reading one of the prior three paragraphs we think to ourselves, "Yes, but \_\_\_\_ is a fake existential crisis. Mine is real, and here's why," then we have to consider whether we're part of the problem. All of these things, and the politicians we elect to promote our narrow view of them, are natural patterns in the swing of the pendulum toward equality-motivated control.

So what do we do?



It is time now for us  
to rise from sleep.

— *Benedict of Nursia*

What does the path of history tell us? What does the aftermath of one of America's greatest natural disasters and human tragedies tell us? What can we do to survive and escape a Competitive Game that doesn't allow us to pull away from the table? If you're reading this, you're probably in

the investment industry, or at least have an interest in financial markets. If you're in the investment industry or in the financial markets, you like to win. So you're not going to like my answer.

We play. And we lose.

The story of history, I think, is that the only way to defuse a Competitive Game is to win by eliminating your competition, or to choose to play a Collaborative strategy even when you know it is sub-optimal.

There is a time for war, and that is usually our instinct. But there is a time for sacrifice, too. In 529 A.D., Benedict of Nursia chose sacrifice. At a time where the Competitive Game had so gone off the rails that Rome fell into ruin, Benedict and his adherents isolated themselves from society and devoted themselves to service, industry and memory. The result of their efforts was isolation, poverty and celibacy. It was also the preservation and creation of much that was and is good about European culture and society. They preserved and practiced techniques for making foods and wines. They preserved writing, language, literature and histories. Agricultural methods and metallurgy. They were the Foundation during the collapse of the Empire.

What about us? What can we do?

We can start by laying down our right to take offense. We can be unfailingly committed not only to the principles of freedom of speech, but to the value of free expression and exchange of ideas. In other words, *by not* pursuing the counterproductive, obstructive aims of the **worst cartoon** the

otherwise brilliant Randall Munroe ever made. We can be vulnerable, we can let our opponents assign us identities and titles we would never adopt for ourselves without complaint. We can believe the best about people, even if we know it may cause us harm. We can give up our right to be right.

This is true in our businesses and lives as investors as well, because most of you know as well as I do that the cynicism that pervades politics has invaded our world as well. So what can we do? We can be unfailingly honest with our clients, our families. We can hold loosely to the things we think about markets and our portfolios by focusing on a narrow group of things that matter. We can engage with our clients and build portfolios that will allow them to focus on the things that happen on the banks, and not in the bloody river. We can do all in our power to destroy the agency issues and career risk dynamics that influence decisions and cause harm to the people who put their trust in us. **We can gas up the boat and try to save some lives.**

In short, we can choose goodness over greatness. It only works if we do it together.

Join us!

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