



Children of a Lesser Narrative

July 29, 2019 | [Rusty Guinn](#) | [3 Comments](#) | [The Zeitgeist](#)

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Every morning, we run the Narrative Machine on the past 24 hours worth of financial media to find the most on-narrative (i.e. interconnected and central) stories in financial media. It's not a list of best articles or articles we think are most interesting ... often far from it.

But for whatever reason these are articles that are representative of some sort of chord that has been struck in Narrative-world.

Why We Should Fear Easy Money [NY Times]

Today, politicians on the right and left have come to embrace easy money, each camp for its own reasons, both ignoring the risks. President Trump has been [pushing the Fed](#) for a large rate cut to help him bring back the postwar miracle growth rates of 3 percent to 4 percent.

There's an ET note for that.

[We're All MMT'ers Now](#)



By fueling a record bull run in the financial markets, easy money is increasing inequality, since the wealthy own the bulk of stocks and bonds. [Research also shows](#) that very low interest rates have helped large corporations increase their dominance across United States industries, squeezing out small companies and start-ups. Once seen as a threat only in Japan, [zombie firms](#) — which don't earn enough profit to cover their interest payments — have been rising in the United States, where they account for one in six publicly traded companies.

There's an ET note for that, too.

This is Water

As the Fed prepares to announce a decision this week, growing bipartisan support for a rate cut is fraught with irony. Slashing rates to avoid deflation made sense in the crisis atmosphere of 2008, and cutting again may seem like a logical response to weakening global growth now. But with the price of borrowing already so low, more easy money will raise a more serious threat.

By further lifting stock and bond prices and encouraging people to take on more debt, lowering rates could set the stage for the kind of debt-fueled market collapse that has preceded the economic downturns of recent decades. Our economy is hooked on easy

^

money — and it is a dangerous addiction.

There's an ET note for that, too, although we'd probably differ on the focus on bearish sentiment. The author is certainly right that these are possibilities, but we think the transformation of capital markets to utilities is a powerful, largely stable narrative.

A Song of Ice and Fire

You may not know his name if you aren't in the money management industry, but Ruchir's is a powerful missionary voice. Pension funds, sovereign wealth funds and others care what he says. They will repeat it to their boards. They'll put it in their own words and call it their new outlook, or else they'll put it in the 'risks' section of their 2020 strategic planning. That's how narrative works.

Alas, this still isn't the dominant narrative. Frankly, against the tide of 'Financial Asset Appreciation = Economic Strength = National Strength' memes promoted throughout political and financial media, it barely registers. Still, it's gratifying to see some emerging coherence around these ideas, even if the piece had to summon the spectre of a crash to fit the Zeitgeist.

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3 COMMENTS



oldest ▼



Scott ⌚ 10 months ago

When I heard the CBS top of the hour radio update, in all its Fiat News/Narrative Building throw-up-in-mouth glory, switch to the ominous tone about “Fed Rate Cuts”, after 9 years of speaking of low rates in the up-talk cheery voice, first I thought of ET, then it occurred to me that tides may be changing in Team Elite land. And a few days later, cue NYT featuring a missionary furthering said change in narrative.

So do we wait until the “low rates are racist” stories come out to invest on this narrative change? Or is that the ‘all in’ moment?



BobK71 ⌚ 10 months ago

‘...Easy money is increasing inequality, since the wealthy own the bulk of stocks and bonds.’

It would be more provably clear to say that rising financial asset prices are a *sure sign* of inequality. Since the wealthy save away a larger portion of any income growth, the fact that asset prices grow faster than consumer prices shows that the new wealth is going to the already wealthy.



cartoos ⌚ 10 months ago

i read this from Peter Drucker in an interview done back in 2001 with someone called Eric Schonfeld :

” The idea that the Federal Reserve chairman has power is a delusion. The only power he has is over the interest rate, and the interest rate has ceased to be important because businesses are no longer dependent upon borrowing from banks. The interest rate is only important to the stock market, to people that short or buy on margin. For the economy — yes, if it goes up to 18 percent or down to 2, but half a point is a symbolic gesture. The Fed has control only as long as people trust that when Greenspan opens his mouth, it is meaningful. But the first time it does not work — well, magicians get no second chance.” ^

The Daily Zeitgeist



The Lystrosaurus

By Rusty Guinn | June 17, 2020 | 11
Comments

There is practically no information in knowing that everybody is talking about something. There is some information in knowing that everybody is using the same language to talk about something.

But there is a lot of value in knowing that people and publications with no underlying connection are simultaneously inspired to use the same language to talk about different angles of the same issue.

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No Country for Old Men

By Ben Hunt | June 12, 2020 | 12 Comments

We all know someone who is in urgent-but-not-emergency need of some medical procedure that can't be scheduled while Covid-19 is storming the hospital ramparts.

I'm one of them.

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Misfortune vs.
Carelessness



By Ben Hunt | June 9, 2020 | 6 Comments

What's happening with the Bureau of Labor Statistics with recent employment data reports is an intentional, political carelessness that supports status quo cartoons of control.

It's not a Democrat thing and it's not a Republican thing.

It's a power thing.

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Never Forget

By Ben Hunt | June 4, 2020 | 8 Comments

Since June 4th 1989, the Chinese government has tried to erase any record of the Tiananmen Square massacre from history.

Can a Tiananmen Square massacre happen in the United States? I doubt it.



Can a Tiananmen Square rewriting of history happen in the United States? Absolutely. It already is.

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The Hertz Story Isn't What You Think

By Ben Hunt | May 27, 2020 | 5 Comments

The Hertz bankruptcy is not a story of financialization by an entrenched, self-dealing management team.

It's a story of financialization by an entrenched, self-dealing minority ownership.

[Read more](#)





Hateful Memes and Election Season


By Rusty Guinn | May 13, 2020 | 1 Comment

There's light at the end of the pandemic tunnel, and there's light at the end of the pandemic narrative tunnel. No, on second thought I think that's an oncoming train called "election season."

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