



Epsilon Theory

Notes From the Field

Sheep Logic

October 6, 2017



These are baby-doll Southdowns, and yes, they're exactly as cute as they look in this picture. We only have four today on our "farm", as sheep have a knack for killing themselves in what would almost be comical fashion if it weren't so sad. We keep them for their so-so wool, which we clean and card and spin and knit. It's so-so wool because the Southdowns were bred for their meat, not their fleece, and I can't bring myself to raise an animal for its meat. Well, I could definitely raise birds for meat. Or fish. But not a charismatic mammal like a baby-doll Southdown.

Here's the thing I've learned about sheep over the years. They are never out of sight of each other, and their decision making is entirely driven by what they see happening to others, not to themselves. They are extremely intelligent in this other-regarding way. My sheep roam freely on the farm, and I never worry about them so long as they stay together, which they always do. But if I only count three in the flock, then I immediately go see what's wrong. Because something is definitely wrong.

That's the difference between a flock and a pack. A flock is a social structure designed to promote other-awareness. It has no goals, no coordinating purpose other than communication. A flock simply IS. A pack, on the other hand, is a social structure designed to harness self-aware animals in service to some goal requiring joint action — the raising of cubs, the hunting of meat, etc. Both the flock and the pack are extremely effective social structures, but they operate by entirely different logics.

We think we are wolves, living by the logic of the pack.

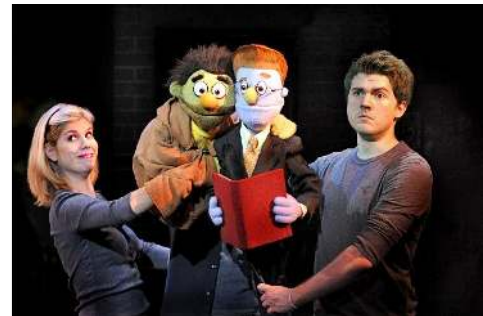
In truth we are sheep, living by the logic of the flock.



Jealousy, turning saints into the sea
 Swimming through sick lullabies
 Choking on your alibis
 But it's just the price I pay
 Destiny is calling me
 Open up my eager eyes
 Cause I'm Mr. Brightside
 — The Killers, "Mr. Brightside"

It was only a kiss. Leave it to a Las Vegas band to write the best song ever about the most powerful other-regarding emotion — jealousy. That's Laurence Fishburne as Othello on the left and Kenneth Branagh as Iago on the right, actors' actors both.

Gary Coleman: Right now you are down and out and feeling really crappy
Nicky: I'll say.
Gary Coleman: And when I see how sad you are
 It sort of makes me...
 Happy!
Nicky: Happy?!
Gary Coleman: Sorry, Nicky, human nature-
 Nothing I can do!
 It's...
 Schadenfreude!
 Making me feel glad that I'm not you.



— Avenue Q (2003)

There's no way that a grown-up musical with Sesame Street puppets should work, but Avenue Q does. "Schadenfreude" is my favorite tune from the show, as well as the second-most powerful other-regarding emotion that drives our world.



Jukeboxes made a nice comeback when the user interface started showing you what other people had chosen to play, both in the past and coming up.

Once you start looking for the Jukebox Effect — the intentional effort to force you into other-regarding flock behavior — you see it everywhere.



©Urban Graphic

All the world will be your enemy, Prince with a Thousand Enemies, and whenever they catch you, they will kill you. But first they must catch you, digger, listener, runner, prince with the swift warning. Be cunning and full of tricks and your people shall never be destroyed.

— Richard Adams, *Watership Down* (1972)

I've got an unexpurgated print of this card sitting on my desk. A prey animal like a rabbit would find *Watership Down* unrecognizable. Not because reality is any less dominated by fang and claw, but because the protagonists are protagonists, driven by independent will and self-regarding decision making. It's a Hero's Journey, which makes it a great read but poor rabbit socio-biology.

Roy: I've seen things you people wouldn't believe. Attack ships on fire off the shoulder of Orion. I watched C-beams glitter in the dark near the Tannhäuser gate. All those moments will be lost in time... like tears in rain... Time to die.

— *Bladerunner* (1982)

The movie *Bladerunner* was based on the Philip K. Dick novella, *Do Androids Dream of Electric Sheep?*, and inherent in the question is the reason we root for the androids over the humans. It's the same reason we root for Hazel and the other intrepid rabbits of *Watership Down*. They're dreaming and striving for a better life. They're fighters. They have gumption.

In reality, neither sheep nor rabbits nor androids have gumption.



Deckard: She's a replicant, isn't she?

Tyrell: I'm impressed. How many questions does it usually take to spot them?

Deckard: I don't get it, Tyrell.

Tyrell: How many questions?

Deckard: Twenty, thirty, cross-referenced.

Tyrell: It took more than a hundred for Rachael, didn't it?

Deckard: [realizing Rachael believes she's human] She doesn't know.

Tyrell: She's beginning to suspect, I think.

Deckard: Suspect? How can it not know what it is?

— *Bladerunner* (1982)

That's the Big Question. How can we not know what we are? it not know what it is?

Better to live a day as a lion than 100 years as a sheep.

— Benito Mussolini (1883 – 1945)

— Donald Trump retweet (Feb. 28, 2016)

Really? I'll take the 100 years, thank you very much. Life is too precious, and this, too, shall pass.

Such a vainglorious statement by such a preening man. Mussolini, that is. Find a film clip and watch how he uses his hands.

Our compliance departments require us to say that retweets are not endorsements. But of course they are.



The copycat phenomenon is real. As more and more notable and tragic events occur, we think we're seeing more compromised, marginalized individuals who are seeking inspiration from those past attacks.

— Andre Simon, head of FBI Behavioral Analysis Unit 2 (Threat Assessment)

Mass shooters are not Lone Wolves. They are Lone Sheep.

Tom Junod at *Esquire* featured FBI agent Andre Simon in his must-read 2014 article, "A Radical New Look at Mass Shooters." Three years later and we're still having the wrong debate, focusing on gun control rather than mental health and intervention. Why? Because the gun control debate has enormous political efficacy for both the Left and the Right, where the mental health debate has none. Steve Bannon's fondest dream is for Democrats to make Federal gun control a key issue in the 2020 electoral cycle. We are, YET AGAIN, being intentionally shepherded by political entrepreneurs into a pernicious Competitive Game of domestic identity politics.

Behold, I send you forth as sheep in the midst of wolves; be ye therefore wise as serpents, and harmless as doves.

— Matthew 10:16

There's no domesticated animal species that has had more of a reputational fall from grace than the sheep. To call someone a sheep today is just about the worst insult there is. To call someone a sheep is to call them stupid and — more pointedly — stupidly obedient and in thrall to some bad shepherd.

It wasn't always this way. Jesus isn't insulting you when He calls you a sheep. The point of all those Biblical allegories isn't that sheep are stupidly obedient or easily led, but that the healthy life of a willful sheep requires a good shepherd.

Ask anyone who actually keeps sheep. Sheep are weird. Sheep are evolved to have a very different intelligence than humans. But sheep are not stupid. Sheep are not obedient. And sheep are *definitely* not easily led.

Of course, no one except a dilettante farmer like me keeps sheep today, so all of the Old Stories about sheep and shepherds have lost their punch. They've all been diminished through the modern lens of sheep-as-idiot-followers.

Today most people dismiss the notion that good shepherds — i.e., individuals with expertise and wise counsel in some difficult to navigate field like ... I dunno ... investing — exist at all. And they utterly reject the idea that it's actually okay not to have a fully formed and forcefully held opinion on anything and everything, that it's not a sign of personal failure to say "I don't know" and follow another's lead.

It's not just the media careers and media business models that are built on the notion of the Constant Hot Take — an unending stream of contrarian opinions expressed in the most incendiary way possible, solely for the entertainment value of contrarian opinions expressed in the most incendiary way possible — it's the *millions* of hours that so many non-media civilians will spend engaged on Twitter or Facebook or whatever to construct their own steady stream of Hot Takes and bon mot responses. All tossed out there like bottles into the vast social media ocean, never to wash up on any inhabited shore, lost in some great Sargasso Sea of impotent and forgotten texts.

Why? Why does @RandoBlueStateLawyer with 45 followers spend the better part of every afternoon thinking about his next brilliant riposte to the latest Republican Hot Take on Obamacare reform? Why does @RandoRedStateRetiree spend every evening working himself into a MAGA apoplexy that can only be sated by retweeting his 19,001st Hannity blurb?

To answer that question, I want to go back to the Old Stories. I want to share with you what sheep are really like.

Sheep are evolved to have a specific type of intelligence which has the following hallmarks.

- 1) Enormous capacity for other-regarding behaviors. Sheep are unbelievably sensitive to what other sheep are doing and their emotional states. If another sheep is happy — i.e., it's found a good source of food, which is the only thing that makes a sheep happy — then every other sheep in the flock is filled with jealousy (there's really no other word for it) and will move in on that good thing. If another sheep is alarmed — which can be from almost anything, as bravery is not exactly a trait that tends to be naturally selected in a prey species — then every other sheep in the flock is *immediately* aware of what's going on. Sometimes that means that they get alarmed, too. As often, though, it's just an opportunity to keep going with your own grazing without worrying about the alarmed sheep bumping into your happy place.
- 2) Zero altruism and overwhelming selfishness. The most popular misconception about sheep is that they are obedient followers. It's true that they're not leaders. It's true that they are incredibly sensitive to other sheep. But it's also true that they are the most selfish mammal I've ever encountered. They don't lead other sheep or form leadership structures like a pack because they don't *care* about other sheep. Every sheep lives in a universe of One, which makes them just about the most non-obedient creature around.
- 3) The determination to pursue any behavior that meets Hallmark #1 and #2 to absurd ends, even unto death. My worst sheep suicide story? The first year we kept sheep, we thought it would make sense to set up a hay net in their pen, which keeps the hay off the ground and lets the sheep feed themselves by pulling hay through the very loose loops of the net. Turned out, though, that the loops were so loose that a determined sheep could put her entire head inside the net, and if one sheep could do that, then two sheep could do that. And given how the hay net was hung and how these sheep were sensing each other, they started to move clockwise in unison, each trying to get an advantage over the other, still with their heads stuck in the net. At which point the net starts to tighten. And tighten. And tighten. My daughter found them the next morning, having strangled each other to death, unable to stop gorging themselves or seeking an advantage from the behavior of others. The other sheep were crowded around, stepping around the dead bodies, pulling hay for themselves out of the net. That was a bad day.

In both markets and in politics, our human intelligences are being trained to be sheep intelligences.

That doesn't make us sheep in the modern vernacular. We are not becoming docile, stupid, and blindly obedient. On the contrary, we are becoming sheep as the Old Stories understood sheep ... intensely selfish, intensely intelligent (but only in an other-regarding way) and intensely dogmatic, willing to pursue a myopic behavior even unto death.

Why are we being trained to think like sheep? Because sheep are wonderful prey animals. They pay the rent with their fleece, and when push comes to shove you can eat them, too. Plus they're not helpless prey animals. Sheep are quite competent and rather self-sufficient prey animals, which from a smart owner's perspective is really what you want. If sheep were truly docile and stupid, then they'd be way too much trouble to keep. Nope, with sheep you can let them wander around all day and do their thing. Just keep them from killing themselves in some really stupid accident and you can harvest them for years and years and years.

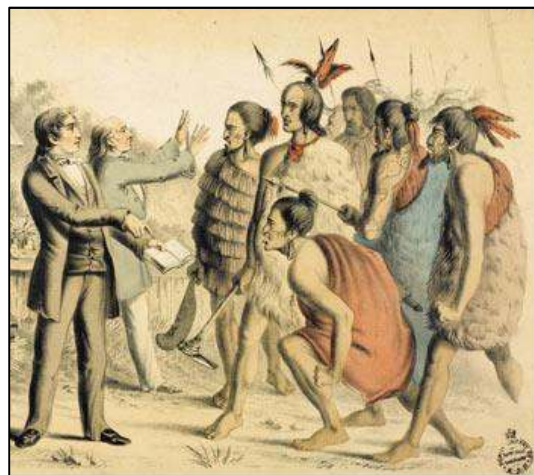
How are we trained to think like sheep? By the rewards we receive from our modern social institutions for other-regarding flock behaviors like jealousy (feeling sad when others are glad) and schadenfreude (feeling glad when others are sad), and by the penalties we receive for self-regarding pack behaviors like honor and shame. If you've ever kept a pack animal like a dog, you know how clearly they can experience a sense of shame, that feeling when you believe you've let the pack down through your personal failure. Sheep have no shame. Not a bit. Shame requires self-evaluation and self-judgment against some standard of obligation to the pack, concepts which would make sheep laugh if they could. Sheep are enormously other-aware, but never other-obliged. They're high-functioning sociopaths, shameless creatures of jealousy and schadenfreude, which is exactly the type of human most purely designed to succeed in the modern age.

The mechanism for all this sheep training, particularly in our investment lives, is what game theory calls the Common Knowledge Game. Once you start noticing it, you will see it *everywhere*.

I've written about the Common Knowledge Game a lot in *Epsilon Theory*, starting in the original "[Manifesto](#)" and continuing with notes like "[A Game of Sentiment](#)" and "[When Does the Story Break](#)". But let's review this core game of sheep logic one more time, with feeling. So here's the classic thought experiment of the Common Knowledge Game — The Island of the Green-Eyed Tribe.

On the Island of the Green-Eyed Tribe, blue eyes are taboo. If you have blue eyes you must get in your canoe and leave the island the next morning. But there are no mirrors or reflective surfaces on the island, so you don't know the color of your own eyes. It is also taboo to talk with each other about eye color, so when you see a fellow tribesman with blue eyes, you say nothing. As a result, even though everyone knows there are blue-eyed tribesmen, no one has ever left the island for this taboo. A Missionary comes to the island and announces to everyone, "At least one of you has blue eyes."

What happens?



Let's take the trivial case of only one tribesman having blue eyes. He has seen everyone else's eyes, and he knows that everyone else has green eyes. Immediately after the Missionary's statement, this poor fellow realizes, "Oh, no! I must be the one with blue eyes." So the next morning he gets in his canoe and leaves the island.

But now let's take the case of two tribesmen having blue eyes. The two blue-eyed tribesmen have seen each other, so each thinks, "Whew! That guy has blue eyes, so he must be the one that the Missionary is talking about." But because neither blue-eyed tribesman believes that he has blue eyes himself, neither gets in his canoe the next morning and leaves the island. The next day, then, each is very surprised to see the other fellow still on the island, at which point each thinks, "Wait a second ... if he didn't leave the island, it must mean that he saw someone else with blue eyes. And since I know that everyone else has green eyes, that means ... oh, no! I must have blue eyes, too." So on the morning of the second day, both blue-eyed tribesmen get in their canoes and leave the island.

The generalized answer to the question of "what happens?" is that for any n tribesmen with blue eyes, they all leave simultaneously on the n^{th} morning after the Missionary's statement. Note that no one forces the blue-eyed tribesmen to leave the island. They leave voluntarily once public knowledge is inserted into the informational structure of the tribal taboo system, which is the hallmark of an equilibrium shift in any game. Given the tribal taboo system (the rules of the game) and its pre-Missionary informational structure, new information from the Missionary causes the players to update their assessments of where they stand within the informational structure and *choose* to move to a new equilibrium outcome.

Before the Missionary arrives, the island is a pristine example of perfect private information. Everyone knows the eye color of everyone else, but that knowledge is locked up inside each tribesman's own head, never to be made public. The Missionary does NOT turn private information into public information. He does not say, for example, that Tribesman Jones and Tribesman Smith have blue eyes. But he nonetheless transforms everyone's private information into common knowledge. Common knowledge is not the same thing as public information. **Common knowledge is information, public or private, that everyone believes is shared by everyone else.** It's the crowd of tribesmen looking around and seeing that the entire crowd heard the Missionary that unlocks the private information in their heads and turns it into common knowledge.

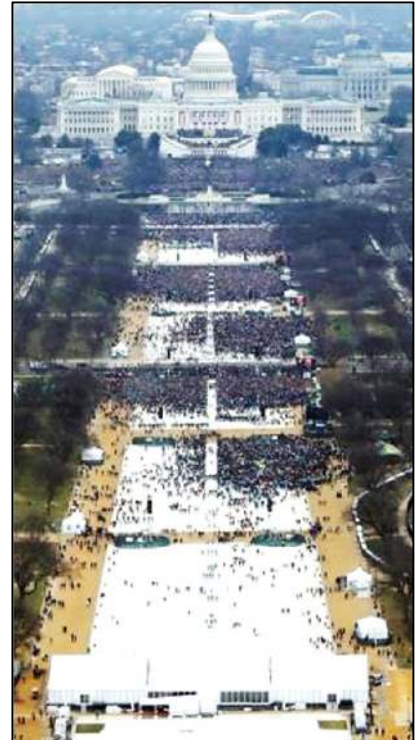
The important thing is not that everyone hears the Missionary's words. The important thing is that everyone believes that everyone else heard the Missionary's words, because that's how you update your estimation of everyone else's estimations (why didn't that blue-eyed guy leave the island? I know he heard the news, too ... hmm ... but that must mean that he, too, saw a blue-eyed guy ... hmm ... oh, snap.). **The power source of the Common Knowledge Game is the crowd seeing the crowd, and the dynamic structure of the Common Knowledge Game is the dynamic structure of the flock.** There's no purposeful objective that animates a flock the way it does a pack, which is why you famously have people describing the "madness of crowds." But it's not madness, and it's not chaos, either. A crowd is the communication mechanism for the Common Knowledge Game, with clear rules and strategies for playing and winning.

Understanding the Common Knowledge Game has been the secret of successful shepherds since time immemorial, in business, politics, religion ... any aspect of our lives as social animals. **The only**

difference today is that technological innovation provides a media toolkit for modern shepherds that the shepherds of the Old Stories could only dream of.

This is why sitcom laugh tracks exist. This is why performances, whether it's an NFL game or *Dancing with the Stars*, are filmed in front of a live audience. This is why the Chinese government still bans any internet pictures of the Tiananmen Square protests, with their massive crowds, more than 20 years after they occurred. This is what John Maynard Keynes called the **Newspaper Beauty Contest**, which he believed (and demonstrated) was the secret to successful investing through the 1930s. This is how Dick Clark **built a massive fortune with American Bandstand**. He didn't *tell* Middle America what music to like; he got a crowd of attractive young people to announce what music they liked ("it's got a good beat and you can dance to it, I give it a 94, Dick!"), and Middle America took its cues from that. Not only is that all you need to motivate sheep, it's *far* more effective than any efforts at direct influence.

This is why executions used to be held in public and why inaugurations still are. This is why Donald Trump cared so much about the size of his inauguration crowd. This is why he's always talking about the viewership and ratings of his televised appearances. Trump gets it. He understands what makes the Common Knowledge Game work. **It's not what the crowd believes. It's what the crowd believes that the crowd believes.** The power of a crowd seeing a crowd is one of the most awesome forces in human society. It topples governments. It launches Crusades. It builds cathedrals. And it darn sure moves markets.



How do we "see" a crowd in financial markets? Through the financial media outlets that are ubiquitous throughout every professional investment operation in the world — the *Wall Street Journal*, the *Financial Times*, CNBC, and Bloomberg. That's it. These are the only four signal transmission and mediation channels that matter from a financial market Common Knowledge Game perspective because "everyone knows" that we all subscribe to these four channels. If a signal appears prominently in any one of these media outlets (and if it appears prominently in one, it becomes "news" and will appear in all), then every professional investor in the world automatically assumes that every other professional investor in the world heard the signal. So if Famous Investor X appears on CNBC and says that the latest Fed announcement is a great and wonderful thing for equity markets, then the market will go up. It won't go up because investors agree with Famous Investor X's assessment of the merits of the Fed announcement. The market will go up because every investor will believe that every other investor heard what Famous Investor X said, and *every investor will be forced to update his or her estimation of what every other investor estimates the market will do*. It doesn't matter what the Truth with a capital T is about the Fed. It doesn't matter what you think about the Fed. It doesn't matter what everyone thinks about the Fed. **What matters is what everyone thinks that everyone thinks about the Fed.** That's how sheep logic, aka the Common Knowledge Game, works in markets.

So who owns us market sheep? The controllers of any Common Knowledge Game are the Missionaries, and the eternal Missionaries are the political executive and the market sell-side. Politicians and brokers have understood the power of this game for thousands of years, which makes the Street and the White House the constants as you examine the history of American sheepification. But they're not the most powerful Missionaries of the modern age. No, that honor goes to our central bankers, relative newcomers to the Game, but quick studies all the same.

In his [last Jackson Hole address](#), Ben Bernanke extols the virtues of their "communication tools", carefully constructed media messages designed to alter investor behavior, messages that he says have been their most effective policy tools to date. Interest rates may hit a lower bound of zero, and asset purchases may lose their punch, but investors can ALWAYS be "guided". The architect of this new and powerful toolkit? Vice Chair Janet Yellen, natch. **Forward guidance and what the Fed calls communication policy are the very definition of Missionary statements, and our utter absorption in what everyone believes that everyone believes about the Fed's impact on markets IS sheep logic.**

Think that the Fed will go back to their old taciturn ways, content to let their actions speak louder than their words? Think again. Here's Ben Bernanke again, this time in his [final speech as Fed Chair](#):

The crisis has passed, but I think the Fed's need to educate and explain will only grow. When Paul Volcker first sat in the Chairman's office in 1979, there were no financial news channel on cable TV, no Bloomberg screens, no blogs, no Twitter. Today, news, ideas, and rumors circulate almost instantaneously. The Fed must continue to find ways to navigate this changing environment while providing clear, objective, and reliable information to the public.

Active central bank Narrative construction in the service of their policy goals is a permanent change in our market dynamics. The introduction of such a powerful new weapon in the Fed's policy arsenal can no more be removed than mustard gas or tanks could be removed from national arsenals after World War I. Market prices may be mean-reverting, but "innovation" in the service of social control never is.

What do the Missionaries get out of this? What's our equivalent of wool and mutton? It's low volatility. It's the transformation of capital markets into a political utility, which is just about the greatest gift that status quo political interests can imagine. When Donald Trump and Steve Mnuchin talk about the stock market being their "report card", they're just saying out loud what every other Administration has known for years. Forget about markets, our entire *political system* relies on stocks going up. If stocks don't go up, our public pension funds and social insurance programs are busted, driving our current levels of wealth inequality from ridiculously unbalanced to Louis XVI unbalanced. If stocks don't go up, we don't have new collateral for our new debt, and if we can't keep borrowing and borrowing to fuel today's consumption with tomorrow's growth ... well, that's no fun, now is it?

The flip side to all this, of course, is that so long as stocks DO go up, nothing big is ever going to change. You say you want a revolution? You're a MAGA guy and you want someone to drain the Swamp? You're a Bernie Bro and you want the rich to "pay their fair share"? Well, good luck with any of that so long as stocks go up. It's a very stable political equilibrium we have today, full of *Sturm und Drang* to provide a bit of amusement and distraction, but very stable for the Haves.

And that brings us back to @RandoBlueStateLawyer and @RandoRedStateRetiree, fighting the good fight on Twitter or Facebook or wherever, speaking their Truth to their audience of dozens. They're smart guys. Politically engaged guys. They're angry about the mendacity of the Other Side. In another day and age they'd slam the newspaper down on the table and tell the dog what a fool that darn Truman was. Maybe write a strongly worded letter to the editor. But today they are *consumed* by this modern equivalent of writing a letter to the editor. They are *immersed* in the world of the Constant Hot Take, morning, noon and night. Why? Because Common Knowledge Game. Because they see a crowd responding to a crowd, and they are hard-wired to join in. Because it makes them feel good about themselves. Because they've been turned into other-regarding sheep even as they think they're being self-regarding wolves.

In the same way that the modern story of what it means to be a sheep — docile, obedient, stupid — is totally wrong, so is the modern story of what it means to be a wolf. We think of a wolf as the epitome of rapacious independence, but wolves, like all pack animals, are far less independent (and far less greedy) than your average sheep. Unlike sheep, wolves can act outside of their group because they're not consumed by other-regarding behavior, but those actions are ultimately in service to the pack. A sheep always acts within its group, but it's never in service to the flock, only to its own needs.

Look, I'll admit that I'm talking to myself as I write these words. I spend WAY too much time on Twitter, justifying it to myself in any number of ways, when in truth it's the functional equivalent of a meth habit. At least it's not as tough on the teeth. My wife is hooked on Facebook, my kids on god knows what social media platforms I'm not so naïve as to think that the answer to our collective sheepification is just to put the devices down. No, we've got to shift the way we use this stuff, not quit it cold turkey.

So what do we do? We stop pretending to be fake wolves and we start acting like real ones. **We stop acting like animals of the flock and we start acting like animals of the pack.** We reject the other-regarding emotions of jealousy and schadenfreude. Yes, even in our tweets (gulp!). We embrace self-regarding emotions like honor and — here's where I'm going to lose everyone — shame.

Yes, we need a lot more shame in the world. The loss of our sense of shame is, I think, the greatest loss of our modern world, where — **to retweet myself** — scale and mass distribution are ends in themselves, where the supercilious State knows what's best for you and your family, where communication policy and **fiat news** shout down authenticity, where rapacious, know-nothing narcissism is celebrated as leadership even as civility, expertise, and service are mocked as cuckery. Or to put it in sheep logic terms: **the tragedy of the flock is that everything is instrumental, including our relationship to others. Including our relationship to ourselves.**

Why do we need shame? Because with no sense of shame there is no sense of honor. There is no mercy. There is no charity. There is no forgiveness. There is no loyalty. There is no courage. There is no service. There is no **Code**. There are no ties that bind us as *citizens*, as fellow pack members seeking to achieve something bigger and more important than our ability to graze on as much grass as we can. Something like, you know, liberty and justice for all.

Any coin worth having has two sides. A shameless politics has no honor. A riskless market has no reward. Oh, the Missionaries will tell you that there's honor in the shameless politics and reward in the riskless markets, and for all the high-functioning sociopaths out there I'm sure that's true, But if you're

not totally sheepified yet, if your goal is still honorable service to your clients or your partners or your family or your nation or your species — whatever your pack may be — then you know that this is NOT true. You know that shame and risk can be deferred or displaced but never wiped clean, no matter how many Supreme Court Justices you appoint and no matter how many all-time highs the stock market hits. You know that a reputation is like a tea cup; once broken you can glue it back together, but it will always be a broken tea cup. You know that the only game worth playing is the long game.

This is the Age of the High-Functioning Sociopath. This is the Age of Sheep Logic. We have to survive it, but we don't have to succumb to it. How do we Resist? Not by switching out blue Missionaries for red Missionaries or red Missionaries for blue Missionaries. Not by switching out one bad shepherd for another bad shepherd. We don't have to play that game! We resist by changing the System from below, by carving out local spheres of action where we are *relentlessly* honorable and charitable, *relentlessly* un-sheeplike. We resist by **Making America Good Again**, one pack at a time, which is a hell of a lot harder than making America great ever was. We resist by doing right by our clients, even if that means getting slapped around by supposedly riskless markets and shameless politics. Even if that means losing clients. Even if that means losing our jobs.

A good shepherd once said that whoever shall smite thee on thy right cheek, turn to him the other also. Of course, I also knew a good Dungeonmaster who said that being lawful good didn't mean being lawful stupid, and turning the other cheek always seemed to be kinda stupid to me. Kinda sheeplike. But then I started keeping sheep, and my perspective changed. Sheep would never turn the other cheek. But a wolf would. A wolf would take a hit for the pack. It's the smart play for the long game. As wise as serpents, you might say.

It's time to be wolves. Not as devourers, but as animals that know honor and shame. It's time to be wise as serpents and harmless as doves. It's time to remember the Old Stories. It's time to find your pack.

To join the *Epsilon Theory* pack:

Sign up here: www.epsilontheory.com/contact

OR send an email to ben.hunt@epsilontheory.com with your name, email address, and company affiliation (optional).

There is no charge to subscribe to *Epsilon Theory* and your email address will not be shared with anyone.

Join the conversation on Twitter and follow me @EpsilonTheory or connect with me on LinkedIn.

Subscribe & listen to *Epsilon Theory* podcasts on iTunes, Stitcher, or stream them from our website.

To unsubscribe from *Epsilon Theory*:

Send an email to ben.hunt@epsilontheory.com with "unsubscribe" in the subject line.

DISCLOSURES

This commentary is being provided to you by individual personnel of Salient Partners, L.P. and affiliates ("Salient") and is provided as general information only and should not be taken as investment advice. The opinions expressed in these materials represent the personal views of the author(s) and do not necessarily represent the opinions of Salient. It is not investment research or a research recommendation, as it does not constitute substantive research or analysis. Any action that you take as a result of information contained in this document is ultimately your responsibility. Salient will not accept liability for any loss or damage, including without limitation to any loss of profit, which may arise directly or indirectly from use of or reliance on such information. Consult your investment advisor before making any investment decisions. It 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.

Salient is not responsible for any third-party content that may be accessed through this web site. The distribution or photocopying of Salient information contained on or downloaded from this site is strictly prohibited without the express written consent of Salient.

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. Salient 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. Any offering or solicitation will be made only to eligible investors and pursuant to any applicable Private Placement Memorandum and other governing documents, all of which must be read in their entirety.

Salient commentary has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Salient recommends that investors independently evaluate particular investments and strategies, and encourage 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.

Epsilon Theory commentary is a copyright of Salient Partners, L.P., all rights reserved. All commentary published before December 9, 2013 was prior to *Epsilon Theory* author W. Ben Hunt's affiliation with Salient Partners, L.P. and affiliates and does not reflect the opinions of Salient.