

“Now There’s Something You Don’t See Every Day, Chauncey”

Narrator: Well, today we find our heroes flying along smoothly...

Rocket J. Squirrel: Flying along smoothly?

Bullwinkle J. Moose: You're just looking at the picture sideways!

Rocket J. Squirrel: Actually it's like this!

Narrator: Oh... OH GOOD HEAVENS! Today we find our heroes plunging straight down toward disaster at supersonic speed!

Bullwinkle J. Moose: That's better.

— *The Rocky and Bullwinkle Show (1959 – 1964)*

There are decades where nothing happens; and there are weeks where decades happen.

— *Vladimir Lenin (1870 – 1924)*

I have always thought that in revolutions, especially democratic revolutions, madmen, not those so called by courtesy, but genuine madmen, have played a very considerable political part. One thing is certain, and that is that a condition of semi-madness is not unbecoming at such times, and often even leads to success.

— *Alexis de Tocqueville (1805 – 1859)*

A match as a pen
 Blood on the floor as ink
 The forgotten gauze cover as paper
 But what should I write?
 I might just manage my address
 This ink is strange; it clots
 I write you from a prison
 in Greece.

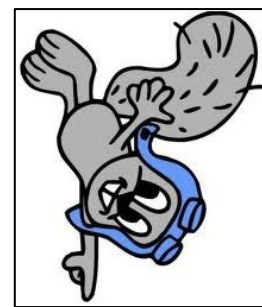
— *Alexandros Panagoulis (1939 – 1976)*

The revolution is now just a sentiment.

— *Pier Paolo Pasolini (1922 – 1975)*

Pedro: Vote for me, and all your wildest dreams will come true.

— *“Napoleon Dynamite” (2004)*





Tammy Metzler: [*her campaign speech*] Who cares about this stupid election? We all know it doesn't matter who gets elected president of Carver. Do you really think it's going to change anything around here? Make one single person smarter or happier or nicer? The only person it does matter to is the one who gets elected.

— *"Election" (1999)*

So inscrutable is the arrangement of causes and consequences in this world, that a two-penny duty on tea, unjustly imposed in a sequestered part of it, changes the condition of all its inhabitants.

— *Thomas Jefferson, "Autobiography" (1821)*

Like every other male *homo sapiens* I know, I watch a lot of sports. There's only one team that I watch as a fan – the University of Alabama football team (my grandfather and uncle played there, and I was raised in the Church of Bear Bryant) – by which I mean that these are the only games I watch where I could not care less about the quality of the gameplay, but only care about winning in as lopsided a fashion as possible. For example, while the rest of the world thought the 2011 Championship game where Alabama beat LSU 21-0 was a miserably boring affair, a Bama fan like myself thought it was a performance of absolute beauty. Roll Tide.

Fans and gamblers care about outcomes. For everyone else watching a game, we're there for something else. One of those things – and for me the centerpiece of any non-Bama, non-Hunt-participant sporting event – is the chance that we might see something we've never seen before. For example, a few weeks back I was watching the Sunday night Giants-Cowboys game on television even though I don't really care about the New York Giants and the last time I rooted for the Dallas Cowboys was when I was 6 years old and wearing footie pajamas with a big blue star on them. A year from now I will no longer remember (and don't care today) who won that game. But I will never forget the greatest catch I have ever seen – Odell Beckham, Jr. throwing himself backwards, reaching out behind his head, and cleanly catching the long pass with 3 fingers of one hand for a touchdown. That's why I watch the



games – for moments like this where something happens that I’ve never seen before and almost certainly never will again.

I spend a lot of my time watching politics, too, which is just another type of game. And as with my sports-watching, I care deeply about the outcome in only a small fraction of the political events that I follow, mostly local elections, but occasionally broader elections that impact my personal notions of political identity or justice. For the vast majority of political events, though, I’m really just watching in hopes that something exciting will happen.

Last weekend’s election in Japan was the opposite of exciting. It was a foregone conclusion – roughly the equivalent of Alabama playing a Division III team – because Abe scheduled the vote in precisely the same way that powerhouse college football teams schedule creampuffs. Abe announced the election on November 18, giving the opposition parties less than a month to field candidates in the various prefectures (they don’t call them “snap elections” for nothing), which allowed many of his LDP candidates to run either unopposed or with token opposition. This sort of political ploy is impossible in the American electoral system and too risky in a system that requires the head of government to submit to a national vote or referendum, but it’s a smart play in Parliamentary systems where the Prime Minister is selected by virtue of his bureaucratic leadership of the political party with the most locally elected representatives. Abe has to win a seat in the Japanese Diet, just like John Boehner must be elected to Congress from his local Ohio district every two years, but Abe’s position as head of government stems from the same source as John Boehner’s House Speakership – the support of fellow party members and allied coalition party members – not some national vote on Abe himself. It allows a Prime Minister to reset the clock on his tenure as national leader by simply resetting the clock on the locally elected representatives who support him, and that’s a very powerful tool.

What it doesn’t mean, of course, is that Abe is a nationally elected leader or that his policies enjoy some sort of “mandate” from the Japanese electorate, even though this is naturally what Abe will claim. As Speaker of the House Tip O’Neill famously said, “all politics is local”, and that holds true for Japan (in fact, is probably more true) than for the US. The backbone of Abe’s majority in the Japanese Diet comes from single-member districts (as opposed to the larger multi-member and “block” districts), where it’s American-style plurality that elects one person to the House of Representatives (yes, same name for the lower House in both Japan and the US). So in a multi-party system like Japan with many competing parties and candidates, you can often win these single-

member districts without a majority of votes even in the local district, much less on a national scale. And in fact Abe's party – the LDP – won 78% of these single-member district seats *with an aggregate vote of less than 50% of the single-member district voters*. Combine this structurally-biased vote outcome with a record low voter turnout (about 52%), and it's really hard to read this election as a full-throated popular vindication for Abenomics. **But it was certainly the smart play for Abe to call for the election – because the outcome was never in doubt – [and you can already read non-Japanese financial media like the Wall Street Journal talking about his “mandate”](#)**. It's ridiculous and misleading, of course, but no more ridiculous or misleading than the Narrative creation that takes place constantly in [The Hollow Market](#), most [recently on oil prices](#).

The upcoming elections in Greece, however, are another matter entirely.

These snap elections are not a carefully planned tool of Narrative creation and status quo regime support as we just saw in Japan, but are ... potentially ... a keg of dynamite that could spark revolutionary change within the status quo European system. I use that word “revolution” cautiously, because it just doesn't mean what it used to in the West, not even in Greece where as recently as 40 years ago revolution meant coups and armed insurrections and political prisoners. **Revolution today is sentiment, a narrowly constrained concept where we talk about a return to a sovereign monetary policy as if it were the equivalent of storming the Bastille.** [Such is life in the Golden Age of the Central Banker](#).

I know, I know ... we've heard this song before, most recently in the late spring and early summer of 2012 when the threat of a Syriza-led coalition government and a Greek exit from the Euro threw global markets for a loop. New Democracy and its allies won enough seats to form a stable coalition, and just like that the Greek problem was “solved”. What's different today? Not much. Time has passed. The real economy of Greece is just as broken as it was 3 years ago, but there's been progress on the structural deficit (which makes an exit from the Euro more feasible) and there certainly doesn't seem to be the same fear of the abyss (in Greece or the rest of the EU) as in 2012.

What's really different about the Greek elections now and the Greek elections in 2012 is the lack of a Oh-My-God-Look-At-Greece media Narrative today, particularly in the US. You've got the occasional headline in the European press about what a Syriza-led government might mean for the Euro system, and certainly Greek equity markets (and in a reverberating sense Italian and Spanish markets) and Greek sovereign debt have taken it on the chin since the snap elections were

announced. But US financial media has been almost totally AWOL on this story. **Here it's [all oil, all the time](#), which means that any power transition in Greece will come as a big negative “surprise” to US investors and US markets.** Certainly it will come as a negative surprise to all those US investors who have been loading up on European equities over the past two months in anticipation of Draghi launching a “dramatic” acceleration of ECB-flavored QE.

Now maybe we'll see a repeat of June 2012 tomorrow and over the next few weeks. Maybe this will end up being a boring game where the two teams basically agree to a draw, to postpone the knock-down drag-out fight for another day. **But there's a decent chance that we're going to see something in Greece that we've never seen before.** There's a bit of madness to the Greek electoral saga of the past 3 years that, as de Tocqueville pointed out, is the hallmark of democratic revolutions. **And just as the somewhat mad IDEA of small-l liberalism spread like wildfire through Europe in 1848, deposing old-school aristocracies across the Continent, so, too, do I think that the [somewhat mad idea of growth-oriented nationalism](#) can depose the new-school aristocracies of the Troika.** As Thomas Jefferson wrote in his autobiography, it's amazing how a seemingly small event combined with a powerful idea – say a two-penny tax on tea in some far-off colony, combined with a determination by said colonists to demand representation – can change the entire world. The mandarins in Brussels and the apparatchiks in Frankfurt will speak of the events in Greece as “contagion”, a modern version of the same “scientific” language that royalists and their flunkies used in 1848 to condemn “the mob”. Good luck with that.

What's the market impact of all this? Look, first of all this may be a false alarm and [the Red King will simply return to his tranquil slumber](#). Second, even if Syriza takes control of the government they may ultimately prove to be just as status quo-oriented as New Democracy. That latter bit happens more often than you'd think. Second Republics can turn into Second Empires in the blink of an eye. **But what I can tell you with confidence is that the [Common Knowledge of the market today](#) is that Greece is “fixed”, which means that any un-fixing will hit markets like a ton of bricks.** It's an asymmetric risk/reward profile – in a bad way – for global markets in general and European markets in particular from an Epsilon Theory perspective.

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