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Greater Fool Theory: Financial and Political Markets

A long-standing observation in wild stock markets is the “Greater Fool Theory”. Which is a practical explanation of compulsively buying a soaring market. At excessive valuations, buying the hot stock today assumes that another fool will bid it higher tomorrow. And beyond. Such recklessness typically marks the buying climax that completes a bull market.

Intense political action also seems to be reaching a mania. This and the consequent reversals have happened before.

Of course, in retrospect the buying frenzy can be widely seen as foolishness. Chagrin, dismay and sometimes insolvency follows. Like clockwork.

And also of course, extreme passions have been expressed in the political markets. Foolishness, chagrin and dismay are likely to follow. Are Dems running on the “Greater Fool Theory” now? Don’t have to decide for yourself. Here’s what Bernie Sanders stated recently ***“Many of the ideas we fought for, that just a few years ago were considered radical, are now mainstream”***.

It is fascinating that a “straight up” market has been accompanied by virtually the same thing in politics.

Participants in both financial and political arenas have been compulsively outbidding each other.

The intensity of the activists (Antifa, BLM and Democrats) is approaching that seen early in the Russian and French Revolutions. Both occurred during highly speculative action in stocks and commodities.

Another example was the “Sturm und Drang” movement that roiled Europe. The final huge surge in the financial side of it completed in 1825 and consequent asset deflation was accompanied by deflating political ambitions and agitations.

The turmoil of the Revolution and Napoleon finally ended.

However, one of England’s greatest bankers in the 1860s dryly observed ***“No warning can save people determined to grow suddenly rich”***.

In the case of the ambitious Left, “suddenly rich” now means advancing your political quest for position and power. Everyone must be controlled and “you must listen” to the experts. And always for “your own good”.

Political and financial markets also became wild in the early 1900s. Under the guidance of neurotic intellectuals Russia had their murderous revolution. The Webbs in England promoted “Fabian Socialism”, as a fashionable alternative to Soviet mayhem. Also,

possibly their enthusiasm for violence was tempered by the obvious poor manners and tailors of the Bolsheviks.

Even American policymakers were nationalizing railroads until the financial and political violence completed in 1920. Wall Street was bombed on that September 6.

Russia went from full Communism to a softer socialism. The US changed to privatizing railroads. And late in the “Roaring Twenties” John Moody explained that it was a unique era based upon the change to practical politics creating more retail consumption in America and even in Europe.

Now, every left-wing politician, operator or media star seems crazed in trying to outdo each other with reckless intrusions upon the normal order of society. Obviously, a frenzy to impose control.

Similar volatility occurred in the late 1960s and was followed by deflating financial assets and political ambition. “Reagan Democrats” found a home in the GOP.

During the preceding troubles, stocks were flying, commodities soaring, and inflation was becoming concerning. Then, and it seemed suddenly, students were protesting with “What about the people?” which sounded like socialists in England. But without the accents.

However, there are differences. Then, rioters trashed and even burned campus offices. Most faculty were not revolutionaries. Today’s vandals have spared colleges; probably because most faculty are revolutionaries, at heart.

Radicals then funded themselves sometimes through bank robberies. The so-called Symbionese Liberation Army murdered bystanders while robbing banks.

Glaringly obvious is that the SLA was not professionally funded as today’s domestic terrorist groups are. Without sugar daddies, agitators could not afford months of rioting.

The equally aggressive Black Panthers were more widespread and dedicated to Marxist demands Capitalism was bad and everything should be free. Ironically, fund raising included buying bulk-discounted volumes of Mao’s *Little Red Book* and selling them at triple the price. Often in a manner that could not be refused.

And they had a chant that today’s MSM would herald “The Revolution has Come, it’s time to pick up the gun. Off the pigs!”

Beyond today’s funding and food trucks for the night-shift pros, there has been remarkable organization in spreading and arming the violence. Bricks and shields staged at convenient corners. Organized mayhem perhaps unseen since the street disorders in Germany in the early 1930s. Those conflicts involved two sets of professionals. Each with a distinguishing uniform, both desperate to impose their totalitarian visions.

The domestic team was the National Socialists who were contending against the visiting International Socialists, and the world eventually understood the horrors that go with experiments in unlimited government.

This writer’s independent research notes that the early 1900s started a long experiment in authoritarian government and the current attempt to corrupt the US Constitution is extraordinary but seems to be ending action. Indeed, ordinary voters or Hillary’s

“deplorables”, or the “petit bourgeois” as deplored by legions of European intellectuals, are beginning to say “enough”.

Indeed, the recession is emphasizing the differences between the governing classes and those who are ruled. In-your-face and in-you-wallet government is becoming altogether too much. And the financial markets are suffering a whack that typically precedes a severe contraction.

Financial expectations have become over-inflated and can suffer a profound deflation. Exhausted, the Left could lose its fever which would favor the Republicans on the November 3rd election.

Every successful reform has been conducted by ordinary folk.