

“Epsilon Theory State of the Union”

For the last six months I’ve been trying to figure out how to incorporate reader correspondence into Epsilon Theory. We’ve reached a point of both reader quantity (well more than 60,000 active email subscribers here at year end, >5x where we started the year) and reader quality (I’d put the sheer firepower of ET subscribers up against any distribution list in the world) such that it feels kinda silly and selfish to put this off any longer. Plus I think that for the Epsilon Theory project to take the next big step forward, it needs the sort of reader engagement you only get by opening a window for direct participation and expression. In exactly the same way that [the greatest force in fundamentally unmoored markets is the power of the crowd watching the crowd](#), so do I want to apply those [principles of the Common Knowledge Game](#) to help grow Epsilon Theory itself.

It doesn’t have to be a huge participation window, as the last thing that the world needs is another snarkier-than-thou comments page with anonymous participation. I admire (and spend way too much time on) sites like ZeroHedge and Deadspin, but it’s not the turf I’m comfortable with. Of course, the only thing worse than an unfettered commentariat is a shackled commentariat. If there’s anything more sad and dull than the comments page you get on mainstream sites like ESPN and the WSJ, someone please tell me. Or better yet, don’t.

For a while I thought that a Bill Simmons-esque occasional Mailbag note (and of course I’m talking about pre-media mogul Bill Simmons here) might be the answer, but the trail that Simmons blazed for sports commentary just doesn’t work as well for market commentary. There’s a weight and permanence to market outcomes that I need to take seriously -- with all due respect to long-suffering Jets fans and their chances of making it past the first round of the playoffs with Ryan Fitzpatrick as quarterback, I get emails from people whose actual livelihoods are on the line. Similarly there’s a gravity and a thoughtfulness to so much of the correspondence I receive, and I need to respect that, too. Sure, nothing would make me happier than to debate the top 5 Patrick Swayze movie quotes of all time (as if anyone could debate whether “Nobody puts Baby in a corner” gets the #1 slot), but I want the pop culture references to add a little flavor to a serious investment discussion, not the other way around.

So here’s the plan.

First, I’m going to start a regular podcast with my partner Jeremy Radcliffe (who, among other qualities, has a much better radio voice than I do) where we’ll be taking questions and reading from submitted emails and tweets to help drive the conversation. I’m as excited about this as anything we’ve done with Epsilon Theory. There’s a great vibe here, really good production values ... definitely worth giving a try if you’re a podcast aficionado.

Second, we’re going to redesign the Epsilon Theory website to create a framework for short daily or near-daily blurbs that I’ll use to respond to selected reader comments or questions. I’ve been wanting to do this ... forever ... as there’s so much happening in the world that deserves a quick take from an Epsilon Theory perspective but doesn’t rise to the level of a full-fledged email note. Over time, we’ll use this function to allow for guest posts and new voices.

Third, we're going to take several steps to improve access to prior Epsilon Theory notes, not just in terms of search but more importantly in terms of discovery. Check out the [Quid website](#) for a preview of what's coming, but the basic idea is to create a "star map" of all prior Epsilon Theory notes with a graphical representation of the thematic clusters and thematic linkages between notes. It's a fascinating graphical interface for content organization and display, and I think it has the potential to transform static blog archives into dynamic content discovery tools. If, like me, you always found the most interesting books on the library shelf near the book you were actually searching for, you're going to love these Quid maps.

I'll be giving regular progress updates on the new Epsilon Theory content and functions via Twitter, so if any of this interests you, please [follow me there](#). I'm also open to ideas that readers might have on how to move this project forward.

What's not changing? First and foremost, I'll continue to tell the Epsilon Theory story in a way that tries to be passionate without being shrill, different without being fringe. Sometimes I'll miss that mark, but at least it won't be a dull ride. One of the reasons I want to start incorporating some new voices within the Epsilon Theory framework is that I do find myself sounding, as one reader commented, more and more "like my dad when he is railing away at the world we live in." It's true ... I'm more easily annoyed these days. Certainly I'm overwhelmed by the political urges toward smiley-face fascism I see everywhere, as well as the seemingly inexhaustible stores of mendacity that wash over us daily. And yes, there's a caricaturish-ness to that pose, which we all recognize in our fathers and any number of Tennessee Williams plays. I'm okay with that on a personal level, because it's my honest reaction to the Golden Age of the Central Banker, but I don't want Epsilon Theory to suffer the same fate as a sports team that stops listening to the voice of a head coach over time. I mean ... if Nick Saban can bring in Lane Kiffin as his offensive coordinator, the least I can do is open up the Epsilon Theory sand box a bit.

I also remain committed to not taking myself too seriously, and as evidence I'll conclude this State of the Union note with two other reader comments, each of which illustrates a wearying (and worrying) dimension of our social lives as market participants.

Please give concrete examples of your main points. For example: "This will cause Chinese Foxcon [sic] to go up in value because Apple will pay them in US dollars that will be exchanged for 20% more Chinese yuans." A few sentences with specific examples would be much more useful than hurricane analogies.

Sorry, but you have me confused with a ~~tot~~-service RealMoney Pro. The day I have to start picking stocks in Epsilon Theory is the day I quit.

So what are you pimping with this newsletter? It reads like the writer 'almost' graduated from a community college before suffering a severe head trauma, and then started spit - balling on the Govt's dime while suckling on the Obamacare teat. Is that you, Mike's brother?

Geez, a simple "unsubscribe" email would suffice (and here's a helpful tip for those so inclined ... ALL CAPS and multiple exclamation points do not make the automated unsubscribe process more effective).

Lots of disturbingly angry guys out there these days (and yes, they're all guys). Maybe it was always this way, but somehow I don't think so. This guy signed his own name, which in a sense made his reaction even more disturbing, but usually the real haters – the guys who talk about killing you and

your family – take refuge behind anonymous postings. For most I’m sure it’s like putting on a costume and acting a part. But for some I’m not so sure.

Still, if the disturbingly angry comments are the worst part of this project, it’s the other 99.99% of the comments and emails that are the best. Honestly, this is what keeps me going – the concrete knowledge that there is a vast reservoir of smart, well-intentioned market professionals who are nobody’s fools and are determined to find their own path in the narrower and narrower space between fringe and pabulum. **Thanks to all of you who have made Epsilon Theory part of your regular informational diet in 2015, and a special thanks to those of you who have taken the time to engage with the project through your correspondence and recommendations.** And of course, a special thanks to my partners at Salient who continue to make this effort possible in the first place. It’s entirely the smart, non-myopic thing for us to do, but no less rare for that!

All the best (and Happy New Year!),
Ben

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