

The Play's the Thing



We did get something – a gift – after the election. ... It was a little cocker spaniel dog in a crate. ... And our little girl – Tricia, the 6-year old – named it Checkers. And you know, the kids, like all kids, love the dog and I just want to say this right now, that regardless of what they say about it, we're gonna keep it.

– Richard Nixon, “Checkers” speech after accepting illegal campaign contributions

Cory is here tonight. And like the Army he loves, like the America he serves, Sergeant First Class Cory Remsburg never gives up, and he does not quit. My fellow Americans, men and women like Cory remind us that America has never come easy.

–Barack Obama, 2014 State of the Union address

You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold.

– William Jennings Bryan, the Boy Orator of the Platte, 1896 Democratic nomination speech

Every man a king, but no one wears a crown.

– Huey Long, the Kingfish, slogan from 1928 Louisiana gubernatorial campaign

You didn't build that.

– Elizabeth Warren, slogan from 2012 Massachusetts campaign for US Senate

The play's the thing. Wherein I'll capture the conscience of the king.

– Shakespeare, “Hamlet”

As usual, I was struck by the pageantry and sheer theatricality of this Tuesday's State of the Union address. As usual, you had the props – human and otherwise – on full display. As usual, you had the rhetorical flourishes, the ritualized audience behavior, the talking head performances before and after. Unusual for me, though, was the professionally scripted and rehearsed television broadcast production, such that the cameras were trained on the human props before the President referred to them in his speech. A bravura technical performance, to be sure.

[Last week's note](#) focused on the primal human behavior of dance. This week it's the primal human behavior of theatre, of the representation of stories, particularly the play-within-a-play...a fundamental trope of human story-telling from *Hamlet* to *The Simpsons*.



Daniel Maclise, "The Play Scene" (1842)



Matt Groening, "The Simpsons"

There's the ostensible meaning of the spoken words and the performance, and there's the ostensible audience to whom the words and performance are addressed. But then there's the real meaning of the words, and the real audience to whom the words are addressed. And then maybe there's a meaning and an audience beyond that. This is the recursive, strategic nature of public communications. These multi-level games are the beating hearts of both politics and economics, and looking at these behaviors through the lens of game theory can help us both see the social world more clearly and call more things by their proper names.

We expect this sort of linguistic game-playing in politics. It's what politicians DO, whether it's Elizabeth Warren's "You didn't build that" speeches putting a modern slant on the same language and imagery of populism and class warfare used by William Jennings Bryan in the 1890's and Huey "Kingfish" Long in the 1920's, or whether it's the entire Republican Party's "Southern Strategy" of

coded language to maintain racist voting blocs post the Civil Rights Act of 1964. If you've never read political operative extraordinaire [Lee Atwater's infamous interview on the subject](#), you really should. And yes, I know that Atwater's point was that overt racist appeals were diminishing in the South as the language changed, but does anyone doubt that Atwater would use language straight from the KKK handbook if he thought it were still an effective campaign tool? It's not that he thinks racism is wrong or even distasteful in the context of a political campaign, any more than Elizabeth Warren would be opposed to burning Jamie Dimon in effigy (or maybe in person) at her next campaign rally ... it's just an unpopular tactic today, at least in its unvarnished form. But if it works tomorrow? Sure, why not? In the immortal words of Al Davis, "Just win, baby."

This sort of linguistic game-playing is not a modern phenomenon. It is a quintessential human phenomenon, played just as effectively by Pericles 2,500 years ago as it is by politicians today. My favorite example of a linguistic play-within-a-play was staged 150 years ago by an undisputed American political genius: Abraham Lincoln. We're all familiar with the Lincoln-Douglas debates as some sort of shining example of civic participation and civil discourse, but few know the politics behind those debates. Lincoln *lost* that 1858 election to Stephen Douglas for the US Senate (well, he won the aggregate popular vote by a slim margin, but US Senators were still chosen by state legislatures back then, and the allocation of votes within the Illinois legislature gave Douglas a clear victory). **But the way he lost that Senate race ... the way Lincoln played the game ... won him the Presidency in 1860.**



Here was the central question of those debates, the way in which Lincoln framed the language of the debate to give himself the best chance of winning the larger political game: *should the citizens of a Territory have the right to decide whether or not to allow slavery in that Territory?* Every time Douglas tried to move the debate to some other topic (and seeing as how Illinois was, of course, a state rather than a Territory, you can understand why other topics might be of interest), Lincoln moved it right back. Every time the crowd's attention seemed to wane in the subject, Lincoln would say something certain to inflame his *opponents* in the crowd, drawing Douglas back into the fight. Lincoln's position on this question may surprise you. He was adamantly opposed to popular sovereignty in the Territories, even when the majority opposed slavery (like Kansas). Lincoln's position was not only anti-slavery, but also (and perhaps more importantly to Lincoln from a political game perspective) anti-states' rights and local sovereignty.

Why? Lincoln's question was not really directed at Douglas, the immediate audience. Nor was it really directed at the crowds of voters in the various Illinois towns where they debated. Nor was it really directed at the Illinois newspaper reporters who carried the debates across the entire state of Illinois. It was really directed at a national audience of Republican voters, because Lincoln knew that the Illinois Senate race in 1858 was just a warm-up for the Presidential election of 1860. If Douglas agreed with Lincoln on the Territorial sovereignty question, then he would lose the only issue where he was more popular than Lincoln within Illinois ... Douglas would lose the Senate race and fatally damage his chances in the national Democratic primary. If Douglas disagreed with Lincoln, then he would probably win the Illinois Senate race and put himself in a reasonable position to win the national Democratic primary, but not without splitting his own party (Southern Democrats wanted slavery legalized in Territories even if the majority voted it down). Lincoln was playing a game four layers deep! He didn't care about "winning" the debate. He didn't care about winning the crowd. He didn't really care about winning the Illinois Senate election. All of those things would be nice, but it was the fourth level – winning the national Republican primary and the national Presidential election of 1860 – where Lincoln was focused.

Lincoln's multi-level game strategy worked perfectly. The Democratic party split into Northern and Southern factions (really into three factions if you count the Constitutional Union, which drew principally from former Southern Whigs), giving the Republicans a clean sweep of the Northern states and Electoral College domination even though Lincoln received less than 40% of the popular vote nation-wide. Douglas – the candidate of the (Northern) Democratic Party – finished second in

the popular vote with 30% of the vote, but carried only one state (Missouri) and ended up with a mere 12 Electoral College votes, compared to Lincoln's 180. Not bad for a former Congressman from a frontier state who couldn't even win a Senate seat.

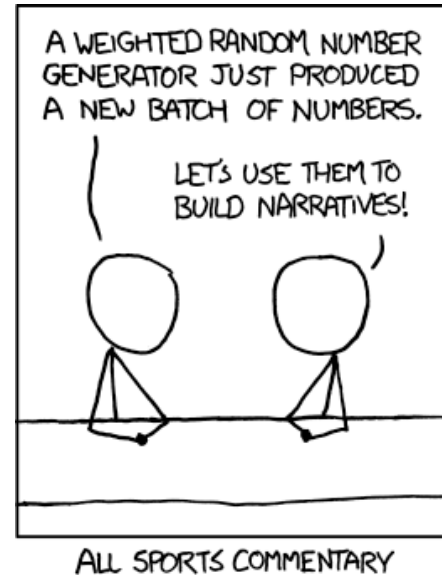
I'm always surprised when people who are quite aware of the linguistic game-playing that creates the fabric of politics are somehow blind to the same linguistic shaping of the fabric of economics and market behavior. I shouldn't be surprised – as Upton Sinclair said, "it is difficult to get a man to understand something when his salary depends upon his not understanding it" – but still. **We don't expect our politics to be "scientific" or our politicians to be anything less than fallible humans, but somehow we expect Truth with a capital T when it comes to economics.** There's a tendency to treat economic communications and signals – whether it's from a Famous CEO, a Famous Investor, a Famous Economist, a Famous TV Personality, or a Central Banker – as somehow less theatrical or less staged for a larger purpose than political speech. But this is a mistake. When Ben Bernanke said that the Fed would increasingly use its communications as a policy tool, he was declaring his intention to start playing a linguistic game. Or rather, his intention to play the game even harder than it had been played in the past. When Jean-Claude Juncker, former Luxembourg Prime Minister and head of the Eurogroup Council, said of European monetary policy "when it becomes serious you have to lie," he was simply saying what every successful game-player knows: sometimes you have to bluff. Some Central Bankers are pretty good poker players (Draghi, for example); others ... [not so much](#). But they are all playing the Common Knowledge Game as hard as they can, they're getting better at it, and they're not going to stop. If you don't understand the rules of this game, if you don't *listen* to what is being said in the context of game-playing, then you are placed at a disadvantage versus those who do. You will not understand the WHY that exists behind the public statements.

There's a slightly different linguistic game going on in the financial media, but no less important for understanding market outcomes. I'll take CNBC as an example, but it's just an example...you could make the same observations about any other media outlet. Within CNBC, Jim Cramer is everyone's favorite whipping boy when it comes to complaints about media theatrics, but this is missing the forest for the trees. At least Cramer lets us in on the play-within-a-play conceit without constantly pretending that a daily price chart or a market "heat map" is anything other than a theatrical prop. If anything, Cramer's performance is a paragon of honesty compared to the performances of the "news" hosts or the interchangeable "traders" on shows like "Fast Money." XKCD published this

cartoon in reference to ESPN and the like, but it's even more applicable to CNBC and its ilk. Just to be clear, I'm not slamming these hosts and traders. I'm sure that they are overwhelmingly smart, honest people who believe that what they say are useful truths from their own perspectives. They are not hypocrites. But they are performers. And like any performer, there is a larger game being played with their words.

The larger meaning of the statements made on CNBC has absolutely nothing to do with specific investment advice or news. CNBC really could not care less about the actual content of what is being said. The purpose of CNBC's game is not to tell you WHAT to think, but HOW to think, that thinking about investing in terms of some sell-side analyst's anodyne story about fundamentals or some trader's breathless story about open option interest is smart or wise or what all the cool kids are doing. Why? Because CNBC can create inexpensive content essentially at will to fill this demand, allowing them to sell advertisements and take cable carriage fees. Nothing evil or wrong about this. It's what for-profit media companies DO. But the content they are producing is no less of a theatrical production than the State of the Union address, no less of a multi-level game, and it needs to be understood as such.

So what's to be done if all of our leaders and all of our institutions are speaking past us, playing a larger game for power or money or whatever? Do we rage against the machine? Do we wander



Jacob Jordaens, "Diogenes Searching for an Honest Man" (c. 1642)

around like Diogenes, the founder of Cynic philosophy, holding to some absolutist standards of Honesty with a capital H and Truth with a capital T, living in rags and sleeping in a large clay jar? If that's the price of being a Cynic and constantly fighting the innate fallibility of Man and his works...no thanks. There has to be a middle ground between being a Cynic

and a Fool, some way of playing the game without losing one's soul. Recognizing that all of us human animals, including me and including you, are playing multiple multi-level games ... well, that seems like a good start to me. The Truths in life are still death and taxes (and maybe compounding returns). Everything else is theatre, where honesty (with a small h) and truth (with a small t) are probably the best we can achieve. And that's not so bad.

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