



Epsilon Theory

First the People

April 14, 2020



In all countries, the First World War weakened old orthodoxies and authorities, and, when it was over, neither government nor church nor school nor family had the power to regulate the lives of human beings as it had once done.

The Germans, by Gordon A. Craig (1991)

Some of us still recall World War I, which awakened our generation to the fact that history was not a matter of the past, as a thoughtless philosophy of the hundred years' peace would have us believe. And once started, it did not cease to happen...However, it is not a balance of our experiences, achievements and omissions that stands to question; nor am I scanning the horizon for a mere break. The time has come to take note of a much bigger change.

For a New West, by Karl Polyani (1958)

The first World War was bloody and vicious. By its end, it had taken the lives of more than 20 million people. That number a few times over perished in the Spanish Flu that followed in its wake. It is a story that has been retold a lot lately.

There were other casualties of the Great War, too. The narratives of a protective ruling class across Europe. Fervent embrace of trade and economic models based on colonialism and imperialism. Oligarchies and monarchies, yes, but *belief* in the capacity of oligarchies and monarchies to act benevolently and competently in the defense of the people, too.

First, the people die; then, the stories.

The human toll of COVID-19 is unlikely to approach even a mean fraction of the pain visited on humanity in the first quarter of the 20th century. But what about the stories we tell about our global institutions, our shared values, and our own orthodoxies and authorities?

Those stories are dying. They are dying because the institutions built on those stories failed us all, and all at once.

First, the people die; then, the stories.

The failures of these institutions were not simple mistakes, evidence of wrongness of one kind or another. The failures of these institutions were failures of narrative, devastating revelations of each institution's fundamental inability to do *what they said they would do*. Revelations that their purpose was something *other* than the story they told about themselves. In various ways they each held power over us through those stories, told using the language of our needs and values and beliefs. In a single event, the world proved those stories false on their faces.

Whether we allow the world-as-it-is that was revealed by COVID-19 to change our commitment to these institutions and ideas is up to us; this is a time in which the world may be reshaped. In the past month and for the first time in most of our lives, each of us looked around and knew that everyone else had seen the same thing. We saw the emperors of our world standing naked as the day they were born. If the ravages of war and disease are humanity's birthright, so too is the opportunity that comes along ever so rarely to seize something different. Something better.

For all that we may still trade that birthright for a mess of pottage.

It is our choice. We may choose our birthright of resilience and sovereignty - a life in which we reclaim the power used so recklessly by nudging government officials, nudging oligarchs and rent-seekers. Or we may choose a world in which we accept that our participation will amount to obsessing over the charade of a presidential election every four years and nothing more.

Today, America is moving quickly on a path to frame COVID-19 as a domestic political matter, the result of failures that will be solved in the voting booth.

This is a mistake.

If we would not yield our birthright, we must first choose never to forget the full scope of our betrayal.

The World Health Organization

The missionaries leading the WHO told you a story about who they were.

Yesterday everybody knew that everybody knew the WHO existed to provide the “attainment by all peoples of the highest possible level of health.”

That story is dead.

Today everybody knows that everybody knows that the WHO is led by political charlatans who are more concerned with securing the approval and support of the Chinese Communist Party than with those right-sounding aims.



The World Health Organization’s internal corruption became palpable to most people in late March. That is [when this video](#), in which a Radio Television Hong Kong journalist conducts an interview with WHO official Bruce Aylward, came to light. To be fair, Dr. Aylward – a senior advisor to the Director-General – had been put in an awkward position when asked if the WHO will reconsider Taiwan’s membership. He is not the person who makes this determination.

Yet corruption is the right word for what occurs here.

If it were simply a matter of this being above Dr. Aylward's pay grade, it would be only so easy to say so. None of the pregnant pauses, deceptive non-answers and the obvious pretense at 'technical difficulties' to conclude the call. But that isn't what happened, because that isn't the problem. The WHO has institutionalized a political fear of the CCP that supersedes its stated health-related mission.

The willingness of Dr. Tedros to steer the WHO toward policies and pronouncements that placed the 'attainment of health' for many people at risk in defense of the CCP's preferences began much earlier than that. We published an essay called *The Industrially Necessary Doctor Tedros* on February 16, maybe a week or two before every carbon-based lifeform with a marginally working brain knew that COVID-19 had become a global pandemic.

That was, incidentally, almost a month before the WHO itself got around to declaring it a pandemic. More startlingly, it was two weeks AFTER the WHO had published a document declaring an 'infodemic.' Too many people concerned about the virus, you see. Too many people concerned that China was not doing enough. Politics over health. Even then, it was apparent that the world-as-it-is had betrayed the story that the WHO was telling you about itself.

I'm just going to highlight what Dr. Tedros said at the WHO Executive Board meeting in Geneva on February 4, a week after meeting with Xi in Beijing and a few days after senior Chinese diplomats started talking about the "racism" inherent in other countries stopping flights to China and denying visas to people with Chinese passports issued in Hubei province.

Tedros said there was no need for measures that "unnecessarily interfere with international travel and trade," and he specifically said that stopping flights and restricting Chinese travel abroad was "counter-productive" to fighting the global spread of the virus.

This is the Director General of the World Health Organization. On February 4th.

"We call on all countries to implement decisions that are evidence-based and consistent," said Tedros. Roger that. There's just one problem.

The "evidence" here – taken without adjustment or question from the CCP – was a baldfaced lie.

And everyone at WHO knew it.

How do I know that everyone at WHO knew that the official Chinese numbers were a crock on Feb. 4? Because WHO-sponsored doctors in Hong Kong published independent studies on Jan. 31 showing that the official Chinese numbers were a crock.

- *The Industrially Necessary Doctor Tedros (February 16)*

This will be a familiar refrain, because the nature of our betrayal by so many of these institutions shares a flamboyant emphasis on “evidence-based” analysis. The problem is that “evidence” based on the analysis of knowably incomplete, non-representative or self-evidently fraudulent data is not evidence-based analysis at all. It is cargo cult science. It is doing sciencey-looking things to provide a dangerous and unethical imprimatur to the politically derived conclusions you had determined to promote long before any actual evidence came to light.

The lengths to which the WHO went to sacrifice its scientific- and health-related mission for political considerations relating to China were at times both absurd and trivial. For example, in the Coronavirus Q&A that was first posted to its website, the WHO maintained multiple versions. The original English language version of the Q&A counseled that there were four common myths about preventing or curing a COVID-19 infection: smoking, wearing multiple masks, taking antibiotics, and traditional herbal remedies. The original Chinese version omitted ‘traditional herbal remedies’ as a myth. Then the WHO took down ‘traditional herbal remedies’ in both languages. Politics over health. Politics over science. At even the smallest, silliest level.

Yet the Director-General did not just embrace cargo cult science to defend the economic interests of the CCP. He did not just refrain from criticism that might have reduced his influence within the country for pragmatic purposes. He stepped out boldly on several occasions to actively defend the Chinese government against criticisms from nearly every corner of the globe, becoming complicit in downplaying the risk of its spread.

“Nobody knows for sure if they were hiding [anything],” he said, adding that, if they had, the virus would have spread earlier to neighbouring countries. “The logic doesn’t support the idea [of a cover up]. It’s wrong to jump to conclusions.”

China, he said, deserved “tailored and qualified” praise. “They identified the pathogen and shared the sequence immediately,” he said, helping other countries to quick diagnoses. They quarantined huge cities such as Wuhan. “Can’t you appreciate that? They should be thanked for hammering the epicentre. They are actually protecting the rest of the world.”

WHO chief splits opinion with praise for China’s virus fight (Financial Times, February 9, 2020)

And now, coming under assault from many corners, after playing politics on Taiwan, after playing politics on travel restrictions, after playing politics on the early criticism of China, Dr. Tedros has one more request for you, people of the world.

“The virus is a common enemy. Let’s not play politics here.”

Dr. Tedros, in a WHO Press Conference

The WHO leader has repeatedly advised the world against policies that would lead to the “attainment by all peoples of the highest possible level of health” because the Chinese Community Party felt that policy would harm its interests.

This wasn’t a simple mistake. This was the world-as-it-is pulling back the curtain of narrative to show all of us what the WHO really is.

Whatever we decide tomorrow will look like, we must not forget how the leaders of the WHO have not represented our interests.

The Center for Disease Control

The missionaries leading the CDC told you a story about who they were.

Yesterday, everybody knew that everybody knew the CDC, the nation’s health protection agency, “saves lives and protects people from health threats.”

That story is dead.

Today, everybody knows that everybody knows the CDC leadership promulgated “noble lie” guidance about masks to nudge citizens’ behaviors, and established testing eligibility criteria designed to minimize the headline COVID-19 infection numbers reported for the United States rather than to arrest the extent of its spread.



The chief betrayal by CDC leadership came in the form of diagnostic eligibility criteria for COVID-19, a policy we coined “Don’t Test, Don’t Tell” back in February. It was a policy wholly empowered by the trust placed by Americans in the existing institutional narrative of the CDC. We have likewise kept running tallies on social media of credible claims and media reports of refusals to test as a result of CDC criteria which advised not testing unless a provable link to an infected overseas traveler existed – and sometimes not even then. From Don’t Test, Don’t Tell:

Excruciating. They spend the first five minutes of the presser congratulating each other.

Then the update: 83 people are in self-quarantine at home, where they are supposed to “check their temperature” daily. Don’t have a thermometer? Not to worry! The Nassau County Health Commission will provide one for you!

Who are the 83 in self-quarantine? Why, they’re everyone that Homeland Security says should be in self-quarantine, based on “current guidelines” of someone who was in mainland China within the past 14 days.

Has it been 15 days since your mainland China visit?

Have you been to Northern Italy in past 14 days?

Have you been to Iran in past 14 days?

Have you been to South Korea in past 14 days?

Well, no self-quarantine for you! You’re fine!

Don’t Test, Don’t Tell (February 27)

As late as February 26, the CDC claimed in emails made available to the Wall Street Journal that “testing capacity is more than adequate to meet current testing demands.” It is a claim which tells you two things: that the institution cared very much about being able to tell Americans that it was doing its job, and that it wanted to self-measure its performance in that job by whether it was able to provide enough tests to meet demand. There are only two ways it could feasibly achieve that end. The first would be to artificially limit what it defined as ‘demand’ by introducing arbitrarily and dangerously limited testing criteria. The second would be to move decisively and rapidly to expand available testing.

The leadership of the CDC chose the first. And then they failed for weeks to do anything productive about the second.

In the face of verified community spread, the CDC’s COVID-19 testing policy was retained long past its expiration date. More perilously, it transformed US testing into a Wittgenstein’s Ruler, useful only in the case of true positives but still used in aggregates to inform policies across businesses and state and local

governments for all of February and far too much of March. In other words, the direct result of Don't Ask, Don't Tell was to provide "data" that permitted governors, businesses and local leaders to act slowly to enact social distancing measures based on the imprimatur of 'evidence-based' analysis.

Don't Test, Don't Tell did not "save lives". It ended them.

Don't Test, Don't Tell did not "protect people from health threats." It subjected them to health threats.

The poorly developed and poorly communicated COVID-19 testing eligibility criteria promulgated by the CDC would have been bad enough. But the CDC was also responsible for a delay in widespread testing capacity on multiple fronts. From multi-week delays created by faulty preparation of initial test kits to delays in true private testing throughput as a result of underpreparation of the supply chain of the basic components needed for those test kits, the CDC has not performed as we expected. But there's a difference between botched test kits and the promulgated testing policies. The former are mistakes. They happen. Sure, they are big mistakes, and they should have consequences, but they aren't telling us something about the world-as-it-is that an institutionally promoted narrative was obscuring.

The testing policy failure was of a different kind. So, too, was the shift in official CDC recommendations about the use of masks by American citizens. At first – and for a very long time – the CDC joined the Surgeon General in advising Americans not to purchase or use masks. They made this recommendation because, as the claim went, they were not protective unless you wanted to prevent someone else from contracting the virus.

Then the stories changed.

In some instances, officials attempted to claim that the change in recommendation was made because of "new evidence" coming to light about the transmission mechanisms of this coronavirus. Hogwash. Evidence of the effects of viral dose on infection severity had been available for weeks at the time of the policy change, and the common sense that a mask will reduce the communication of at least some of the main vehicles for the virus had been available for as long as, say, grandmothers have existed.

When this belief-begging explanation fell flat, officials pivoted once again. This time, instead of excusing incorrect policy decisions with claims of "evidence-based" analysis (yes, THAT again), the arguments were behavioral. The CDC claims it wanted to avoid the moral hazard of risky behaviors licensed by mask wearing. Additionally, it was really just trying to protect medical professionals on the front line. The non-answer Robert Redfield provided to Helen Branswell in this interview published on Stat was instructive.

Helen Branswell (Interviewer): *I would like to ask you a bit about the mask issue.*

Redfield: *We strongly continue to recommend that N95 masks and surgical masks really be committed to the health care workers that are on the frontlines. Our nation owes them all a great gratitude as they continue to confront what you and I now know is the greatest public health crisis that's hit this nation in more than a century.*

Stat, "An interview with the CDC director on coronavirus, masks, and an agency gone quiet" (April 4, 2020)

As you might imagine, we think that getting more PPE in the hands of healthcare professionals on the front lines is pretty important. Maybe among the most important things we can do. If the CDC and Surgeon General had told us very simply that we were redirecting all national inventories to healthcare uses, and to get cracking on home-made devices, there would have been no problem. But they lied. And then they lied about why they lied.

These actions aren't simple mistakes like the faulty production of initial test kits. They are the world-as-it-is pulling back the curtain of narrative to show all of us what the leadership of the CDC really is.

Whatever we decide tomorrow will look like, we must not forget how the leaders of the CDC have not represented our interests.

The Food and Drug Administration

The missionaries leading the FDA told you a story about who they were.

Yesterday everybody knew that everybody knew the FDA were our watchmen on the walls against unsafe food and medicine.

That story is dead.

Today everybody knows that everybody knows the FDA is more concerned with avoiding blame and defending its political turf than the safety of Americans.



In a sense, the problem with the FDA is of a different kind than the utter, irredeemable mendacity and petty corruption of the WHO. The FDA's betrayal has less to do with the particular inability of its leadership to manage a crisis – which was substantial – and more to do with the role with which we collectively empowered the institution. The FDA is an organization designed to move slowly, deliberately and with an excessive focus on what might go wrong. It is literally the worst possible organization to approve each and every diagnostic, new medical device or piece of PPE that might be necessary to rapidly inform and supply the fight against the exponential spread of a novel virus.

We asked a 60-year old retired defensive lineman to step in and play. Then we told it to line up at wide receiver.

In accidental collaboration with the unconscionable policies of the CDC, the FDA played a chief role in slowing the approval and roll-out of COVID-19 testing. On February 4th, instead of removing traditional hurdles to recognize the severity of the looming pandemic, the FDA added additional hurdles on labs before they could participate testing. In this case, it was a new formal application process for those labs. As reported in the Wall Street Journal, one lab director put it like this:

“We had considered developing a test but had been in communication with the CDC and FDA and had been told that the federal and state authorities would be able to handle everything.”

Alan Wells, Executive Vice-Chairman of the Section of Laboratory Medicine at the University of Pittsburgh Medical Center

If that were not enough, it was not until March 16th, when community spread was demonstrable in nearly every major US metropolitan area, that the FDA approved the marketing of COVID-19 tests by private sector labs. March. Sixteenth.

They issued a modified ventilator emergency use authorization on March 24th, weeks after governors had been begun begging for more inventory. They were among the last to approve foreign conventions for PPE, including KN-95 masks, an approval which governed the rules and purchasing guidelines of thousands of hospital executives for weeks during which doctors and nurses were becoming infected in part due to rampant shortages of both accurate tests and PPE. Among the last as in “issued their emergency use authorization on April the bloody third.”

When someone tells you that they care more about their reputation than their results, believe them the first time.

The U.S. Food and Drug Administration has been providing unprecedented flexibility to labs and manufacturers to develop and offer COVID-19 tests across the U.S. The FDA’s regulations have not hindered or been a roadblock to the rollout of tests during this pandemic.

From FDA Press Release (“Coronavirus (COVID-19) Update: FDA expedites review of diagnostic tests to combat COVID-19”), March 30, 2020

This wasn’t a simple mistake. This was the world-as-it-is pulling back the curtain of narrative to show all of us what the leadership of the FDA really is.

Whatever we decide tomorrow will look like, we must not forget how the leaders of the FDA have not represented our interests.

Elite Universities

Elite American universities told you a story about who they were.

Yesterday, everybody knew that everybody knew that Harvard and other elite universities were socially progressive forces committed to positive change in the world.

That story is dead.

Today, everybody knows that everybody knows that our elite universities exist to monetize the benefits of a reputation of progressive activism without even the most threadbare genuine commitment to it.



Just as there are COVID-19 truthers, wretched souls who will look for any opportunity to argue that measures taken were the result of a media-perpetuated hoax, there are also “university endowment truthers.” These citizens posit that endowments don’t actually have funds to do things like ensure that their hundreds of part-time contract workers across campus are not missing rent or meals because of a suspension in on-campus activity related to the COVID-19 pandemic. You see, the endowment consists of multiple different funds, each of which is completely earmarked. No money in any pool for this kind of thing. No, sirree.

Stop.

Anyone who tells you that large, endowed elite American universities lack the ability to rapidly access 6- or low 7-digit figures to provide financial support to staff, faculty and students is lying to you. This is a Laffer-Like, a truism that is nearly self-evident at extremes but applied by charlatans to other circumstances in which its accuracy breaks down completely. Yes, of course the idea that a \$40 billion endowment is liquid and unconstrained enough by separate fund mandates and limitations on bequests to pull billions out to stabilize and stimulate the balance sheets of everyone in the community is silly. Just as silly is the idea that the trustees at any of these universities don't have the wherewithal and capacity to approve a \$800,000 or \$1.5 million emergency funding initiative in the amount of time it takes for the Zoom lag to process all the "aye" votes.

It's garbage. Wet, stinking garbage, like the kind carried out bag by bag through the back door of the cafeteria on Prescott Street in the middle of the night by the low-income employees Harvard sent packing. After all, we wouldn't want to offend the sensitive noses of those tiptoeing through the tulips over to the Harvard Faculty Club next door with a visible dumpster.

And yes, these were the tortured arguments offered by some in half-hearted support of Harvard's initial decision to lay off hundreds of sub-contractors with no extension in pay or benefits in mid-March. These are cafeteria, security, A/V and recreation workers, among the lowest paid and most economically vulnerable. These were the arguments which led Harvard to stop paying undergraduate workers while retaining pay for graduate students, faculty and administrators. They are the arguments which led Yale to extend funding horizons for faculty research but not for graduate students.

Separately, otherwise brilliant scholars (truly brilliant, I'm not being snarky) like Tyler Cowen offered a defense that suggested that whether they could afford it or not, this kind of support of staff isn't why universities exist, isn't why donors gave money and isn't their moral obligation. Our social good is maximized when universities focus on deploying capital for their primary mission.

Fine, OK. Not so meta-game aware, but I get it.

But it's an absurd hypothetical to engage in when the universities give lie to it by literally incorporating their commitment to these communities into their stated policies and mission. More to the point, why are we talking about this NOW? Universities have been using vast sums to snap up real estate at levels that dramatically exceed the growth in scale of students and the volume of research being conducted for decades. These universities have invested millions annually in absurdly bloated rosters of administrative staff, diversity coordinators and vice provosts for the supervision of junior assistant vice provosts. The argument that either of these things has the most marginal impact on the "justifiable aims" of an elite

university is nonsense, and both exceed the scale of aid to members of the community by orders of magnitude.

Maybe you still disagree. Well, permit yourself for a moment to think about how much the education and research productivity of America will be aided by the balcony view below, a vista that will be enjoyed by University of Southern California President Carol Folt. Think about all the biochemists, computer scientists and sociologists who will break new ground that improves each of our lives as they think about that one time they got invited to have a glass of a mediocre, overoaked and overchilled chardonnay on this very balcony! Don't care? You should. You subsidized it. You, fellow taxpayer, through the recognition of USC as a public benefit non-profit corporation, subsidized the purchase of this \$8.5 million residence in Santa Monica for the particular use of the President of the University of Southern California.

In a transaction that closed on March 2nd.



If it makes you feel better, the rationale for the purchase is that it is more *sustainable* than the current property, which remains on the USC balance sheet.

And *that* is the story that has been laid bare by the world-as-it-is: These institutions marketing themselves through endlessly promoted narratives of Progressivism™ couldn't give two shits about the working poor.

These weren't simple mistakes. American universities have institutionalized the promotion of narratives of progressiveness, social justice and awareness to such an extent that they have become cartoons. The

kind of cartoons that permit 'non-profit' corporations like the University of Southern California to purchase mansions in the midst of a pandemic and call it part of their commitment to sustainability. The kind of cartoons that permit 'non-profit' corporations like the University of Pennsylvania to make the first two communications to their alumni community about COVID-19 a (1) **paean to the corrupted WHO and booster for both "just the flu" and "really just about bigotry" narratives** and (2) a **second piece boosting "really just about bigotry" narratives**. The kind of cartoons that permit 'non-profit' corporations like Harvard University to argue that furloughing subcontractors in a global pandemic (until popular opinion finally shamed them into doing the right thing) is consistent with a narrative that the University **"inspir[es] every member of our community to strive toward a more just, fair, and promising world."**

Whatever we decide tomorrow will look like, we must not forget how most elite universities have not represented our interests.

The News Media

The American news media told you a story about who they were.

Yesterday, everybody knew that everybody knew that there was "a Fourth Estate more important far than they all", the last defense against tyranny. Okay, stop laughing and grant me the structural conceit of my essay. It works in *almost* all of these examples. That story is dead.

Either way, today everybody knows that everybody knows that the US media are willing to speak truth to power...*so long as it is the right power.*



For most large-scale US media outlets with a left-wing editorial predisposition, the right power to speak truth to is Donald Trump.

Even if that meant being the most vocal US institution downplaying the risk of COVID-19 for all of January and the first half of February 2020. Even if that meant giving exaggerated voice to every irresponsible New York public health official counseling that fear of gatherings would be worse than the virus. Even if that meant definitively saying on January 31st that COVID-19 would not become a deadly pandemic – and later deleting that statement under the utterly mendacious guise that the prior statement reflected the “current reality” at the time. (Narrator: It did not.)

US media did each and every one of those things.

Perhaps you remember February 10th, when the New York Times gave voice to the claim that Trump’s ban on travel from China was “extreme”, owing in part to his “extreme fear of germs.”

Many health experts called Mr. Trump’s responses extreme, noting that the health workers would have most likely faced agonizing deaths had they not been evacuated to American hospitals. Former Obama administration officials said his commentary stoked alarmism in the news media and spread fear among the public.

Now Mr. Trump confronts another epidemic in the form of the coronavirus, this time at the head of the country’s health care and national security agencies. The illness has infected few people in the United States, but health officials fear it could soon spread more widely. And while Mr. Trump has so far kept his distance from the issue, public health experts worry that his extreme fear of germs, disdain for scientific and bureaucratic expertise and suspicion of foreigners could be a dangerous mix, should he wind up overseeing a severe outbreak at home.

Some Experts Worry as a Germ-Phobic Trump Confronts a Growing Epidemic (New York Times, February 10, 2020)

Do you recall **February 13th, when the New York Times** printed a feature promoting Dr. Ann Bostrom’s condescending attribution of fear of this novel coronavirus to cognitive triggers? Do you remember when the paper of record - now aggressively looking for Trump gaffes or policies to blame - was *literally printing laughter* at your concerns about this new disease?

Ann Bostrom, the dinner's public policy co-host, laughed when she recounted the evening. The student was right about the viruses, but not about people, said Dr. Bostrom, who is an expert on the psychology of how humans evaluate risk.

While the metrics of public health might put the flu alongside or even ahead of the new coronavirus for sheer deadliness, she said, the mind has its own ways of measuring danger. And the new coronavirus disease, named COVID-19 hits nearly every cognitive trigger we have.

That explains the global wave of anxiety.

Coronavirus 'Hits All the Hot Buttons' for How We Misjudge Risk (New York Times, February 13, 2020)

Being a New York paper after all, the Times also gave exaggerated platforms in articles to New York City health officials who not only did not advise against, but positively recommended mass gatherings which almost certainly contributed to the pandemic's uniquely devastating impact on the city of New York.

Dr. Barbot said that those who have recently traveled from Wuhan are not being urged to self-quarantine or avoid large public gatherings.

"We are very clear: We wish New Yorkers a Happy Lunar New Year and we encourage people to spend time with their families and go about their celebration," Dr. Barbot said.

New York Braces for Coronavirus: 'It's Inevitable' (New York Times, January 27, 2020)

Did you think that national health agencies were one of the powers that might be worth speaking truth to? If so, you weren't working at the Times in January. Here is the paper unquestioningly aiding and abetting the noble lies propagated by the CDC and Surgeon General.

Although masks actually do little to protect healthy people, the prospect of shortages created by panic buying worries some public health experts.

Mask Hoarders May Raise Risk of a Coronavirus Outbreak in the U.S. (New York Times, January 29, 2020)

And yes, editorials, opinion submissions and letters each have different implications. But the Times provided one of the largest megaphones in America for these ideas all the same. Like this expert, who the

Times empowered to plant early seeds of skepticism of social distancing measures that were later employed far too late in many jurisdictions.

Zhong Nanshan, of China's National Health Commission, is reported to have said that the most effective way to stop the virus, which appears to be spread by droplets, was a quarantine.

Is it, though?

In Wuhan, a city of 11 million, both patients who believe they have been infected by the coronavirus and people with other medical problems are having difficulty seeing doctors: Shortages are common at such times, and quarantines only compound them. Residents are complaining on social media about inadequate care. Distrust of the health authorities is mounting.

And then, of course, overcrowding at hospitals, which mixes some presumably sick people with the healthy, increases the risks of transmission.

Will the Largest Quarantine in History Just Make Things Worse? (New York Times, January 27, 2020)

Or perhaps you remember the balance of letters they elected to publish. In a single day in late January, for example, the Times happily published a “worry more about the flu” take, and a “it’s just the olds” take.

Your coverage of coronavirus reflects a real concern as well as an overreaction in the West to this outbreak. When I walk through our Phoenix hospital's emergency department, I'm reminded of the global outbreak we really should be worried about: influenza.

We are at a high point in the flu season, with 15 million cases, 140,000 hospitalizations, and 8,200 deaths in the United States alone, according to the Centers for Disease Control and Prevention. Every day dozens of people with flu symptoms come through our emergency department.

Coronavirus is a serious disease, and we must be vigilant in monitoring its spread while working to find solutions. But at this writing, there have been only a handful of confirmed cases of the coronavirus in this country, mostly in recent travelers to Wuhan, China. Rather than rushing out to buy masks and fretting over the unlikely chance of contracting the coronavirus, Americans should get their flu shots, and wash their hands often to avoid the flu.

As Fears of Wuhan's Coronavirus Spread (New York Times, January 31, 2020)

Thus far, it appears that the virus produces a severe infection primarily in those with weakened lungs and immune systems, such as the elderly, diabetics and smokers. One important consideration is that the citizens of Wuhan are exposed to unusually high levels of PM 2.5, typically 20 times the current “acceptable” limit set by the Environmental Protection Agency. The virus is likely to be less lethal in less polluted areas of the world.

As Fears of Wuhan’s Coronavirus Spread (New York Times, January 31, 2020)

News coverage, editorial and opinion content from peer publications was generally little better. Perhaps you recall when the Los Angeles Times was happy to publish this Op-Ed back on January 29th?

It’s not just in China. Many people in U.S. cities are out on the street today wearing paper masks, hoping they will provide a barrier to respiratory droplets. The masks have been donned in the belief that a new and dangerous coronavirus has not only landed on our shores, but also is likely to infect them at any time.

I am not usually one to criticize public health measures, but this one is overkill. Surgical masks aren’t just an inadequate protection against viral spread; the masks also signal that we should be deathly afraid of something that does not currently pose a threat and may well never do so.

Op-Ed: The new coronavirus isn’t a threat to people in the United States — but flu is (January 29, 2020)

Remember two days after that, when the LA Times ginned up an op-ed that managed to cram “social distancing doesn’t work”, “just the olds”, “panic is worse” and “just the flu” memes into one piece? Pepperidge Farm remembers.

But what the WHO is cheering is both ineffective and dangerous. The virus has already spread. Barricading Wuhan, a city larger than New York City, is very unlikely to prevent further spread of the virus. Current efforts by other nations to ban travel to and from China or to shutdown trade routes — which the WHO advises against — will likely take a large global economic toll but also will not contain the virus.

The coronavirus is scaring people because it is new and much is not known about it. But what we can tell so far is that this is no Ebola. Most people who contract it recover just fine. The fatality rate appears to be considerably lower than SARS and is probably much lower than it appears right now, since so many cases are very likely going unreported and mild versions of the disease are probably not being counted at all. Most fatalities are among the elderly and those with preexisting conditions.

The situation in Wuhan, where the vast majority of cases are, is being made far worse by the panic and extreme measures being taken. Panicked and trapped citizens are rushing to the hospital at the first sign of a sniffle. Hospitals are overwhelmed with thousands of people who probably do not have the virus — but are far more likely to contract it after waiting for hours in crowded waiting rooms with people who do.

Op-Ed: International overreaction to the coronavirus is more dangerous than the virus itself (LA Times, January 31, 2020)

It may feel like years ago, but it was only January 26th when the LA Times reporters decided “truth to power” didn’t really apply to powers that were diminishing the risk of COVID-19 transmission without any data to support their claims. This kind of story, blindly repeating the unchallenged and ultimately erroneous claims of local and regional officials, could be found in dozens of publications across the country in January through mid-February.

Los Angeles and Orange County health officials are dealing with their first cases of a patient with the new strain of coronavirus. But they are stressing that there is no evidence the virus has been spread beyond the two patients...

They are following up with anyone who has had close contact with the patient, but also noted that people with casual contact — such as visiting the same grocery store or movie theater — “are at minimal risk of developing infection.”

“The infected person presented themselves for care once they noticed that they were not feeling well and is currently receiving medical treatment. There is no immediate threat to the general public, no special precautions are required, and people should not be excluded from activities based on their race, country of origin, or recent travel if they do not have symptoms of respiratory illness,” officials said in a statement.

Coronavirus spreads to Los Angeles, Orange County: How concerned should we be about spread? (Los Angeles Times, January 26, 2020)

Maybe you don’t subscribe to those papers. Instead, maybe you remember one of the other most shared outlets, like the opinion pages of the Washington Post. You would have learned that your concerns about coronavirus were “weaponized dark emotions”.

Over the past four months, anywhere from 10,000 to 25,000 Americans have died from a widespread virus. But it didn’t come from China. It was the plain old-fashioned flu. So why haven’t we declared a national emergency? Largely because few Americans consider it to be a lethal risk. They think of the flu as a familiar, everyday problem, easily addressed through a shot you can get at the local pharmacy...

Some economists have said the outbreak could shave several percentage points off China’s gross domestic product — based not on damage caused by the virus so far but on projections of what it might do. This meets the definition of self-fulfilling prophecy. (On Wednesday, an unconfirmed report that researchers have found a cure to the virus sent global markets soaring — an example of exuberance just as irrational as the hysteria.)

Why? Because rational analyses have a hard time cutting through the noise in an age when social media and 24-hour news allow just about anyone to weaponize dark emotions.

What the Iowa disaster and the coronavirus have in common (Washington Post, February 7, 2020)

Or maybe you are a resident of Chicago who remembers being told by the Tribune Editorial Board on February 3rd that the risk was “vanishingly small”, a claim that could not be made legitimately at that time. The officials behind these claims were apparently powers not worth speaking truth to.

In Chicago, the risk of contracting the virus appears to be vanishingly low at the moment. Before kicking off the Chinatown Lunar New Year parade and buying a mango bubble tea on Sunday, Mayor Lori Lightfoot noted that Chinatown is “open for business.” While reiterating the risk here is low, she urged the federal government to provide cities with guidance and any funding necessary to deal with what has been declared a public health emergency, Gregory Pratt reports in the Tribune.

Editorial: How frightened should you be about the coronavirus? Just enough to dial up routine health precautions. (Chicago Tribune, February 3, 2020)

In case you were worried that only traditional media institutions were leading the charge in providing major platforms for “just the flu” sentiments, you can be easily disabused of that notion. Take a look at just about any major blog or other online publication and you’ll find similar stories from this period. The Hill’s totally-not-the-opinions-of-the-editors-wink-wink section got in on the fun on February 6th.

Yes, there is uncertainty, and the headlines are dramatic. But right now, the chances of any of us or anyone we know ever getting a severe, potentially lethal form of the Wuhan virus is negligible.

How much should we worry about the new coronavirus? (The Hill, February 6, 2020)

The “Changing America” section of The Hill made similarly stark statements of fact about the virus, and sourced the most Pollyannaish possible statements from health officials. Both ended up being wrong.

News of the virus has prompted some concern in the United States, but a more common virus is posing a greater threat to Americans — the flu...

“When we think about the relative danger of this new coronavirus and influenza, there’s just no comparison,” Dr. William Schaffner, professor of preventive medicine and health policy at Vanderbilt University Medical Center, told Kaiser Health News. “Coronavirus will be a blip on the horizon in comparison. The risk is trivial.”

Coronavirus is spreading — but the flu is a greater threat to Americans (January 27, 2020)

Maybe the best expression of a politicized media’s willingness to speak truth only the right power was this “news” story from Politico published on February 4th. It accepts the CCP-corrupted policy preferences of the WHO and Dr. Tedros as if they had sprung from the head of Zeus as the miraculous tools for criticism of President Trump that they must have appeared to be. Too sore a temptation.

The Trump administration's quarantine and travel ban in response to the Wuhan coronavirus could undercut international efforts to fight the outbreak by antagonizing Chinese leaders, as well as stigmatizing people of Asian descent, according to a growing chorus of public health experts and lawmakers.

The World Health Organization's top official on Tuesday repeated concern that moves that interfere with transportation and trade could harm efforts to address the crisis, though he didn't directly name the United States. Meanwhile, unions representing flight attendants, nurses and teachers criticized the administration on Tuesday for not being forthcoming about what kind of screening and treatment individuals will undergo, and some members of Congress say they're concerned the efforts could stoke racial discrimination.

Coronavirus quarantine, travel ban could backfire, experts fear (Politico, February 4, 2020)

If you are sensitive to unsourced, unsupported, orphaned uses of the horrifying phrase “data suggests”, which should be summarily forbidden by every publication’s style guide, you may not want to remember this disastrous take from Recode, published on February 13th.

But the fact remains that, so far, the flu has impacted far more people. The CDC estimates that 10,000 people have died from the flu this season, with some 19 million people in the US having experienced flu illness. Data from the CDC suggests that the flu is a greater threat to Americans than the coronavirus. Yet unlike the flu, the coronavirus is new and not well understood, which makes it especially scary to the public, including Silicon Valley's elite.

“No handshakes, please”: The tech industry is terrified of the coronavirus (Recode, February 13, 2020)

Perhaps Recode isn't familiar to you. It is Vox's technology-oriented brand. Speaking of Vox, do you remember Vox's contributions to the early dialogue on Coronavirus?



What is this [#coronavirus](#)?

It's part of a family of viruses that attack the respiratory system.

Should I travel during the outbreak?

The CDC and the State Department advise avoiding travel to China for now.

Is this going to be a deadly pandemic?

No.

And do you remember what their ‘correction’ looked like?



This captures with a simple shot-and-chaser why for most media outlets this wasn't just a matter of getting the pandemic wrong. **It was an institutional failure, an inevitable result of the narratives they created for themselves.** US media were asleep at the wheel on the pandemic when they could have been actively challenging the WHO, China, the CDC, the FDA, local health officials and all sorts of other officials relying on fundamentally flawed methods for establishing their claims.

When the facts became unavoidable, to their credit, these outlets rapidly changed their tune – and their coverage. Some of the coverage in March from these same outlets has been *extraordinary and brave*. Kristof's **Bronx hospital tour piece** in the New York Times was remarkable. Those NYT, WSJ and Washington Post reporters in China that were expelled after reporting on the atrocities visited on Uighur minorities should be celebrated. The investigative journalists at the Miami Herald should be celebrated. There are thousands more who could be part of the solution, because the problem in need of a solution has less to do with journalists and more to do with the outlets and editors who shape the assignments and coverage.

And the behavior of those outlets in this case was generally poor. Just like Vox, which sought to cover their dangerous early coverage through false claims that the “current reality of the coronavirus story” had ever supported their initial contention, most outlets proceeded as if *the routine downplaying of COVID-19 on their pages in January and February had never happened*. When the switch flipped and it was possible to speak truth to the *right* power – **Donald Trump** – they pursued it with unbridled fervor. And God knows his administration's response has merited it at multiple turns.

At other times, however, the outlets which once worried that President Trump might be so worried about germs that he'd overreact to this new coronavirus invested significant ink in stories which were so obviously designed with a predetermined aim to demonstrate corruption, and which so fundamentally

failed to prove their contention that it is a wonder that they were not *designed* to illustrate how deep the media's institutional failure truly was.

Consider this article from the New York Times published on April 6, 2020 – the arguments of which should have been laughed out of the room by any editor with even a cup of coffee's worth of experience in financial markets.

Some associates of Mr. Trump's have financial interests in the issue. Sanofi's largest shareholders include Fisher Asset Management, the investment company run by Ken Fisher, a major donor to Republicans, including Mr. Trump. A spokesman for Mr. Fisher declined to comment.

Another investor in both Sanofi and Mylan, another pharmaceutical firm, is Invesco, the fund previously run by Wilbur Ross, the commerce secretary. Mr. Ross said in a statement Monday that he "was not aware that Invesco has any investments in companies producing" the drug, "nor do I have any involvement in the decision to explore this as a treatment."

As of last year, Mr. Trump reported that his three family trusts each had investments in a Dodge & Cox mutual fund, whose largest holding was in Sanofi.

Ashleigh Koss, a Sanofi spokeswoman, said the company no longer sells or distributes Plaquenil in the United States, although it does sell it internationally.

Trump's Aggressive Advocacy of Malaria Drug for Treating Coronavirus Divides Medical Community (New York Times, April 6, 2020)

The New York Times did not think it very important that you question whether Dr. Tedros and the WHO were making recommendations against the China travel ban on the basis of any corrupt influence. They did not think it worth exploring why the WHO's contentions so disagreed with WHO-sponsored studies conducted in Hong Kong.

They did, however, think it was *very* important that you question whether it is corrupt that Donald Trump's family trusts own shares in Sanofi (which doesn't even distribute the damn Plaquenil product in the US) through one of the biggest index funds in the United States. They knew their assertion was irrelevant to the point of nonsensicality, but you and I and everyone in the whole country who knows how to read knows why they kept it in the story.

They are likewise very interested in you questioning why a 'fund' called Invesco that is 'run by Wilbur Ross' owned a lot of stock in Sanofi. They were so interested that they *called the office of the Commerce Secretary* to confirm their chilling discovery. Except this implication is even stupider than the first, if that can be imagined. Invesco is not a fund at all. It is a publicly listed, diversified asset manager with \$1.1 trillion under management across *literally hundreds* of funds. Invesco was not 'run by Wilbur Ross'. Invesco is and has been run by Marty Flanagan for 15 years. Wilbur Ross ran the private capital group within Invesco. The funds in his purview *couldn't* buy Sanofi. It is possible that Wilbur once met Erik Esselink or Kevin Holt, the portfolio managers there who had incredibly normal 0-3% positions in Sanofi

based out of completely different Invesco offices on completely different teams. But if he did, I doubt he even remembers it.

But here's the bigger thing: there are two data points here which show exactly what hard-hitting research the New York Times team here did to support their barely concealed implications of corruption and malfeasance. First, the assertion that Wilbur "ran" Invesco can be found in one place: Wikipedia. And where does the "biggest investors" data for Dodge & Cox and Invesco come from? The first pop-up on Google, which refers to ownership of the Sanofi ADRs, rather than the local ordinary shares.

The New York Times is so eager to gesture vaguely at conflicts of interest and corruption in the office of the President, to speak truth to the one power that matters, that they would willingly source those assertions from a cursory glance at Wikipedia and the first thing that pops up on Google.

I keep waiting on Paul Krugman to jump out and shout "The Aristocrats" or something.

Look, if you don't think the US media has suffered an institutional failure in need of redress by a populace who needs them to resume their role as the fourth estate, you are not paying attention.

And if you think the work of right-wing media beginning in late February hasn't been *even worse*, you are paying even *less* attention.

The posture of conservative media, of course, has been nearly the opposite. For most large-scale US media outlets with a right-wing editorial predisposition, the *right power* to speak truth to is the left-wing media, or any one else who would dare criticize President Donald Trump. That narrative has been such a powerful governor of coverage on Fox News in particular between late February and March 16th (the date when everyone knew that everyone knew this was *real*) that it is almost *more* difficult to identify single cases in which COVID-19 was downplayed. It was *that* integrated into the programming and messaging coming through various news personalities.

Sean Hannity led the charge for this change in tone. In a phone interview he conducted with Georgia congressman Doug Collins on March 9th, Hannity was *explicit* in his downplaying of the risk of the COVID-19 pandemic. He *explicitly* referred to it as a hoax being perpetrated by enemies of President Trump.

In all seriousness, I think we've got to be very real with the American people. I don't like how we are scaring people unnecessarily. And that is, unless you have an immune system that is compromised, and you are older, and you have other underlying health issues, you are not going to die, 99% from this virus, correct?

They're scaring the living hell out of people. And I see it again as, like, "Oh, let's bludgeon Trump with this new hoax!"

Sean Hannity on Fox News (March 9th, 2020)

In a fashion even worse than the historical revisionism employed by Vox, Hannity attempted little more than a week later to act as if this never happened. As if President Trump and Fox News had been warning of the very real dangers of the virus all along. As if the "hoax" being referred to was a reference to the attempts by Democrats and left-wing media to make COVID-19 disproportionately about Trump – and

make no mistake, they absolutely did do that – but the idea that we are to believe this is what was meant by “hoax” is insulting.

By the way, this program has always taken the coronavirus serious. And we’ve never called the virus a hoax. We called what they’re doing, tryin’ to bludgeon the president out, their politicizing of this virus. Well, predictable, despicable, repulsive, all of the above.

Sean Hannity on Fox News (March 18th, 2020)

Nearly all of the techniques with which left-learning outlets directed early conclusions toward pacification, criticism of Donald Trump and eyes closed to the actions of the WHO and CCP, were later used by right-leaning outlets when the White House was the one in the business of downplaying the risks of COVID-19. In the New York Times, it was a behavioral scientist laughing at you for being concerned. On Fox News, it was Jesse Watters outright mocking you.

There’s some people that take town cars, and there’s people from all over the world on my small subway cars, some of them are wearing masks, many of them are coughing, and do I look nervous? No. I’m not afraid of this coronavirus at all. And I think other people — they have the right to be scared. That’s their business. Greg is terrified. He’s shaking in his shoes.

Transcript from The Five, Fox News (January 30, 2020)

A couple weeks later, Sean Hannity joined the mockery once again.

The apocalypse is imminent and you’re going to all die, all of you in the next 48 hours! And it’s all President Trump’s fault!

Sean Hannity on Fox News (February 25th, 2020)

Regular Fox News contributors consistently downplayed the seriousness of the epidemic. Dr. Drew and Laura Ingraham teamed up on the latter’s show as late as March 2nd. As ever, the only powers worth speaking truth to for these members of the media were traditional media outlets with a left-wing editorial stance. Even if it meant delivering a “just the flu” message weeks after this had ceased to become an *even marginally* defensible stance.

And just in case anyone wants to make the argument – like Hannity did – that what is being referred to is solely how Democrats and media were politicizing the issue, **watch the video** from which these quotes are sourced. Watch the scare clips Ingraham uses before introducing Dr. Drew. More than half of them don’t mention President Trump or politics *at all*. They are simply claims by members of the media that COVID-19 is a health crisis.

Laura Ingraham: “Now it’s not just the Democrats that are recklessly politicizing the coronavirus threat. Their media lapdogs are at it as well...”

Dr. Drew: “Essentially the entire problem we are having is due to panic, not the virus...I was saying this six weeks ago. We have six deaths from the coronavirus, 18,000 from the flu. Why isn’t the message, ‘Get your flu vaccine’? This is amongst us, it is milder than we thought.”

Dr. Drew Pinsky on The Ingraham Angle, Fox News (March 2, 2020)

It wasn’t that Fox News, Breitbart and others were simply making mistakes and getting the pandemic *wrong*. In fact, I don’t think it is very hard at all to argue that they were largely *more attuned* to the risk of this new coronavirus in late January than other media sources were. Tucker Carlson was early – and to his credit, did not pivot like many of his colleagues. Breitbart was **publishing exclusives with Tom Cotton** advising a *much earlier* shutdown of travel with China. They published serious updates on nearly every infection and political response throughout January. In fact, if you review the unique articles published in January 2020 from every major US outlet, I think that you would probably have gotten the most complete picture from Breitbart. Yes, that Breitbart.

But after mid-February, when the Trump administration shifted to a posture which sought to minimize the risk of a COVID-19 pandemic, when most media outlets began to shift their news coverage to recognize it as a more significant risk, the news coverage and opinion content on Breitbart and Fox News shifted *dramatically. Diametrically. Immediately.*

It was now this:

The left-wing Hollywood celebrities are stoking public hysteria over the coronavirus, using social media to spread fear as well as disinformation about President Donald Trump’s response to the deadly global outbreak.

15 Hollywood Celebs Spreading Fear and Fake News About Coronavirus, Breitbart (March 6, 2020)

It was now reprints of unhinged Limbaugh rants, which like so many of the accounts which emerged during this time managed to integrate both ‘just the flu’ and assertions that it was a media-driven panic.

Conservative talker Rush Limbaugh said during his nationally syndicated radio show on Wednesday that Democratic Party leaders and the media had “gleeful attitudes” about the coronavirus outbreak.

Limbaugh said, “I’m telling you, folks, I’m I that there’s so many red flags about things happening out there. This coronavirus, all of this panic is just not warranted. I’m telling you. When I tell you what I’ve told you that this virus is the common cold when I said that it was based on the number of cases. That’s also based on the kind of virus this is. Why do you think this is called COVID-19 is the 19th coronavirus. They’re not uncommon. Coronavirus are respiratory cold and flu viruses.”

Limbaugh: Media, Dem Leaders Have ‘Gleeful’ Attitudes About Coronavirus, Breitbart (March 11, 2020)

Coverage became laser-focused on media and left-wing behavior during the pandemic.

The Democrats' newfound outrage over members of the GOP using what they consider problematic descriptions of the virus ignore the well-documented history of establishment media outlets using the phrases "Chinese Coronavirus," "Chinese Virus," "China Coronavirus, the "Wuhan Virus," and "Wuhan Coronavirus" on several occasions.

15 Times Establishment Media Used 'Bigoted' Phrases to Refer to the Coronavirus, Breitbart (March 11, 2020)

It manifested in numerous opinion pieces, too. Like this one.

It is perhaps no accident that the coronavirus panic only began roiling world markets after Sen. Bernie Sanders (I-VT) emerged as the frontrunner for the Democratic Party's nomination for president after the Nevada caucuses last weekend.

Pollak: Coronavirus Panic Partly Driven by Anti-Trump Hysteria, Breitbart (March 1, 2020)

Just like the Vox retconning experiment encapsulated the institutional failure of left-wing media during the unfolding of the COVID-19 pandemic, I think the above article readily encapsulates the failure of right-wing media. So convinced are they their mission must be first to speak truth to the power that is a progressive-dominated US news media that they abdicated their duty to provide true and timely information about the extent of a dangerous pandemic. They undersold and diminished the risk for precious weeks when their influence could have saved lives and prevented some of the more drastic social distancing measures that became necessary when community spread had gone too far to arrest with less restrictive policies.

The institutional failure that has been laid bare is not a national press that made some mistakes in its coverage. It is a media which – **across the political spectrum** – believes it is a principal. It believes and acts as if its proper role is to promote and influence adoption of its preferred interpretations of the world, instead of acting as the agent of the people, shedding light on issues that would otherwise be obscured from us by the powerful. *All of them.*

Whatever we decide tomorrow will look like, we must not forget how the media has not represented our interests.

Public Company Boards

We have long heard a story about the role of public company boards.

Yesterday, everybody knew that everybody knew that public company boards faithfully represented the interests of shareholders.

That story is dead.

Today, everybody knows that everybody knows that public company boards are largely captive to management, similarly motivated to maximize short term price appreciation at any cost and incentivized to be “good soldiers” to permit future lucrative engagements.



You’ve got a perfectly good set of monogrammed cuffs to tell you who the hell you’re lookin’ at, but in case that isn’t enough for you, this is one Bradley J. Holley. Mr. Holley runs an E&P company that borrowed a ton of money to bust shale at what a few months ago were marginally economic levels up in the Bakken. Between COVID-19 and some aggressive posturing by Russia and Saudi Arabia, this concentrated, leveraged and illiquid company ran out of gas. Figuratively speaking, of course.

We are talking about Whiting Petroleum, and Brad serves as both its Chairman of the Board and Chief Executive Officer. On **March 26, 2020**, that board paid him and his fellow executives \$14.6 million in bonuses. Holley himself pocketed \$6.4 million. Six days later, that same board sent Whiting Petroleum into Chapter 11 bankruptcy with a proposal that would wipe out 97% of the equity in the company.

According to the Board of Directors of the Whiting Petroleum Company, these bonuses were “intended to ensure the stability and continuity of the company’s workforce and eliminate any potential misalignment of interests that would likely arise if existing performance metrics were retained.” If you are a layperson, this explanation may sound to you like a very large crude carrier full of horseshit. I understand why you might think that. But let me assure you as a non-layperson that this explanation is an *ultra* large crude carrier full of horseshit.

It is also shockingly common.

When companies approach bankruptcy, they nearly always do it in the same two ways that Ernest Hemingway famously did: *gradually, then suddenly*. In almost every case, it fuels a particular pattern of behavior:

1. Management comes to the Board, tells them “Gentlemen, things are getting hairy in a hurry. We need to draw the full line of credit and restructure with our creditors.”
2. Board says, “Hairy in a hurry! OK, I guess that seems prudent.”
3. Management brings back a term sheet negotiated with creditors to the Board.
4. Board says, “Criminy, 97% of equity wiped out? Were things really that bad? When is all this happening?”
5. Management says, “Almost immediately. We’ve got to figure out how we keep the executive team from jumping ship at the worst possible time. We NEED them to help steer the company into port, but with all the promises of equity and incentive compensation gone, I can’t guarantee that they will. It would be a disaster for everyone.”

Et voilà. They said the magic words.

And that is *exactly* what they are. Magic words. They are words designed to give the Board exactly what they *need* to make a decision that will *look* prudent. Words that will allow the Board to say “Yes, it is a shame that management got the company in this position, but it would not be *prudent* to add insult to injury here by forcing a mass exodus exactly when we need the people most familiar with the problem working on solving it!”

Words that will allow these gentlemen – the chairs of Whiting’s compensation, audit and governance committees, respectively – to continue supplementing their retirements with the roughly \$100,000 a year in cash to go along with \$200,000 or so in share grants that Whiting and comparable small- and mid-cap shale companies offer their directors.



The principle of fiduciary duty – the idea that executives, board members and some experts have a solemn responsibility to act for the benefit of certain others – is *foundational* and *indispensable* to our system of organizing capital through public corporations. Without it, absolutely nothing works, and companies will converge on being operated for the benefit of management and boards. But “fiduciary duty!” has today become a cartoon, a caricature that is satisfied not by *acting like a fiduciary*, but by *acting like you are acting like a fiduciary*. You do whatever the hell you want, so long as it can still carry the trappings of words and descriptions that look like what people would expect from a fiduciary.

And when you have the right magic words, there is practically *nothing* so brazen, so shocking to the rest of us that it could not be justified. In a case like Whiting, it is even worse – those bonuses are almost certainly going to be substantially clawed back as the company proceeds through Chapter 11, so the

upside to this brazenness is limited, too. Unless, that is, your incentive is to demonstrate to future management teams in need of an experienced board slate that you know how to play ball.

Sometimes playing ball takes the form of permitting management to tell you a brazen story about their indispensability in a crisis. Sometimes playing ball takes the form of permitting management to juice returns for years and enrich itself in the process by endangering the business, by risking its shareholders, and yes, by relying on American taxpayers for *yet another* bailout.

Like the **board of American Airlines Group**.

American Airlines being a much more prominent company, its board is a mixed group. About half are genuine industry executives in semi-retirement, and about half are folks who could be *charitably* referred to as “professional board members.” These are people who fill their calendar with a half dozen or so public and private company board memberships and one or two local charity or golf club board roles.

What do you get for being an American Airlines board member?

- You get somewhere between \$125,000 and \$160,000 in cash per year;
- You get a grant of about \$150,000 in restricted share units that fully vest in a year;
- You and your family get to fly wherever you want on AAL metal, then grossed up in cash for those flights; and
- You get the last benefit for life so long as you play ball for seven years.

Call it \$300,000 – \$350,000 a year before any accounting has been done for the lifetime benefit.



The fellow is Doug Parker. He's the Chairman of the Board of American Airlines Group. He is also the CEO. We have published our thoughts about AAL before, in a piece called **Do the Right Thing**.

When it comes to management self-dealing and enrichment, no one tops Doug Parker of American Airlines (although Ed Bastian of Delta seems intent on making up for lost time). I do not think it's an accident that Doug Parker is not only the CEO of American, he is also Chairman of the board.

You're not reading this chart wrong. Doug Parker has pocketed more than \$150 million through his sale of 3.6 million shares in American Airlines. These sales were particularly egregious in 2015 – 2016, not coincidentally the period of American's greatest stock buyback activity. How egregious were the stock sales? For a twelve month period from mid-2015 through mid-2016, Doug Parker pocketed between \$4 million and \$11 million in stock sales per month. How large were the stock buybacks? Two-thirds of American's \$13 billion in stock buybacks over this six year period occurred over these same months.

Here's another fun fact about Doug Parker. For a brief shining moment, American Airline's stock price went above \$50 in early 2018. Wouldn't you know it, Doug just happened to choose that moment to sell 437,000 shares of stock, more than twice as much stock as he had ever sold before and almost 5x the usual size of his stock sales. Barf.

Do the Right Thing (March 19, 2020)

Over the last several years, the board of directors of AAL has approved the rapid expansion of the company's debt to levels that exceeded that of the other five large US-based carriers. *Combined*. Meanwhile, they approved dividends and buybacks that drove *negative* free cash flow over this period. The AAL board (which, apropos of nothing, I'm sure, includes the former CEO of Boeing Commercial Airplanes) stood by as management took on the second most exposure of any US carrier to the 737 Max, which represented 31% of all their scheduled aircraft purchases for 2020 and beyond. Then, at the end of 2019, the board approved the diversion of \$30 million of the settlement received from Boeing relating to the >\$500 million impact of the 737 Max debacle from shareholders to the employee profit-sharing plan, since it had been so grievously harmed by...management's decisions. All the while, the board approved massive share and option-based compensation to Doug Parker, whose **\$150 million in stock sales** since 2014 took place most prominently *when* the company was buying back its own shares. In other words, the board wittingly or unwittingly played an active role in obscuring how egregiously Doug was milking shareholders by immunizing the effective issuance associated with those grants.

	CEO since	\$ of stock sold	\$ of stock held (2/15)	\$ of stock bought	\$ of SBC (2/15)
Doug Parker (American)	Dec-13	\$150,381,289	\$73,646,809	\$32,332,944	\$191,695,154
Ed Bastian (Delta)	May-16	\$127,450,768	\$24,006,780	\$17,222,091	\$134,235,457
Gary Kelly (Southwest)	May-08	\$48,165,142	\$36,484,177	\$9,336,265	\$75,313,053
Oscar Munoz (United)	Sep-15	\$11,674,539	\$19,962,277	\$1,451,837	\$30,184,979
total		\$337,671,738	\$154,100,043	\$60,343,137	\$431,428,644

Source: **Do the Right Thing**

The board of directors was *able* to do all of this because returning cash to shareholders and paying management in equity both rely on the most powerful language of the fiduciary cartoon. The actions were all intended to increase *alignment*, don't you see? Nevermind that these incentives allowed him to capitalize on their value appreciation over exceedingly short horizons.

And yet, those same actions were part of what led to where we are today, with Doug Parker holding his hands out for **\$12 billion** in grants and loans from us, the US taxpayer. Loans and grants for which Parker has said he is "optimistic that the terms will not be onerous."

The COVID-19 pandemic is a unique situation. As its effects extend into summer, it may become clear that American Airlines would have needed to restructure regardless of its capital structure or use of cash to pay executives and return cash to shareholders over the last several years. As we have expressed in **other pieces we have published**, it is unfortunate, but also exactly the kind of risk that shareholders in airlines in particular have agreed to take. Despite that, expect to hear a lot of arguments from **Wall Street** in the coming weeks that "it's not time to punish anyone, it's time to make sure we do the least harm" or other such right-sounding, mealy-mouthed defenses that have been heard a million times before in defense of the concentration of the gains and socialization of the losses of capital. Ignore them.

Do not ignore, however, American Airline's urgent need to come to us with hat in hand today, and the magnitude of that need, was absolutely driven by policies rubber stamped by a well-heeled board led by an executive Chairman.

These were not simple mistakes of inadequate preparation or execution by management. They represent an institutional failure in the cartoonified fiduciary standard, and in the very purpose we have entrusted boards to serve in ensuring that shareholders enjoy the fruits of their capital.

Whatever we decide tomorrow will look like, we must not forget how executives, corporate boards and the fiduciary standard have not represented our interests.

Wall Street

Here on Wall Street we've been telling stories about ourselves for years.

Yesterday, everybody knew that everybody knew that Wall Street produced the occasional greed and excesses, sure, but in the end performed a vital function synthesizing views on risk and pricing of capital to ensure that capital is directed to its most productive ends.

That story is dead.

Today, everybody knows that everybody knows that no one on Wall Street cares about whether capital is correctly priced and directed to productive ends. The only thing that matters is that the prices never go down so much that they place stress on business models which rely on stable, upward-trending prices and/or massive amounts of leverage to generate acceptable returns.



Source: CNBC, Screen grab by [Andrew Lawrence](#)

It is a bit unsporting to lead with the above screen capture from CNBC, a ‘news’ network dedicated to financial markets coverage.

First, it isn’t that uncommon for the market to do very well during short periods in which the economy is doing poorly. After all, participants in markets tend to predict and respond to that kind of news well before any figures are officially reported. And it is just sheer bad luck that Bioanalytical Systems, Inc. was running across the tickertape chyron at the time. Why they chose to abbreviate it as ‘BioAnal’ when Bioanalytical is only two characters longer than “Stonecastle” is a separate question.

But if you could distill the very special kind of tonedearfness that afflicts Wall Street in times of crisis for the real world, you would probably end up with something like that image. You might alternatively end up with something like the below.



Source: CNBC, Screen capture by Marketwatch

Is Rick Santelli, the gentleman pictured here, wincing as he thinks about a 40-something nurse gasping for breath in a hospital in Queens? Perhaps overcome by the struggle of a part-time retail worker and mother in Cleveland who is deemed “essential” riding into work on a packed bus, who knows if she doesn’t cover that cough today she’s going to be sent packing?

No, no. We just caught him in the middle of one of these sentences:

Rick Santelli: *The catalyst? Just watch your local news. There’s your catalyst.*

Kelly Evans: *True.*

Rick Santelli: *Of course, people are getting nervous. And listen, I’m not a doctor. I’m not a doctor. All I know is, think about how the world would be if you tried to quarantine everybody because of the generic-type flu. Now I’m not saying this is the generic-type flu. But maybe we’d be just better off if we gave it to everybody, and then in a month it would be over because the mortality rate of this probably isn’t going to be any different if we did it that way than the long-term picture, but the difference is we’re wreaking havoc on global and domestic economies.*

CNBC Transcript from March 5, 2020

You might also choose this image of National Economic Council Director Larry Kudlow, who is not in the middle of a sneeze as you might suspect, but rather in the middle of a material misstatement of the widely available facts about the COVID-19 pandemic on February 25, 2020.



Source: CNBC

I just want to say, though, as far as the US is concerned, when you look at this, I mean you've got a little higher headcount on the infections because of the cruise ship people coming off, we have contained this. I won't say airtight, but pretty close to airtight. We've done a good job in the United States.

Larry Kudlow to CNBC on February 25, 2020

Yes, Larry was completely wrong when he referred to COVID-19 as contained. More than wrong. It was a statement which *could not possibly have been correct* given the testing information available at the time. It was not knowable. You cannot assert that something is contained when the only evidence that exists demonstrates that you are actively avoiding discovering evidence.

As alarming as his mendacity ought to be, the 'airtight' claims aren't the useful tell here. The useful tell is that Larry – the Director of the National Economic Council – was in-the-know about the White House's concerns about numbers from cruise ships inflating reported numbers. Those are concerns that would manifest only a week later in President Trump's own remarks. **It takes very few leaps in logic to see that the administration's focus in late February through early March, the focus that led to active pursuit of a national policy of Don't Test, Don't Tell, was managing how much the stock market responded over a short horizon to news about the COVID-19 pandemic.**

Is CNBC Wall Street? My goodness, no. Sure, some financial advisers and individual investors watch it seriously and earnestly for information. Professional investors, by and large, roll their eyes at it. **But everybody has it on.** And so it, like Bloomberg and the Wall Street Journal (and Barron's, once upon a time), it ends up being one of the primary missionary platforms through which corporate executives, along with capital markets, trading, lending, investing and government institutions seek to influence the behavior of others.

In this case, after Wall Street missionaries downplayed the significance of the COVID-19 pandemic, and after they bemoaned the impact of social distancing measures on the stock market, they began to agitate for rapid policy response. Most such missionaries in 2020 have long since learned to be careful about saying the quiet part out loud. When you want to stop the bleeding on asset prices, you don't say that you want the Fed or Congress to step in because asset prices are bleeding. You say you want them to step in because of threats to the *economy* or *liquidity*.

And you do that even if the scale and nature of the response demanded uses the direct support of asset prices as a primary transmission mechanism for theoretical secondary effects in lending markets and barely even theoretical tertiary effects in labor markets.

If you are not involved in financial markets, let me tell you what happened and why this matters.

In early March, investors, lenders and businesses were all grappling with the unsettling uncertainty of the COVID-19 pandemic and what a 20-30% drop in economic activity in a single quarter might mean. For most, the answer was pretty clear, and became even clearer once they saw what others were doing: **“hold and conserve cash.”** And when a lot more investors, lenders and businesses start saying that they'd rather hold cash than anything else, a few things happen all at once.

Businesses with lines of credit draw them down. Lots of investors – especially ones with leverage on their portfolio – who own any kind of security, from equities to mortgage-backed securities to high yield bonds and even so-called safety investments like government bonds and high grade corporate bonds, try to sell them if they can. Those who are natural buyers of new issues stop buying them. Lenders slow or stop lending, especially in markets where they fear there may not be much appetite to turn those assets back into cash.

When you hear people talk about “liquidity”, this is the broadest definition of what they mean: *How easily, how quickly and at what cost can you access cash that you thought you'd be able to access?* It is a big question for lenders, businesses and investors alike.

It is an especially big question when your business model or lending model is almost completely dependent on the answers being, for at least some markets, “Really easily, basically immediately and at current fair value.” Unsurprisingly, among the first of the Federal Reserve's policy actions was to ensure that cash was accessible in the markets where participants are most “invested” in that being the answer. Treasury markets. Very short-term funding markets for banks and corporations. That sort of thing.

Not that complicated at this point.

When the Federal Reserve steps in to ensure ‘liquidity’ in really short-term lending markets, the Fed is effectively telling the market, “The price y'all are setting for cash is way too high for banks and companies reliant on commercial paper to function. We told you what we thought the price of this stuff should be, but now we're going to force it.” Treasuries are a *little* bit of a gray area, but these are *more or less* pure liquidity operations. Is it intervention in markets? Of course it is. Should the Fed be charging *more* than they are given that the market has been telling us through repo markets that the real price of money is higher since well before COVID-19 raised its ugly head? Yeah, they should. But this is one of the reasons we have a central bank.

Still, ‘liquidity’ is a funny term. A ‘bear market’ is when we hate the prices that the market is coming up with. An ‘illiquid market’ is when we hate the prices the market is coming up with AND want to give a regulator the narrative cover of a ‘broken market’ to step in and ‘fix’ them. Even with what we might characterize as *pure* liquidity operations, we are technically bailing businesses out of the dangers of a leveraged dependence on a stable price of money. And with a few exceptions, we’ve generally determined that we’re OK with that, because we can’t figure out a way to do banking and capital intensive businesses that help us all grow faster without providing that crisis insurance. Fine.

It gets more complicated, however, when the Federal Reserve starts talking about the purchase of both primary and secondary issues of investment grade corporate and municipal debt, high yield debt and equities. Each of those, with the exception of equities, has been part of the Federal Reserve’s pandemic policy response thus far. That means that the Fed, through a dubiously constructed and funded set of SPVs, is buying these bonds or vehicles which own them. In turn, that means that the Fed is telling the market, “The prices y’all are coming up with for high yield bonds, investment grade bonds and municipal bonds are too low. We’re going to buy them and make those prices go up.”

If this were truly a “liquidity” operation, the argument would be that the low prices for this debt would constrain banks from lending and companies from getting cash that they need, which might cause some companies to go out of business when they were otherwise healthy. And to some extent, there are lenders whose lending constraints are somewhat influenced by the prices of these assets, so there’s a theoretical grain of truth in this. But in general, this *isn’t* really a liquidity operation. This falls closer on the spectrum to a price intervention operation. This is a determination that it isn’t *fair* that this market environment will make it more costly for some more debt-dependent companies to borrow. It is reasonable to be empathetic to those companies, but it is also reasonable to question whether “ensuring liquidity” really extends to “making sure that all risky borrowers are paying a price that doesn’t seem a bit too high.” It is even more reasonable to question whether “ensuring liquidity” really extends to “making sure that leveraged speculative buyers are not inordinately harmed by what we consider a short-term phenomenon.”

In other words, when the Fed or Wall Street missionaries tell you that the Fed is executing plans to improve market liquidity, or to fix the breakdown in credit markets, or to make sure that lending is available to a hurting economy, to one extent or another, they are telling the truth. They do.

But that is never the whole story.

You see, most of the institutions who are sensitive to interest rates and credit spreads are not primary lending institutions at all. They are investors and investment managers who have a structural mandate to own those things nearly all of the time, or else they are speculative institutions who are betting on a change in the price of those things. That is *not* a pejorative – there is nothing inherently evil about hedge funds; in fact, they are one of the most important remaining bastions for those who actually attempt to appropriately price capital.

But among both the *root causes* of the recent lack of liquidity in these markets and among the *beneficiaries* of Federal Reserve policies meant to remedy them, you will find each of these institutions. And among those institutions, there were dozens – hundreds, probably – who came into the month of March with extraordinary quantities of leverage in their portfolios. In other words, they borrowed money directly or indirectly through the partially collateralized use of derivative instruments to make bets on interest rates, currencies and credit instruments. When a global pandemic was looming, many of them did not see it as an opportunity to reduce the amount of risk they were taking. Many of

them continued to rely on discretionary (i.e. human-driven) or systematic (i.e. computer-driven) models for how risky those assets were and how related to one another they would be. Some *increased* their exposure, seeing it as an opportunity to make money for their investors in a time of crisis.

Those models frequently proved to be wrong. Grievously wrong. These funds lost tremendous sums, and then simultaneously lost tremendous sums on investments which they believed would diversify the first. They didn't. And so, as they responded to hemorrhaging asset values and clients providing notice that they wished to withdraw money, it was *these* institutions who were the suckers crowding into the exit.

The market is like a large movie theater with a small door. And the best way to detect a sucker is to see if his focus is on the size of the theater rather than that of the door.

Skin in the Game, by Nassim Nicholas Taleb

Yet the Federal Reserve's actions made suckers of us instead. When they began providing support to treasury securities, municipal debt and corporate debt securities in hopes that it might perhaps permit ongoing lending and borrowing activities to take place in the US, they also gave each of these investing and speculating institutions the ability to reduce their ownership in investments that had not worked. To survive to speculate another day.

Even if you believe that the drop in the prices of these assets in early March was a mechanistic, "fake" result of illiquidity and not an appropriate pricing by a functioning, if negative, market, it still remains that what the Federal Reserve undertook was AT BEST effectively a non-targeted, extremely below market cost bridge loan to all owners of debt securities. For hedge funds and CTAs, the Fed offered a mulligan on highly levered trades that missed out.

What many – including us – take issue with is that outside of true liquidity operations, the US government's chosen path for making sure businesses and families could access debt markets was only the hypothetical secondary effect of a policy whose primary effect was to bail hedge funds out of ruinously risky trades gone wrong and to bail bad businesses out of ruinous leverage on business models ill-suited for that capital structure.

Make no mistake: *if those trades had gone spectacularly well, neither you nor I would see dollar one.* When you hear people bemoaning the concentration of gains and the socialization of losses, this is what they mean.

The Fed's actions represent a gross inequity, the rough equivalent of dropping a trillion dollars from a blimp into a stadium full of billionaires, and then saying, "Well, how else are we going to get money into the hands of store owners and workers?"

That is when the Wall Street missionaries emerge to tell us that now isn't the time to seek justice. Now isn't the time to look for who did what, or who's going to be able to build another vacation house with the 2% management fees that were rescued. It's the same kind of defenses that are offered up in defense of rescuing equityholders instead of companies, since sometimes bankruptcies end in job losses, and are you *really* recommending that people lose their jobs? Right now? If the Fed didn't step in like this, and if we didn't bail out shareholders, everyone might be hurt in the short run. Now is not the time for creative destruction!

Fine. Let's all live in the fantasyland in which we pretend that the Fed's and Congress's actions were wholly motivated by "the real economy" and not asset prices for the benefit of highly leveraged investors. Doesn't matter. Because this essay ain't about mistakes. This essay is about institutional failures.

For decades, we have permitted the financial services industry to repeatedly force us into **Hobson's Choices** at the end of every market cycle. Every cycle, Wall Street levers up and empowers cyclical sectors of the economy to lever up. When they do, they improve their returns in the interim, extract as much cash as possible and subject us all to systemic risk in the process.

When that risk manifests, and it *always* does in some way "no one could have predicted", we are then told we must all share the burden for it, since now is not a time for blame! Real businesses and families are hurting, and not helping Wall Street right now would hurt them, too.

This is the institutional failure that has been laid bare by the world-as-it-is. Not the policy response. The fact that the policy response will always look like this. Every cycle. And once again we can choose, because this is a fixable problem. For my part?

Whatever we decide tomorrow will look like, we must not forget how Wall Street has not represented our interests.

Congress

I won't lie to you. Congress has no stable institutional narrative. Never has. Insert the Mark Twain quotation of your choosing here.

There is the occasional hero story, of course, in which some American political tribe pretends for a moment that some representative or senator is acting for the benefit of the people.

I'm not immune. For a brief moment before he seemingly disappeared forever, I thought Ben Sasse was The Answer.

Even *those* stories are dead.

Today, everybody knows that everybody knows that Congress can't even pass an historic, once-in-a-lifetime emergency bill for a global pandemic without inserting into it every possible personal cause, special interest or political ambition.



Frankly, in context of *most* government actions, you could even make the argument that the CARES Act is a decent bill. Relatively speaking, anyway. It contains a lot of direct aid to Americans, through direct payments, unemployment extensions, small business lending and temporary (he said, tentatively) expansions of various social safety net programs.

Along with a bunch of other ridiculous shit.

There's \$17 billion for "businesses critical to maintaining national security", which is regulation-speak for bailing out Boeing shareholders for management's disastrous execution of the 737 Max, and pretending it had anything to do with the COVID-19 pandemic.

There's a provision that prohibits use of funding for a wall with Mexico.

There's a provision that prevents recipients of loans permitted by the Act take in actions in response to labor union formation.

There's a provision that squeezed in shortened approval processes for drugs that have nothing to do with COVID-19. Oh, and also sunscreen. The FDA is now required from congress not to review a particular sunscreen ingredient.

It was important to the nation's healing from COVID-19 to permit the use of HSA funds to purchase menstrual care products.

There's the usual ag stuff, because no bill from US Congress is complete and no congressman from Iowa electable without it.

Oh, and nothing says, "Let's urgently help businesses and families recover from this pandemic" like a fully funded abstinence program.

Or a rousing performance at the newly funded Kennedy Center, which responded to its windfall by proceeding to furlough just about everybody left on staff.

That's just the nonsense that got into the bill. Some of the proposals from both sides of the aisle were shocking, even by congressional standards. Most damning, of course, is the complicated tiering for phase-outs of the household checks, the lack of effort to accelerate the processing of those payments, and the week of near-silence on the almost-certain oversubscription of the SBA facility provided by the initial bill.

Perhaps all of this seems fairly perfunctory, and it is. The latest institutional failure is, in fact, the usual institutional failure of Congress: that it boasts of some special expertise for the identification of need and the allocation of resources to direct it.

Yet the uniqueness of the pandemic and the immediate shutdown of many sectors of the economy warranted rapid, simple, easy-to-process payments to families and businesses to fill the gaps. Instead, we got this.

Whatever we decide tomorrow will look like, we must not forget how Congress has not represented our interests.

The White House

Perhaps you found it conspicuous that the US presidency and Donald Trump didn't show up until the end of this list. The White House is here in part because many of the institutional failures and mistakes described above are *also* effectively the institutional failures and mistakes of the White House. The FDA and CDC are both part of President Trump's Department of Health and Human Services. So, too, are the Surgeon General and the United States Public Health Service, which we have so far let off the hook for their brazen participation in the nudging state behavior surrounding the use of masks by citizens.

Perhaps you also found it conspicuous that this example isn't getting the same clever little device that the others did. You know, where we would say that the White House told us a story about who it was, but then a lot of people died and now that story is dead?

I didn't say that...because the story *isn't* dead. The narrative of the US Presidency is alive and well. And that's a problem.



When we published the words below on February 10th, we wrote them about the Chinese Communist Party.

More importantly, I also believe that Chinese epidemic-fighting policy – just like American war-fighting policy in the Vietnam War – is now being driven by the narrative requirement to find and count the “right number” of coronavirus casualties.

Body Count (February 10, 2020)

Our contention – our fear – was that the cartoonification of coronavirus figures by governments would lead to policies which sought to optimize the cartoon rather than the world-as-it-is. A government which abstracts a pandemic crisis into the “right number” of infections being reported about it will be inclined to direct policies which reduce the number of infections being reported.

There are a lot of ways to do that.

You can lie.

Because of all we’ve done, the risk to the American people remains very low...the level that we’ve had in our country is very low and those people are getting better, or we think that in almost all cases, the better they’re getting.

President Donald Trump, in White House Press Conference on February 27, 2020

You can change what is being measured.

I like the numbers being where they are. I don't need to have the numbers double because of one ship that wasn't our fault.

President Donald Trump, in speech on March 6, 2020

You can maintain an artificially restrictive set of testing criteria to minimize the testing taking place over an extended period.

Don't Test, Don't Tell: The Bureaucratic Bungling of COVID-19 Tests

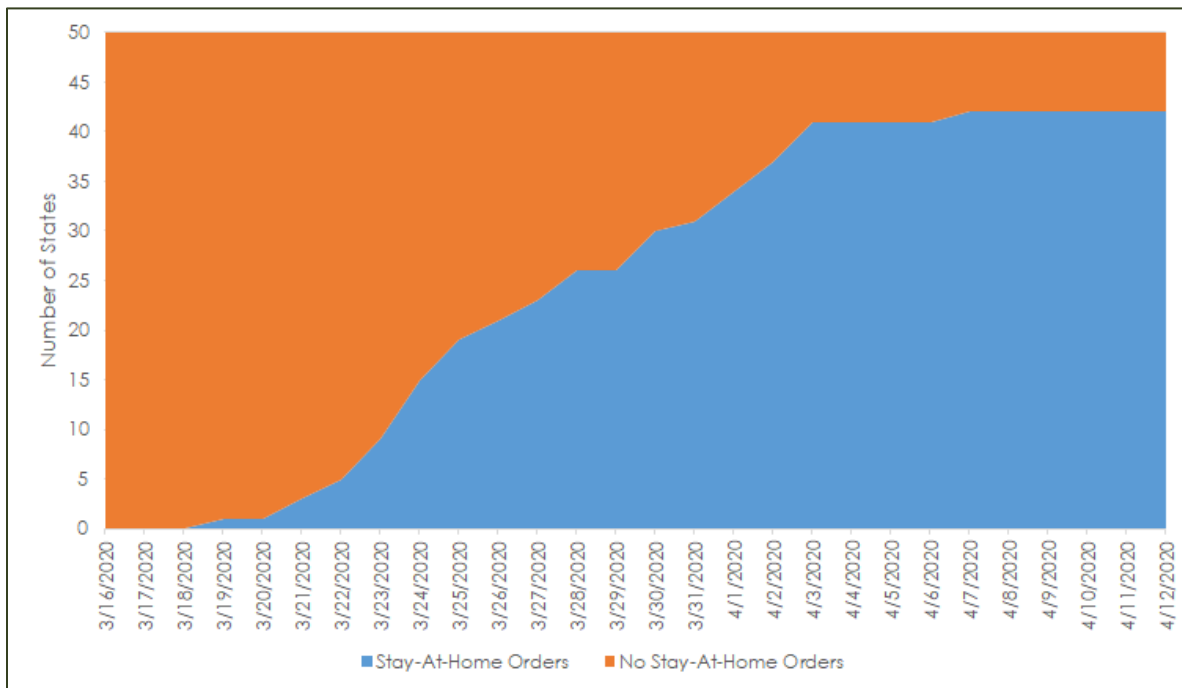
The White House has said that it acted early – and against the grain of a biased national media who promoted the idea that he was overreacting – to cut off travel from China. That is correct. It did (and they did). That action almost certainly slowed the spread and saved lives. *Of course it did*, despite the post hoc face-saving thinkpieces from late-to-the-game outlets making tortured arguments that it didn't. Same thing on Europe, frankly. The White House has also said that it was ahead of the curve in identifying some of the problems with the relocation of American manufacturing and key industries overseas (even if the policies driven by those beliefs were not entirely productive). That is also correct. It was.

All that is true. What is also true is that by the time the United States had tested 1,000 Americans for COVID-19, France had tested five times as many, Italy had tested 34 times as many, and Korea had tested 157 times as many. What is also true is that widespread testing did not begin taking place in the United States until March 15th, weeks after evidence of community spread in multiple locations had emerged.

What is also true is that when Larry Kudlow, Trump's senior economic adviser, went on CNBC on February 25th to say, "We have contained this – I won't say airtight, but pretty close to airtight," the virus was spreading unchecked and untested in New York, New Jersey, California, Washington, Connecticut, Louisiana, Colorado and almost *certainly* many other states.

What is also true is that the repeated attempts to downplay the risk posed by the COVID-19 pandemic to Americans by the White House between February and mid-March – including President Trump, Vice President Pence, and many of their advisers on many occasions – had the direct effect of slowing the implementation of social distancing measures made necessary by the lack of effective testing across the nation. We only hit the halfway mark for US states one day or two before the calendar flipped over to April.

That was basically two weeks ago.



We can never directly attribute a death to any one of these failures. But log growth isn't hard, and most Americans are plenty capable of grappling with its implications. Even two weeks of curve-slowng would very likely have spared Americans from hundreds of thousands of infections and thousands of deaths. It could have drastically changed the economic response that was necessary to slow the spread. And two weeks is about as charitable an interpretation as it possible to grant.

And now, when we are at perhaps the *second* most critical juncture in the pandemic process – when and how to rescind stay-at-home orders and social distancing measures, the administration has unveiled their suggestion.



God help us.

Whatever we decide tomorrow will look like, we must not forget how Donald Trump and the White House have not represented our interests.

We could call these ‘mistakes’ – big mistakes, to be sure – but we would be wrong. The errors made by the executive branch in response to the COVID-19 pandemic were *not* uncertain bets on evidence that simply turned out to be wrong. They were *not* procedural failures in execution. They were *not* the result of breakdowns in communication.

These policies were the inevitable outcome of the need for the White House to promote its preferred narrative about the pandemic: “We’ve got this under control! Don’t sell your stocks!”

Yet when the mortuary refrigerator trucks started showing up, even that narrative started to lose its war to the world-as-it-is. That was the moment when the true, most powerfully institutionalized American narrative of all emerged. The sustaining energy of the **Widening Gyre**:

That we can fix it all if we just elect the right person to be president.

Bullshit.

Look, vote out Trump because of this botch job. Keep him in because you think he’s been given an unfair rap by the media relative to all the *other* people and institutions who screwed up even more. I don’t care. I’m not telling you how to vote. Not even telling you *whether* to vote. And I’m *absolutely* not telling you how to weigh how every institution screwed up, or how we ought to apportion the blame for this nightmare among the CCP, the WHO, the CDC, the FDA, Congress, Donald Trump or your local crackpot governor who claims we only learned about this coronavirus’s asymptomatic transmission in late March. I **am** telling you that the more we go through that process, the more we will lose sight of our true opportunity here.

The more we subject ourselves to “Call it the Trumpvirus” or “Call it the Chinavirus”. The more we subject ourselves to cringeworthy Trump pressers blaming the WHO, CDC, China and FDA, or to left-wing fantasyland Op-Eds pretending that the media have been bravely reporting the dangers since November. The more we subject ourselves to “hydroxychloroquine is the miracle cure and the media is downplaying it because they hate Trump” truthers, or to “Trump is only pushing hydroxychloroquine because his blind trust owns an index fund that owns shares in Teva” truthers. The more we subject ourselves to the *brutal* political ads we are going to start seeing en masse once the deaths in New York slow down. The more we do ALL of these things, the more we will start to believe this myth that the Widening Gyre will plant in our brains: *that what matters here, the way that we fix this kind of thing so that it can’t happen again is that we make the right decisions in the voting booth this fall.*

That is the mess of pottage we are being offered for our birthright. Reject it. Reject it utterly.

Friends, for the first time in any of our lifetimes, everyone around us is seeing the same things that we are seeing about the same institutions. They know the same things we know. We may all observe in real-time the brokenness of a fragile economic system built on the present-efficient tools of the **Long Now**, the over-optimization of cash, inventory, supply chains, operating and financial leverage. We may all observe in real-time how complexity makes liars out of global institutions designed with political pacification of the masses (“All is well!”) as their primary purpose. We may all observe in real-time the condescending moral bankruptcy of the nudging state who would tell us noble lies to conserve masks and limit fear or “moral hazard”, or the nudging oligarchy who would lie that saving companies and jobs means that we must bail out equityholders! Before long, we will observe in real-time both politicians and corporations who see long-term benefits in making permanent the temporary restrictions on liberty we have accepted and will accept to protect us and transition us back to a functioning economy.

Far more importantly, however, we may all see in real-time how the strength we *have* shown as a nation did not come from faceless institutions, but from the efforts and sacrifices of individuals, families, associations, communities, towns and tribes, connected by both the value they place in each other AND in the values they share.

We all see it now.

And We. Must. Not. Forget.

In finance, you make a career by forgetting. You make a cushy, low-risk career not by spotting big changes in the world, but by betting that the world will usually go back to the way it was, more or less. Because that’s what it usually does. And when they miss the big changes happening in the world, cynical rent-seekers in our cynical industry shrug and say, “Oh well, no one could have predicted it.”

I will let you in on a secret: those people are the reason why the world goes back to the way it was.

Strive against these people.

Seek your pack.

Find how to make it resilient.

Never again yield your life to any fragile institution.

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