

Unbelievable

"beyond upset"

– tweet from Owen Jones, 9 November 2016.

Yuval Noah Harari's book 'Sapiens' sets out asking a straightforward question. 100,000 years ago, there were at least six types of human species inhabiting the earth: *Homo soloensis*, *Homo rudolfensis*, *Homo ergaster*, *Homo erectus*, *Homo neanderthalensis*, and *Homo sapiens*. Now, there is just one: *Homo sapiens*, or us. How did we come to beat all the others to evolutionary victory ?

Harari's intriguing answer, or at least suggestion, is that it all comes down to belief. A village of a hundred people is small enough to look after itself; it has no need for external organisation or administration. But a city of a million ?

"Myths, it transpired, *are* stronger than anyone could have imagined. When the Agricultural Revolution opened opportunities for the creation of crowded cities and mighty empires, people invented stories about great gods, motherlands and joint stock companies to provide the needed social links. While human evolution was crawling at its usual snail's pace, the human imagination was building astounding networks of mass cooperation, unlike any other ever seen on earth."

To paraphrase Harari, *Homo sapiens* won because we are naturally drawn to stories. We like to tell them. We like to hear them. We like to believe them.

There have been two popular stories this year that turned out to be wrong. The first, narrated endlessly by the established powers that be, was that the UK would never vote to leave the EU. The second, narrated endlessly by the established powers that be, was that Americans would never vote for Donald Trump.

Both stories turned out to be wrong. They were, in other words, false narratives. Such is the danger of groupthink. As George S. Patton once remarked,

"If everyone is thinking alike, then somebody isn't thinking."

For the definitive account of why Brexit was such a shock to the British and European establishment, look no further than John Gray's outstanding piece for the New Statesman, ['The strange death of liberal politics'](#):

"Predictably, there is speculation that Brexit will not happen. If Britain can vote for Brexit, it is being argued, surely anything is possible. But those who think the vote can be overturned or ignored are telling us more about their own state of mind than developments in the real world. Like bedraggled courtiers fleeing Versailles after the French Revolution, they are unable to process the reversal that has occurred. Locked in a psychology of despair, anger and denial, they cannot help believing there will be a restoration of an order they believed was unshakeable..

There's more.

"As it is being used today, "populism" is a term of abuse applied by establishment thinkers to people whose lives they have not troubled to understand. A revolt of the masses is under way, but it is one in which those who have shaped policies over the past twenty years are more remote from reality than the ordinary men and women at whom they like to sneer. The interaction of a dysfunctional single currency and destructive austerity policies with the financial crisis has left most of Europe economically stagnant and parts of it blighted with unemployment on a scale unknown since the Thirties. At the same time European institutions have been paralysed by the migrant crisis. Floundering under the weight of problems it cannot solve or that it has even created, the EU has demonstrated beyond reasonable doubt that it lacks the capacity for effective action and is incapable of reform."

Trapped in an echo chamber of self-reinforcing belief systems and virtue signalling that took no account of opposing views, also known as Twitter, millennials were perfectly primed to endure peak butt-hurt when the results came in.

And it was a remarkably similar experience when it came to the US presidential elections. [Matt Taibbi](#), of "vampire squid" fame, takes up the story:

"*Beavis and Butthead* creator Mike Judge's *Idiocracy*, ostensibly a comedy but destined now to be remembered as a horror movie, was often cited this past year as prophecy. The film described a future dystopia of idiot Americans physically unable to understand the tepid grammatical speech of a half-smart time traveller from the past. Many reporters, myself included, found themselves thinking about this film when we heard voters saying they were literally incapable of understanding the words coming out of Hillary Clinton's mouth.

"When [Trump] talks, I actually understand what he's saying," a young Pennsylvanian named Trent Gower told me at a Trump event a month ago. "But, like, when fricking Hillary Clinton talks, it just sounds like a bunch of bullshit."

"So these Trump voters had a comprehension problem. But we were just as bad. We couldn't understand what they were saying to us. We refused to accept every signal

about whom they hated, and how much. Why? Because Trump's voters were speaking a language that has been taboo in America for decades, if not forever.

"Nobody in this country knows how to talk about class. America is like a giant manor estate where the aristocrats don't know they're aristocrats and the peasants imagine themselves undiscovered millionaires. And America's cultural elite, trained for so long to think in terms of artificial distinctions like Republicans and Democrats instead of more natural divisions like haves and have-nots, refused until it was too late to grasp the meaning of the rage-storm headed over the wall."

Enough of cause, what of effect ? We side with Salient Partners' Ben Hunt who, tellingly, views the markets through the prism of game theory, history, and narrative. Hunt [foresees](#) a positive backdrop for US equities, courtesy of anticipated Trump reforms and infrastructure spending, but a negative backdrop for global risk assets, predicated not least on a stronger dollar.

The bond market already seems to have made up its mind, and, like so many millennials, is sitting in a corner quietly sobbing. But it was already outrageously expensive and should be ignored by anybody seeking to preserve their capital in real terms.

Stock markets outside the US have their work cut out, not least given the shifting winds in relation to global trade. Happily, we concentrate entirely on defensive value, independent of benchmarks and indices, from the bottom up. This is largely a narrative-proof strategy, we are minded to believe.

Tim Price is co-manager of the [VT Price Value Portfolio](#) and author of 'Investing Through the Looking Glass: a rational guide to irrational financial markets'.