

## Poindexter Über Alles

**It would be ideal if we could have an uncontrolled flow of information.**

– *Poindexter, former Director of DARPA Information Awareness Office*

**It's SCIENCE, Mr. Felix!**

– *Poindexter, cartoon boy genius*

I started writing this email as a detailed analysis of three monetary policy papers recently published by various Fed functionaries, papers that give a peek into how the Fed thinks about their role in the world and have received some significant attention this week by our media arbiters of taste in articles such as [“Fed Forward Guidance Proves Effective, NY Fed Research Says”](#) and [“Fed Study: Rate Peg Off Mark”](#). Interpreting the meaning and impact of papers like this (and the media Narrative around them) is a bread and butter topic for Epsilon Theory posts, as I feel a duty to read and report on these papers so you don't have to. It's not a pleasant duty. Frankly, these papers frustrate me to tears, as they are written as post hoc “scientific” justifications of value-laden social assumptions and policy conclusions, not as an honest search for a truth that's larger than the local bureaucratic imperative. They're also ... boring. As is the long analysis I wrote. So let's skip all that and go straight to the conclusion.

Spoiler Alert! The Fed believes that they are saving the world, and that any problems that persist in the world can be eliminated by doing more of what they've been doing and doing it for longer. I know this comes as a complete surprise to anyone who's been paying the least amount of attention over the past few years, but there you have it. That's what these papers say.

These papers say nothing that is terribly novel or interesting in terms of their content or intended purpose. The only interesting thing is how much media attention they are receiving and what *that* means. The triumphal procession of these papers is a reminder that [the academic and bureaucratic capture of the Fed is complete](#), and that leads to what are (to me, anyway) much more interesting questions than the inside baseball topics of what these papers might imply for Yellen's policy preferences:

- 1) Has the academic and bureaucratic capture of US monetary policy been duplicated in other policy areas, such as national security and healthcare?
- 2) Is there a common academic and bureaucratic response across these policy areas to the economic and political duress of the past 10 years, such that emergency policy actions against immediate threats have been transformed into permanent and limitless insurance programs against future and potential threats?
- 3) Is this the common thread woven through the three most important and controversial policies of our day: QE, Obamacare, and NSA eavesdropping?
- 4) Are there useful lessons to be drawn from the last time we went through such a wholesale redefinition of the \*meaning\* of government policy, back in the 1930's?
- 5) What are the structural consequences for markets and investing that stem from this redefinition?

My answers: yes, yes, yes, yes, and I'm trying to figure it out.

Over the next few weeks this is what I'll be writing about. Not as a jeremiad or a screed ... I won't be railing against the evils of Obamacare or trumpeting the imminent demise of Western civilization ... but as an honest attempt to call things by their proper names and identify underlying patterns. It's a big topic, so I'm going to spread it out across emails and several notes rather than try to write one giant note. If you want to come along for the ride but you're not already on the direct distribution list, you can email me directly or sign up [here](#). If this isn't your cup of tea, just reply to this email to that effect and I'll take you off the list.