



AxisofEasy Salon #10

When Maximum Pessimism and Traditional Exuberance were mutually exclusive

Mark Jeftovic, Jesse Hirsh, and Charles Hugh Smith

Mark Jeftovic:

Last episode two we talked about – but Charles, I do know you have a hard cutoff, so

Charles Hugh Smith:

Yeah, well you know, I mean, in like an hour.

[opening credits]

Mark Jeftovic:

Hello everybody. This is Salon Number 10. The 10th Salon with Charles Hugh Smith, Jesse Hirsch and myself, Mark E. Jeftovic. I'm going to put all this stuff away now.

How are you guys?

Jesse Hirsh:

The E stands for easy, right?

Mark Jeftovic:

That's right. Easy as my middle name.

Charles Hugh Smith:

Well, I'm interested in –

Jesse Hirsh:

How are you, Mark?

Mark Jeftovic:

I've been tense all week. I was telling you that on signal the other day. I just feel like...I don't know. It feels like things are hitting some kind of – something's gotta give, I don't know. It's really just stressful. I find my personal situation is not stressful, but the world

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just feels like it's building towards some kind of crescendo, I think. And it's driving me a little...I think I pick up on that tension and it drives me a little bonkers.

Jesse Hirsh:

Well, whoever had a **June 1:50** in the second wave pandemic pool, come collect your prize because it looks like that's what's going on, at least continentally speaking. There are lots of places in North America that are not seeing an uptake in infection or positive tests. But as a continent, I think our hopes of containing this have gone right out the window. And those who were cautiously optimistic or naively delusional are starting to understand the real power of this virus and the extent to which it can and will disrupt society.

Charles Hugh Smith:

Yeah. I'm going to stand in line to collect that prize because I put on my blog post today, or last night, this chart that I drew up on February 2nd, which I think is still playing out rather nicely. It kind of called out. They're going to open up their thing to cities and say everything's going well. And we're going to get a vaccine soon, and all this kind of euphoric stuff. And then reality is going to hit. And the next stage in my little exponential chart is of course, the world wakes up to the fact that this is uncontrollable and the world – the global economy is in a depression.

My first thoughts are the status quo has no plan B, right? In other words, all we can do is print money, shove it out to people, kind of fill some potholes and then hope it all kind of like magically resource itself into the the extremes that seemed to be clinging on three months ago. So they don't really have a Plan B. And I think that's part of the schizophrenia that we're seeing because they have to sell a euphoric positive narrative. Because they don't really have any other option that those of us who are willing to embrace degrowth are on the margins – they're on the extreme margins. Living in the Ottawa Valley and in our mental mindscapes, we're on it. We're definitely on the margin. So I think that's one of the drivers.

Charles Hugh Smith:

So the thing in the email I sent out this morning when we were lining up today's call, I said what do you do when maximum pessimism and irrational exuberance are coexisting at the same time? Because that's the cognitive dissonance that I'm experiencing right now. And it's not that I was pessimistic or wanted to be pessimistic. Or sorry, the other way around.

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It's not that I was optimistic or wanted to be optimistic. I just can't understand how stocks are going to all time highs and all that really matters is this kind of irrational exuberance of I saw some numbers print just before we got on this. That the unemployment rate was only 14 million or something like that. I just thought like, this is not good news. And, and yet the stock market's on fire and the streets are on fire. Simultaneously. At the same time.

Part of me is subscribed to the old John Templeton maxim where everyone is pessimistic, it's time to be optimistic. It's to be the contrarian. And, and at the same time, anyone who tried to be a contrarian through the last 10 years of irrational exuberance got their head handed to them. I don't mean just in terms of trading the markets or financially; it just feels like all the signaling really is broken and I've hit this exhaustion point where I don't know what to make of it anymore. And, you know, maybe I am looking at it too myopically, too self centered-ly. But over the last week, I was just thinking: should I just pull in, circle the wagons and just worry about making sure easy DNS is okay, making sure my family's okay, and just stop shouting at clouds and stop doing all the political philosophy because it's futility. And so that's kind of where I've hit this sort of a wall in the last week. And yet, I get a lot of people emailing me and I'm seeing a lot of good input on all three of what we're putting out in writing. So it feels like, against the backdrop of all that, we actually seem to be catching a little bit of traction. That people are looking for something that's not CNN, not Fox news, not Breitbart or Vox. Just somebody. People who are looking at this and just trying to parse through the data and make the best they can of it.

Jesse Hirsh:

You know, previously we've evoked 7:09 Isaac Asimov's foundation and sort of the moral or intellectual responsibility of thinking about knowledge in the midst of a civilization's collapse. Or, alternatively, thinking about knowledge in the building of a new civilization which may take hundreds of years or thousands of years. And I think that's where our work has relevance in, in spite of the, the, the momentum that this collapsed at. And it feels like there's nothing we can do to prevent the collapse, but there's still much that we can do to mitigate the worst acts of that collapse. To accelerate the alternative rising of ashes. Or I think from within, depending on how slow that collapse may be. I mean, one of the themes that I think all three of us are interested in is the corruption of elite. The incompetence of elite and the extent to which many civilizations are **built the self-serve elite [8:20]** which use the apparatus of power, the apparatus of economy, to enrich themselves. That they're **displace-friendly [8:29]**. They're not in control and that's part of why things are falling apart. And I think that creates an opportunity for a different narrative, a different approach. But your comments Mark also remind me that it's not just intellectual.

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that there's an emotional side to this that I think is just as important, if not more so than the intellectual. Not just because the people are [inadudible 8:53], And I think that also reinforces the value of work or all emotional importance that put in the effort to understand those emotions, and understand our society, and understand why we're yelling at clouds and why we're so pissed off. And to me, that's how I explain the irrational exuberance that we saw over the last two months. When the writing was on the wall, the place is on fire, get out. Run for your lives. And it was like, no, man, the party's going on, the roofs on fire. Let's not put it out. And so, I think finally that narrative is no longer feasible.

At the infection rates, not just in the United States – across Brazil, across Russia. Even China is now dealing with its own second wave. That in many places out of control, you know, the narrative of this is this is not a big deal. That period is done, right? And now, we're getting it back into the narrative of panic. There's those of us who've been like, we've been saying this for months and we think we have the roadmap.

It's a decentralized society. And it's based on cooperation. Based on decentralization. But then there are the others who go: No, no, no status quo is good. Don't worry. We'll put the money in the economy. We'll cut back. I think that narrative too is going to fail. So I think it's important that in pursuing the intellectual and pursuing the rational and the logical, we acknowledge the presence of emotion and the roles of emotion, because I think we are going to see panic in the next week in particular when it comes to the economy, as more people start to come to the position that Charles has had for quite some time, which is we're looking at a pretty big depression and not a short one.

Mark Jeftovic:

Let me just –

Charles, can I just – Hold that thought. Your sound is really bad today. So I'm wondering if I should take a second to bounce off the VPN here to try and improve my signal so that you're less choppy.

And the other thing I will mention, actually, I'm not going to mention that. I'm going to just do that. So everybody sit tight and then I will let Charles talk. hang on.

And we're all back. We're all back.

Charles Hugh Smith:

Yeah.

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Jesse Hirsh:

Yeah. We never left, but you're back.

Mark Jeftovic:

You guys flipped around on me. Anyhow, Charles go.

Charles Hugh Smith:

Okay. Yeah, I think Jesse raised a really interesting point that's often not been addressed at least in corporate media which is the emotional impact of all of this. We see anecdotal evidence of mental health hotlines, increasing suicides, higher, a lot of tragic results of the emotional burdens this is creating, even for myself. Which I feel like I'm one of the protected few, I guess, in the sense that I'm not in danger of losing my job and all that stuff. You know, I find the whole thing exhausting. I'm just like bloody tired. Mentally tired, emotionally tired, and even physically tired to some degree by the burdens of trying to navigate this. But you know, I've written just like the last couple of pieces which everybody's been able to see on Axis of Easy about the idea that the elites have lost control. If we put ourselves in their shoes, what's their response going to be? to surrender, of course not.

They're going to again, double, triple down, you know, like in other words, increase the euphoria. Jack the stock market up, you know, do everything within whatever's left in their power to evince the illusion that they're still in control of the social order and the economic order. And I would submit they're no longer really in control of those.

And then the other thing is just to remind the audience that what you know, Jesse and Mark and I have often written about and talked about is the extremes that were just considered normal. The old normal that ended in 2020. It was just a bunch of extremes. It was extreme monetary policy, extreme inequality, extreme corruption, extreme squandering of the Earth's resources. It was just nothing but one extreme piled on top of another.

And so it was inevitable that there was going to be a collapse of that kind of extreme system. So whatever the cost, now it's the lockdown. If we hadn't had the lockdown, nothing would have happened. And it's like, no. Then some other puff of air would have blown the whole thing over. And now the dominoes are falling, which is the piece – that's my current piece. And I think that's also emotionally devastating – To look at the dominoes and know that there's no way to stop them. It's like we're observers and the dominoes are

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falling. And so where does it end? And that's where we were talking about. We got to give people hope for something better. And so we have to talk about de growth. Likd well, Hey, look at that. System was insane, right? The one that's collapsing. That the dominoes are falling. So it's like good riddance as painful as it will be, you know? And there's a much better future ahead and we're going to sketch it out.

Mark Jeftovic:

Just before we started today, I finished a blog post which I haven't published yet on "out of the cave" called you want to talk a privilege? Okay, let's talk privilege.

And it's about the privilege that we all – I mean more so in the US, but Canada has been pretty much a beneficiary of the Bretton woods, US dollar as global reserve currency system for the entire Bretton Woods era. And if you want to talk about systemic privilege and structural inequality, there is nothing more structurally baked into the cake than the ability to print value out of thin air and have every other nation on the face of the earth use it to backstop their currency.

And that has led to this artificial inflation of living standards since the post World War II era that's centered around Pax Americana and the US dollar reserve system. And what I thought was that there's this privilege perimeter that used to be outside of the continental United States and probably outside of Canada until around maybe the time Nixon took the US dollar off the gold exchange. The gold convertible. And then that perimeter started to constrict. And people started to notice that the inequality that used to be externalized overseas now came home. And that Kantian effect, I rant about a lot where the people closest to the fed, to the central bank, to the money spigot, benefit the most. Where it used to be, the entire country would benefit. And all of the unhappy externalities were overseas. Now it's coming home to roost. And now that perimeter is getting smaller and smaller and smaller. And what feels like, you know, structural inequality is that perimeter shrinking inside the continental United States. And so the middle class is finding themselves for the first time outside of that perimeter and it's manifesting in all of this strife and civil unrest and all of that. Because this was all supposed to change after 2008. It was supposed to be – we're going to do a whole new reset and it was just a continuation of the same system that just accelerated this kind of inequality until we got to the point that we are here into Charles's point, then the Corona virus just came along and took the wind right out of the sails.

Jesse Hirsh:

It's funny, both of you guys describe a period of history, which, you know, my subjective experience was both immediate and frustrating. and I'll respond. I'll be an abstract with

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an anecdote. I remember in the late [inaudible 17:55], when I was a university student, I participated loosely in an occupation of one of the banks in downtown Toronto at King & Bay. So these are huge skyscrapers which are the headquarters. So the Canadian financial system, the Canadian banks, they're all located at this one intersection. And I can't remember which bank. I want to say It was RBC Royal Bank of Canada. It could have been Bank of Montreal where we occupied the foyer and all. I was kind of just hanging out. I was sort of a guy, so I was not organized. I didn't totally understand the law. And I think it was relatively spontaneous, but it was one of those situations where there was a march and the march led to the financial district. Because we were protesting the banks and capitalism. And then it went into the foyer of this bank and everyone's occupying, like, we're not going to leave. And no one wanted to come out.

Because symbolically to me, it was sort of recognition that the power wasn't here anymore. This may be the local headquarters of the bank, but there's revolt. There's no people, right? There's no actual money or value in the building. So the bank didn't really care that we were there. And then there was this surreal point, about 8 hours, 10 hours into the occupation where the bank issued a press release saying we support the protestors protesting against the government. And the government issued a press release saying, We support the protesters in their protest against the banks. And it's a very surreal, symbolic omen of the reality. Of the idea that the bank itself is the center of power. The occupation of the bank was totally meaningless and the powers were in no way threatened. And we're perfectly fine for this little spectacle to happen. And of course, eventually, people got tired and they went home because they realized that there wasn't much being accomplished by this particular occupation.

So on the one hand, I think it speaks to the abstraction – the financialization of our system that is not only enabled by digital technology and globalization, but it divorces the material reality that people are used to from the power of money as a virtual concept that can be created without controls and without limits. It also strikes me as a kind of awareness amongst the people that they had little avenues for change. That if they didn't like things, they used to think that they could march in the streets. They used to think that they could occupy the halls of power. But it turns out you can't, that it doesn't accomplish much.

And I use this as a personal anecdote to also kind of suggest that Occupy Wall Street, which was a huge social movement, not just in New York, but around the world, and really articulated the concept of the 1% and the idea that the tiny elite control the economy were largely ineffective. I mean, the fact they have at raising awareness was effective at getting people to understand what was going on, but did they stop the 1%? Did they stop the power of wall street? No, not at all. That the physical occupation of wall street did not in any way impact the way in which wall street works. So I think to go back to this idea of

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we're observing the dominoes falling, and there's not much we can do, I think agency is part of the problem. That people don't know how they could be a part of it. They don't know how they can be active participants in their democratic society.

And that from a depressing perspective, is part of why I feel we're already in the authoritarian regime. We're already in the authoritarian era. We're the frogs who've been boiled so slowly that we're only now going shit. The water is hot and it's boiling. Maybe we should jump out and most people are like, I don't know. It feels like a good hot tub to me.

Charles Hugh Smith:

Mark, go ahead.

Mark Jeftovic:

I was going to say the most radical thing that actually accomplished something was Bitcoin and the whole cryptocurrency blockchain de-centralization revolution, really. And I think it's still in the early innings to see how it's going to play out, but it was the first thing that actually fired a shot across the bow of these institutional –

Jesse Hirsh:

See, without getting too deep into it, I would put Bitcoin on the same level as Occupy Wall Street with the exception being that Bitcoin is still in the game to use your metaphor. So it still has a chance. but I would argue that what Bitcoin has accomplished was awareness, which is what Occupy Wall Street accomplished. Occupy Wall Street did not accomplish structural change nor has Bitcoin yet but I would agree to you that they're still in the game.

Mark Jeftovic:

I don't know about that because Bitcoin has created a new asset class. And I think that's the under appreciated thing about Bitcoin and cryptocurrencies themselves. Is that there has been no real change in the former structure of money in hundreds of years, until Bitcoin came along. And it actually created a new financial asset that was not built on debt and had no counter party.

And that's what took the creation of value away from the central bankers. And that is such a huge deal because whoever controls the monetary system controls society. And that

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fact, that central fact, is lost on the majority of people and the authors that I always come back to who documented this the most, where Steven's Arlinga Who wrote the book –

Jesse Hirsh:

You've, you've made this point successfully with us. I'm just suggesting that the people who control Bitcoin are not the people I want controlling society. So that's why I'm suggesting that there's still work needs to be done for me to feel that we're headed in the right direction rather than heading into something worse.

Mark Jeftovic:

Oh no doubt.

Jesse Hirsh:

Now let's throw to Charles.

Charles Hugh Smith:

Well, let me back track a little bit to your last two points.

Mark, I thought you did a very good job of summarizing what I've called the neo-colonial neo-feudal model, which is when the systems run out of developing world countries. That it can exploit on the colonial model. It's come home in a neo-colonial thing and it's now exploiting the home population because that's all that's left. And so, neo-colonial model is like neo feudal, because it uses debt, right? You're not in servitude to the nobility in the medieval fashion, but you are in servitude to the nobility in terms of you owe them money. And they'll take away your agency in life if you don't continue making your payments.

Mark Jeftovic:

And the money you're using is actually debt. But back over to you.

Charles Hugh Smith:

Right, right. I think that that's a very interesting structure because what you described – because I think it's true. And I think it's it's kind of cannibalizing. The system is now cannibalizing itself. It's run out of other nations that it can can sort of strip mine and exploit except through the currency. And I just want to add a footnote. The game that's being

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played now globally is how do you hit your ride to the global benefits of the dollar installer reserve currency. Well, you peg to it.

So the Chinese have successfully attached their cart to the dollar for the last 30 years by pegging the RMB to the dollar. And so they've been able to print money themselves because they're like saying, wow, look at us. We're pegged to the US dollar. So people are accepting these Yuan RMB that's just as fiat as anything printed by the federal reserve. So, and then what happens is you get called on that at some point, like Thai central bank timeline. They had pegged to the dollar too, and then eventually the market called them on it. And then it was triggered a crisis and devaluation because it was like, well, you guys just chose a peg out of thin air. That that's not good enough. And so that's the vulnerability of any reserve currency and everybody pegging to it just as a side topic. But I want to talk real quickly to Jesse's point, which is where is the leverage point that threatens the status quo, the current arrangement?

And you know, I think your point is extremely valuable that the normal sort of political churn isn't really threatening. And we're seeing that even when they burned down huge chunks of the inner city, it's all like: Oh, everybody is saying, Oh yeah, that's wonderful. We're going to reopen Walmart blah, blah, blah. So it didn't really threaten them because they're making their money through financialization and globalization. Not through actual sales.

And then to go back to an anecdotal thing, what did threaten the establishment in the US was draft resistance in the Vietnam war that **panicked [28:04]** the central power. And anecdotally I've read it that the FBI abandoned all of its efforts to combat organized crime and devoted virtually every waking minute to tracking down draft dodgers. And I have personal experience with this because I was with a friend who was arrested by the FBI who showed up in force and and it was all like, wait a minute, we're just like a couple of kids in Honolulu.

I mean, but no, the FBI that was the **task** of that era.

Mark Jeftovic:

What did you do during that era, Charles?

Charles Hugh Smith:

Well, I was at the tail end of it. And so I applied for conscientious objector status and I did get that, but of course that didn't mean that you weren't going to serve in some capacity.

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I didn't burn the draft card, but since I was with my friend then, I was interrogated by the FBI, which it's just not a fun thing when you're 19 years old. And so, and they were tracking. What they wanted to get out of me was who else I knew who was a draft resistor because they wanted to nail them.

Mark jeftovic:

We need names.

Charles Hugh Smith:

Yeah, We need names. Yeah.

So I think Jesse's point is really interesting because we should be asking, well, where is the leverage point in the status quo? What would they be threatened by? And I would say it's by no longer borrowing money and no longer spending money. I think that's what they'd be terrified of.

Mark Jeftovic:

Yeah. Reducing debt.

Jesse Hirsh:

Which makes sense given what they're saying in the media. sorry, go ahead, Mark.

Mark Jeftovic:

Yeah. What I always tell people, like just the sort of short bullet point thing is: own gold, have some crypto, reduce debt, stop watching television, read more books and start your own business. That's how you radicalize yourself. And if everyone did that, it would – well, not everyone, but if enough people do it then you start to get that decentralized kind of traction momentum going.

I don't want to make too esoterical reference, Charles. Were the kids in the hall a thing in the US? I mean, I know Jesse knows him. They were like a comedy troupe here in Canada. Have you ever heard of them?

Jesse Hirsh:

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They were in NBC for a bit.

Mark Jeftovic:

They were what?

Jesse Hirsh:

They were on NBC for a bit.

Mark Jeftovic:

It's just the whole conversation about financialization reminds me of one of their skits where the guys in the laundromat was doing laundry and Dave Foley, sitting, suddenly kind of springs out. Hey, I want to talk to you for a minute. I want to like talk to you about monetizing your underwear. And the guy's like, what? You want my underwear? It's like, no, no, no, no, we don't want your underwear. We make money over the idea of monetizing your underwear. And they go back and forth in these circular abstractions for awhile. And that was it. He met this guy in a Laundromat whose financial model was monetizing the idea of your underwear. And that's kind of where we are today. Like when Hertz, who's bankrupt, was going to issue a billion dollars of stock, like it's instantly worthless equity. That all the kids on Robinhood were going to buy. And you know, the SEC finally flew a penalty flag on that one and said, no, you cannot issue new stock when you're bankrupt. But that's, you know, that's financialization [inaudible 31:55]

Jesse Hirsh:

I mean, I'm curious Mark, to hear you elaborate more about the kids on Robinhood, because as someone who is not in that world, I'm seeing that come up more because I'm reading, interesting. I guess anecdotes is the best way to describe it. That there are more people dabbling in day trading right now. In particular, people who have no business doing so. But they're not working. They're at home. They're anxious about the future. Like every arrogant person think that they're smarter than everybody else and are therefore taking what little money they have to double down, which is ironic because we're talking about that it's the opposite of that. That would be a threat to the system. It's exactly what the system is trying to induce people into doing through its own narratives of there's nothing to fear here, but hey, this is a real opportunity to make money.

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Mark Jeftovic:

Well, you just sent me off in a million different directions. Yes. The system induces you further out the risk curve because they've kept interest rates low for over 10 years and they'll probably go negative. So they're compelling you out the risk curve. The Robinhood kids. I've heard that one of the catalysts behind all this is because major league sports are done. Like they're over right now, so the whole sports –

Jesse Hirsh:

Yeah. They need something to gamble on.

Mark Jeftovic:

Exactly. And they're taking their stimulus checks and their paycheck protection checks and putting it into Robinhood because everything goes up. I mean, that's the thing. So the evangelist of this is a guy named Dave Portnoy from Barstool Sports.

Jesse Hirsh:

What's the significance of Robinhood?

Mark Jeftovic:

So the Robinhood is a trading platform, so there's no trading commissions. Okay.

Jesse Hirsh:

But it's the trading platform that basically spies on people's intent.

Mark Jeftovic:

And yeah, that is how they do it.

Jesse Hirsh:

And they started to jump ahead of the market, right?

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Mark Jeftovic:

So it's no trading commissions, so you trade for free because otherwise your trading costs would add up, but they sell the order flow to the high frequency traders. So then the HFT places can front run your order flow and just salami shave, you know, fractions of pennies.

Jesse Hirsh:

So if understand your analogy correctly, these are people who usually gamble on sports. So these are the biggest suckers around who are showing up at the most crooked casino that guarantees the house is going to win. And yet this is where they're going to play.

Mark Jeftovic:

Pretty much. Yeah. And I've heard, and I don't know if I heard this before. I heard of Robinhood. So I don't know if it's the same thing, but I've heard like – you remember those old hot or not apps that people would like to put a picture on and you'd kind of go yes or no and swipe left or swipe right? Well they do that for stocks now.

So it kind of like stick Tesla and I'll buy that; and no, not that. So you're just kind of like swiping, swiping, you know? Yeah. And so, it's all this kind of like gamified dopamine hit. And they're not wrong because the fed's going to just do whatever it takes to make sure everything keeps going up. The stock market comes off 5% and there's practically a federal inquest into it.

Why did this happen? And so you know, I've listened to some pretty enlightened investors who are just throwing their hands up in the air. They're not wrong. Why wouldn't you do this? This is actually now the work of a rational actor. And in fact, there's –

Jesse Hirsh:

Well, I mean I think you're getting carried away. I think that, yes, the fools are right to not think they're fools, but they're still fools and they're still going to get burned. And the volatility of the market means that the higher frequency traders are the ones who are going to win. And the people making bets are just never going to be fast enough to actually see those bets succeed in the long term. Or am I wrong in thinking that?

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AxisofEasy Salon #10

When Maximum Pessimism and Traditional Exuberance were mutually exclusive

Mark Jeftovic, Jesse Hirsh, and Charles Hugh Smith

Mark Jeftovic:

I mean, yes. I mean, that is the cognitive dissonance that's going on right now. What is happening should absolutely not be happening, but it's happening. And there's every indication. Everything is reliant upon this continuing to happen. Because if this game is over, the entire game is over. So there is so much will to keep this bubble inflating that these people being right for the wrong reason, doesn't matter. It has to keep going.

So there's this meme going around where it's like a three panel thing. And it's like IQ below 100, stocks are going up, buy the stocks. And then IQ between 100 and 130 is like, this doesn't seem right. Nothing's going, why would you do this? And then IQ above 130, stocks are going up. So buy the stocks. Because even the super sophisticated, next level investor is looking at this, realizing that even the second and third order of this is that it's still has to go up. It's really.

And so the only salvation I've found out of all of this is Bill Fleckenstein's observation, that he said it in more than one podcast. That he says, if you really are disgusted with the dynamic in the financial markets, the only viable way to express a short thesis against it, short of like shorting the central bank so that every country on the planet is to go along gold. That's it. Because everything they do to keep the bubble going is wind at gold and precious metals back because that's where the smart money understands that it can only really be a one-way bet in that direction for this to continue. And the alternative is, I mean, it kind of goes back to maximum pessimism and irrational exuberance coexisting at the same time. And after I sent that email this morning, I wrote Schrodinger's cat underneath the two of them on my notepad. It's that quantum state that both States are existing simultaneously until an external observer to the system collapses the wave function and it assumes one state or the other.

And you know, that, I think that external observation is coming at us like a freight train.

Charles Hugh Smith:

Yeah. That's, that's a fascinating analogy show because I was going to bring up by way an anecdote to 1999, 2000 tech bubble, where – I don't know where you guys were. Jesse, you probably weren't trading stocks. I was – a lot of people were just like now, and it was one of those things. You just buy a tech stock. And if you were lucky, it went up 40% in a week. And if you were unlucky, went up 40% in a month. And I knew we had



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some friends, one of whom worked at Oracle down in the peninsula. And she said that in the lunch room, people were trading stocks just to make lunch money. Like if you could clear 10 bucks, you did good. And this was when the commissions were \$10. So you'd have to make 20 bucks on that trade to net \$10. So it was just this kind of frivolous thing that, which I think the psychology is pretty appealing. You know, dopamine, et cetera.

And the Robinhood crew is in that. But I want to raise a point here. One of my pet theories. And I just imagined me putting on my tinfoil hat here. But I'm really skeptical of the idea that the market is going to continue to rise through the US election for the reason that the deep state has been trying to draw a target on Donald Trump's back for four years, right? Everything they've shot has failed, every arrow missed him. And so now they've got one card left, which is the stock market, which is the feather in his cap, the one that he's the proudest of, and he's basically hitched his cart to the stock market.

You know, live or die stock market goes up. I'm a fantastic leader. So what would the deep state need to do to crush the market? Well, they need to get to Jerome Powell and the rest of the fed governors and just tell them, Hey, you're going to have to take one here for the team. No more money printing. You make whatever excuse you got to do, but you are not going to live to see the day where you're going to allow the market to skyrocket into September and October. You're going to have an accident. We make it clear enough? And so we already see the fed hasn't jacked up its balance sheet in three weeks.

And so I just think the fed federal reserve likes to claim it's not political, it's apolitical. It stands above politics, et cetera, et cetera, but we know that's not, that's just not the way government works, right? So, any institutions work. So isn't there going to be tremendous pressure on the federal reserve to empty the punchbowl? Because if they let the stock market continue soaring through September/October, they're basically handing Trump the election. And I don't think the deep state is going to be too happy with that idea.

Jesse Hirsh:

I also just don't, given the pandemic. I don't see the market going up in that period anyway. I mean, no matter how foolish some of these traders are, at some point, I think the reality of this pandemic is not only does it depict an economy that is completely devastated, but a psychology. A collective psychology that I think will override this irrational exuberance. And that's where I understand that in between the first wave and the second wave, there was room for all sorts of optimism, all sorts of beliefs that this was small. I mean, this would be overcome. I still see people out of believing in a vaccine and thinking that a vaccine is going to provide an effective way out of this crisis.

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And I just bearish when it comes to the way in which this pandemic is going to play out. And I think that that is going to overcome the ludacris nature of capital markets presently, and will very much change the psychology of society as a whole. I think a parallel discussion to this is whether a lockdown will ever again be viable. And I'm not so sure it will. I kind of feel that the first lockdown was so mismanaged and psychologically devastating to many people. That lockdowns as a response are going to have decreasing effect and decrease in compliance. And I think the nature in which this pandemic is going to wreak havoc, not just in North America. What it's doing in Brazil right now is absolutely insane. You know, what it's doing in Russia is insane. What it's doing in South Africa is insane, right?

When you start looking at how this is going to devastate the the globalized economy, I don't think there's any way that whether the elite or whether those who just want to see stocks go up, aren't going to be able to put this Humpty Dumpty back together. I think we are quickly and rapidly shifting in to the battle for new narratives, which is both going to be how to respond to all the [inaudible 44:03] then to the who's responsible. And how did we get here? And why did this house of cards collapse so easily and quickly?

But I think given that one of the recurring themes of today's episode is the emotional and psychological impact of our current situation, I think that's going to be the overriding effect. I'm not convinced it's going to get rid of Trump. I think there's a lot of scenarios in which he remains empowered. And I think it is perfectly possible for the stock market to crash, for the economy to be visibly destroyed and for him to still be the president of the United States or whatever, you'd call him the chief executive of whatever the remains. And I think that that is a whole other dynamic to this dystopia that we should be cognizant of.

I did an event earlier this week for a Canadian audience – Canadian government audience. And it was a fairly optic. Took a fairly optimistic tone and everyone was like, yeah, we got this. We got it going on. And all I had to do was pull it out, read you this story happening [inaudible 45:21] and everyone sort of acknowledged. Okay. Yeah, you're right. We can pretend everything's okay. But you know, forest fires don't discriminate.

Mark Jeftovic:

We need to build a wall.

Jesse Hirsh:

Well, of what, you know? That's where I think we underestimate the psychological impact of what we're witnessing, which I think is going to tank global markets in all regards.

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Mark Jeftovic:

I think that psychological impact is – what's been weighing on me this week and leading into last week. I do tend to I think you may have something there that the stock market could crack in the economy while it has cracked. And you could still see Trump win the election because I just see the... I think when people look at what the George Florey protests have turned into or are turning into that that would scare them. And they're kind of looking at this saying, this is like anarchy in the streets and I think it's like, we'll take stability over your anarchy any day of the week. We don't care if it's this inarticulate, bumbling president over here. And we'll just go with what we know. I think that can be a big factor in November. But again, I mean, I don't want to prognosticate on us politics too much. It's just, I can't even picture it being in an election right now. I can't even imagine it.

Jesse Hirsh:

I was going to say, I think it's an assumption that there's an election. And that's why I use the word dystopia.

Mark Jeftovic:

I think that could be the next or one of the next sort of beats in this collapsing to a dark age story of like an election gone badly in the global superpower just kind of puts us into yet another pivotal marker in history. There was everything that happened before 9/11, then everything happened after 9/11, then it was everything before the financial crisis and everything after this financial crisis. And then it'll be everything before Coronavirus as distinct from everything after Coronavirus. And then the next beat in that sequence of Rubicon's could be everything before the US 2020 election and everything after. And if you notice those beats are coming closer together.

Jesse Hirsh:

Yeah. I don't think that the twin, I think they're going to call me **20 [48:08]**

Mark Jeftovic:

You think they're going to what? You broke up a bit.

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Jesse Hirsh:

I don't think It's going to be Coronavirus. I don't think it's going to be an election. I think this year is all going to be grouped into one big turd ball and will be regarded as such.

Mark Jeftovic:

I think if they call a force measure on the election in November, it will break the country apart. It will just be like, there will not be –

Jesse Hirsh:

I agree. I'm just saying they're going to call it 2020.

Mark Jeftovic:

Oh, I see what you mean. Yes.

Jesse Hirsh:

Or they'll call it zero.

Mark Jeftovic:

Yeah, yeah, yeah. I get what you mean. But the point remains that it's that sort of next seminal moment that really just breaks it wide open into brave new world, you know?

Jesse Hirsh:

Well, let's ask the American what he thinks.

Mark Jeftovic:

Beyond Thunderdome.

Charles Hugh Smith:

Well, I was just going to talk about how there's a couple of big us national parks that share park borders with Canada. So you go up there in the Glacier National Park and you just

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start hiking and Oh gosh, I got lost. And well, so can I catch a bus to the Ottawa Valley from here?

Jesse Hirsh:

Look, it's funny you say that, but there are actually a huge issue right now with Americans who...cause our borders closed, but the government is allowing Americans in who say they're going to Alaska. So they're not denying Americans who are claiming that they are taking roads to get to America. But it turns out that they're taking detours to go to places like Banff and Jasper and other nice locations, at which point Canadians are vandalizing their cars because they don't want the virus.

They don't want Americans in the country. So you're right. That our borders' porous, but it's dangerous how people are reacting to Americans who have used that porous border to do some sightseeing.

Charles Hugh Smith:

Yeah. Well, that's interesting because that's an issue that's also present in Hawaii. That there's some backlash that citizen groups are now tracking down tourists who are violating the 14 day quarantine and they're being labeled snitches. But from the point of view of the residents here, it's all good. You know, if people are going to completely ignore our rules, then they should be arrested and sent back to wherever they came from. End of story. Goodbye. And so yeah, it's, it's a personal – it's a rational response. Why would you just say, Oh yeah, you can break our rules and spread the virus.

Yeah. So, yeah. Yeah. And there's just too many people in America. That's another issue. I mean, what do you do with 330 million people? It's a lot.

Jesse Hirsh:

There is a lot of wilderness though.

Charles Hugh Smith:

Yeah. A lot of wilderness, but you know, there's these questions in a lot of people's minds here about whether they're going to be an Exodus out of these urban jungles to rural

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towns and so on. And then it's like, well, there's a lot of land, but I don't know if there's enough houses, if like 20 million people decide to exit these rotting metropolises.

Mark Jeftovic:

I think there will be a massive deurbanization, like a secular shift. I'm not talking like it happens by the end of the year. I'm talking like the next 20 years. I think we'll see this. And it goes back to – I mentioned them in one of our podcasts.

And I forget his name now, but the guy who sent me his book like 15 years ago saying he called it Penturbia and there's going to be this big financial crisis and it will cause this deurbanization. I ordered his other book, which actually just came a couple of days ago. So I'm going to check that out.

But really, you know, people are going to follow Jesse, they're going to go to the Ottawa Valley. They're going to go to Perth County or the American equivalents. It makes too much sense not to do it.

Chares Hugh Smith:

That's a pretty good ending point. So I'll just start tracing out, you know my hiking roof and in glacier to the nearest bus stop. Then you know, Jesse, It sounds like you have plenty of land and I'll be happy to rehab a chicken coop or something. I've lived in 10 by 12 foot plywood shacks I made. They're really quite comfortable, I have to say.

Jesse Hirsh:

You haven't experienced the Ottawa Valley winter though.

Mark Jeftovic:

Yes.

Charles Hugh Smith:

We'll need the insulation for sure.

Mark Jeftovic:

See, winters in Canada is what separates the interlopers from the survivors. Right?

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That's that's what will keep the riffraff out.

Jesse Hirsh:

I think the riffraff are already here. We are the riffraff.

Mark Jeftovic:

Yeah.

Okay, guys, you want to leave it there for this week? So look for us on Stitcher, Spotify, or YouTube channel. like us comment, tell all your friends.

And that was AxisofEasy Salon Number 10. See you in a week.

[closing credits]

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