

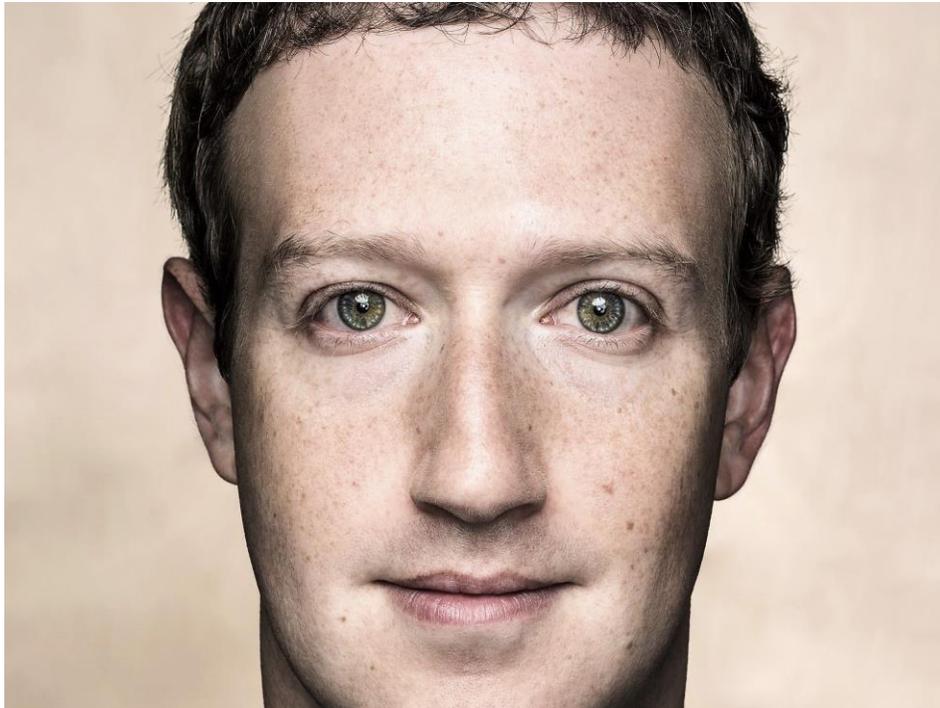


Epsilon Theory

# The Spanish Prisoner

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*It's an interesting setup, Mr. Ross. It is the oldest confidence game on the books. The Spanish Prisoner. Fellow says him and his sister, wealthy refugees, left a fortune in the home country. He got out, girl and the money stuck in Spain. Here is her most beautiful portrait. And he needs money to get her and the fortune out. Man who supplies the money gets the fortune and the girl. Oldest con in the world.*

**– David Mamet “The Spanish Prisoner” (1997)**

Mark Zuckerberg is not The Spanish Prisoner. *He's the guy running the con.*

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Seven or eight years ago, I was on a commuter flight, sitting in an aisle seat. Two rows ahead of me, across the aisle on my right, a guy was arguing with his wife/girlfriend. It wasn't a ferocious argument, but any sort of personal disagreement is noticeable in these circumstances, and it had been simmering since I noticed them boarding the plane.

There were two other things I noticed when they sat down.

The wife/girlfriend had the husband/boyfriend's name - Randy - tattooed on the back of her neck, and Randy had the letters T - R - U - S - T tattooed on the fingers of his left hand. I remember smiling to myself when I saw this. Obviously these two were from a very different background than me, but I really appreciated the public display of commitment they had made by getting these tattoos. I remember thinking to myself that I bet their relationship was a strong one, even though the disagreement seemed to simmer throughout the flight.

The plane landed and we all stood up. And then I saw the letters tattooed on Randy's right hand.

N - O - O - N - E

All of a sudden, I was pretty sure this guy's name wasn't Randy. All of a sudden, I was pretty sure this relationship wasn't likely to last.

**I feel like I have TRUST NO ONE tattooed on my hands today, and if you've been working in finance for more than 10 years, I bet you feel exactly the same way.**

Used to work for Bear? I *know* you feel this way.

Used to work for Lehman? I *know* you feel this way.

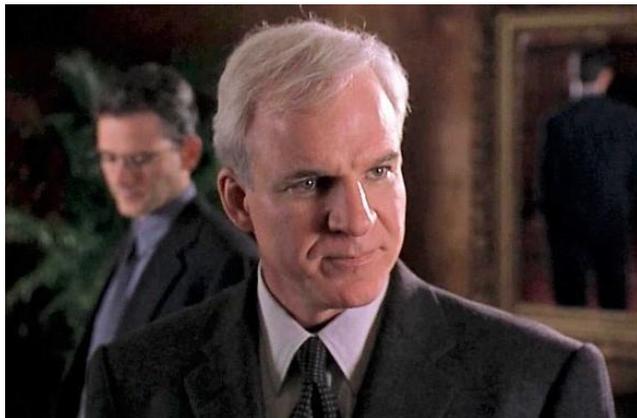
Used to work for Citi? I *know* you feel this way.

Used to work for Merrill? I *know* you feel this way.

**Used to work for Deutsche Bank? I *know* you feel this way.**

Yeah, we've all got these tattoos today. We have them as a reminder, as a figurative reminder (or literal in the case of "Randy"), that we really really really shouldn't trust anyone AGAIN.

Because we need a reminder. Because we *want* to trust again.



**Jimmy Dell:** I think you'll find that if what you've done for them is as valuable as you say it is, if they are indebted to you morally but not legally, my experience is they will give you nothing, and they will begin to act cruelly toward you.

**Joe Ross:** Why?

**Jimmy Dell:** To suppress their guilt.

– *David Mamet "The Spanish Prisoner" (1997)*

Jimmy Dell is the con man in the 1997 David Mamet movie, played by Steve Martin in his finest dramatic role. In lines like above and below, **Jimmy builds a *personal* trust with the mark by calling his attention to the lack of trust in *business* relationships.** Effective consultants do this a lot, speaking of confidence games.

**Jimmy Dell:** Always do business as if the person you're doing business with is trying to screw you, because he probably is. And if he's not, you can be pleasantly surprised.

That's the thing about the Spanish Prisoner con. *It doesn't work on saints.* It doesn't work on people who forgive and forget, who turn the other cheek and have an unending reservoir of faith in their fellow humans. *It also doesn't work on sociopaths.* It doesn't work on people who truly trust no one, who can lie to themselves and others without consequence or remorse.

The Spanish Prisoner con works best on smart and accomplished people who think they have TRUST NO ONE figuratively tattooed on their hands, who think they're too clever to be fooled *again*, but end up only being too clever by half.

### The Spanish Prisoner con works best on coyotes.

Who is a coyote? A coyote is a clever puzzle-solver who really has the best of intentions. Who really wants to be successful for the right reasons. Who really wants to accomplish something of meaning in the world. Who is smart and aware and nobody's fool. Who has been beaten up professionally a bit and has a healthy skepticism about the business and political world.

*And who is just a little bit on the make.*

The defining characteristic of the Spanish Prisoner con is that the mark believes he is doing well while doing good. The mark believes that he is doing the right thing, that he's the good guy in this story. And if the liberated Prisoner is financially grateful, or if the Prisoner's sister is grateful in her own way if you know what I mean and I think you do ... well, that seems only fair, right?

Now the Spanish Prisoner doesn't have to be an actual person that needs rescuing. That's a con for the rubes. The Spanish Prisoner is what Alfred Hitchcock called a *MacGuffin* - anything that serves as an Object of Desire for the mark, anything that motivates the mark and furthers the narrative arc of the con.

In fact, the most effective MacGuffins are rarely simple signifiers of wealth like an rich Spanish dude. No, the most compelling Spanish Prisoners are Big Ideas like social justice or making America great again or resisting the Man. That's what gets a coyote's juices going. Especially if there's *also* a pot of gold associated with being on the right side of that Big Idea.

The most successful con operators are the Nudging State and the Nudging Oligarchy. Why? Well, partially because you've gotta have some heft to credibly commit to rescuing a Big Idea from the clutches of

whatever Big Baddie has it now. But mostly because running the con for money is just thinking waaaay too small.

The Nudging State and the Nudging Oligarchy don't need your money. They already have it!

**The con here is to gain your trust - *again* - so that you willingly hand over your autonomy of mind. So that you accept without thought or reflection the *naturalness* of your current relationship to the State and the Oligarchy.**

You'd never fall for this con if it were part of a straightforward commercial arrangement like a job or a purchase. Please! You're much too savvy for that. You have TRUST NO ONE tattooed on your hands, remember?

But for the chance to help rescue a Big Idea ...

But for the chance to make a few bucks or enjoy yourself a bit more as part of doing the right thing ...

There's not a coyote in the world that can resist that bait. And that's why once you start looking for the Spanish Prisoner con, you will see it *everywhere*.

**Libra, the cryptocurrency promoted by Facebook, is a Spanish Prisoner con.**

What's the Big Idea? Why it's banking the unbanked. It's facilitating cross-border remittances. It's bringing the benefits of crypto to the global masses. ALL OF THIS IS TRUE. So far as it goes.

And if it facilitates e-commerce along the way? if it's possible to make a few bucks or enjoy some greater conveniences as part of Facebook and its partners executing on this Big Idea? Well, what's wrong with that?

**What's wrong is that this is how Bitcoin dies.**

This is how a censorship-embracing coin replaces a censorship-resistant coin. This is how the State and the Oligarchy co-opt crypto. Not with the heel of a jackboot. But with the glamour of convenience and narrative.

**And in a few years it will all seem so *natural* to you.**

**Using government-approved electronic money will be [the water in which you and your children swim](#). You will not be able to *imagine* a world where a censorship-embracing coin is not *everywhere*.**

**"Yay, capitalism!"**

Libra was *designed* to co-opt Bitcoin.

Libra was *designed* to allow government oversight over your economic transactions.

Libra was *designed* to provide a transparent regulatory window and control mechanism over your money.

Libra was *designed* for Caesar.



From the Libra consortium:

This is why we believe in and are committed to a collaborative process with regulators, central banks, and lawmakers to ensure that Libra helps with the kind of issues that the existing financial system has been fighting, notably around money laundering, terrorism financing, and more. At the core, we believe that a network that helps move more cash transactions - where a lot of illicit activities happen - to a digital network that features regulated on and off ramps with proper know-your-customer (KYC) practices, combined with the ability for law enforcement and regulators to conduct their own analysis of on-chain activity, will be a big opportunity to increase the efficacy of financial crimes monitoring and enforcement.

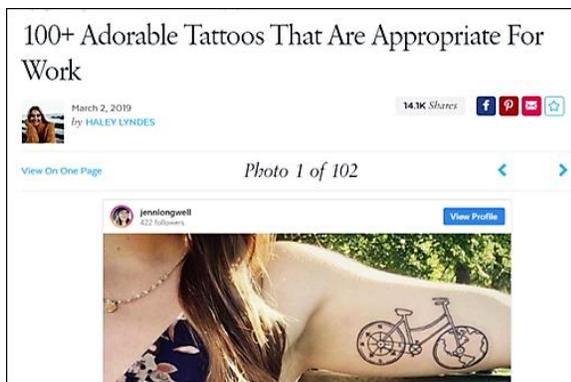
### ***"Boo, terrorists!"***

A year from now, the narrative story arc regarding "criminal activity" through cash transaction networks AND censorship-resistant transaction networks like Bitcoin will be louder, not softer. *In three years, it will be deafening.*

Libra and its e-commerce convenience, together with its Big Idea skin of helping The Poores ... that's the carrot.

**The *"Boo, terrorists!"* narrative ... that's the stick.**

Will Bitcoin itself be outlawed? Maybe. But I really doubt it. It's too useful as a societal steam valve, now that we've got Libra and (soon) other Oligarchy-sponsored and State-supported cryptos in circulation.



What does Bitcoin become in a world where state-approved e-money is in wide circulation?

It becomes an act of **effete rebellion**, like a non-threatening tattoo on your upper arm that you can cover up with a shirt if you like.

Bitcoin becomes a signifier of Resistance rather than a tool of Resistance.

Owning Bitcoin will make you a *Bad Boy!* or a *Bad Girl!* ... a safe malcontent that the Nudging State and Nudging Oligarchy are delighted to preserve.

What's my message to the true-believers who continue to see Bitcoin as a tool for Resistance?

**For the next fifty years, you get to play the role of the grumpy old man yelling at clouds.**

You know, the role that gold true-believers got to play for the past fifty years.

It's a miserable way to live for two reasons.



First, and most crucially, this role that the Nudging State is laying out for you is steeped in negative energy. You will find yourself rooting for catastrophe. You will find yourself hoping for decline and collapse. You will find yourself conflating justice with loss and comeuppance. You will take on sadness and schadenfreude as your resting psychic state. Trust me when I say that I know of which I speak. Negative energy is deadly. That is not a figurative statement. It will literally kill you.

Second, you'll be infested by raccoons, which will be tolerated if not encouraged by regulators, in exactly the same way they are tolerated if not encouraged by regulators in gold-world. Sure, you'll have the occasional show trial of egregiously aggressive security frauds and Crypto-Funded Criminals (tm), but the run of the mill hucksters and con men will walk with impunity.

Because this is what ALWAYS happens.

The money quote from **Too Clever By Half**:

And that brings me to what is personally the most frustrating aspect of all this. **The inevitable result of financial innovation gone awry, which it ALWAYS does, is that it ALWAYS ends up empowering the State.** And not just empowering the State, but

empowering the State in a specific way, where it becomes harder and harder to be a non-domesticated, clever coyote, even as the non-clever, criminal raccoons flourish.

That's not an accident. The State doesn't really care about the raccoons, precisely because they're NOT clever. The State — particularly [the Nudging State](#) — cares very much about co-opting an Idea That Changes Things, whether it changes things in a modest way or massively. It cares very much about coyote population control.

It's all about coyote population control. It always is.

Is there a way out of this for Bitcoin? No. Co-option by the State and Oligarchy was the Doom of Bitcoin from the beginning.

I mean ... I say "Doom" like it's going to be hurled into the fires of Mordor, but that's not it at all. There will still be true-believers and raccoons alike generating tradable narratives. You'll still be able to make money by trading Bitcoin on these narratives (and altcoins, too, I'd expect, although I have no idea how you generate a compelling altcoin narrative these days).

It's not like Bitcoin is going to go away.

**But Bitcoin IS going to be *permanently diminished* in its social importance by the adoption of Libra and other Oligarchy-sponsored and State-embracing crypto currencies. Bitcoin will never again *mean* what it used to mean.**

You know ... just like gold was *permanently diminished* in its social importance by the adoption of Oligarchy-sponsored and State-embracing fiat currencies. Just like gold will never again *mean* what it used to mean.

I wrote this note – [How Gold Lost Its Luster, How the All-Weather Fund Got Wet, And Other Just-So Stories](#) – six years ago. It was the first Epsilon Theory note to get widespread recognition. You'll see hints - more than hints, actually - of all the big ET themes over the past few years, particularly [The Three-Body Problem](#).

The core of this note is a quote by Bob Prince, Bridgewater's co-CIO and an actual prince of a guy. I just think he's wrong when he says this:

The relationships of asset performance to growth and inflation are reliable – indeed, timeless and universal – and knowable, rooted in the durations and sources of variability of the assets' cash flows.

I think Bob Prince is wrong in exactly the same way that JP "Jupiter" Morgan was wrong when he said this:

Gold is money. Everything else is credit.

If you get nothing else from Epsilon Theory, get this:

**There are no timeless and universal relationships between asset performance and ANYTHING.**

The only determinant of price for a non-cash-flowing thing is Narrative. Actually, the only determinant of price for a cash-flowing thing is Narrative, too, but we can save that argument for another day. And what I am saying about these non-cash-flowing things is this:

**The introduction of Libra changes the Bitcoin narrative in exactly the same way that the introduction of fiat currency changed the gold narrative. And by change I mean crush.**

That makes me sad. That makes me angry. I am convinced that it is part and parcel of a Spanish Prisoner con game. But I refuse to give into the negative energy of that sadness

*So what do I do?*

**I con the con man.**

I know what Mark and Sheryl and all the other Davos-going Team Elite sociopaths are about.

I see what they are offering me and I TAKE it. Without hesitation. Without remorse. I take it just as they are trying to take from me ... in full sociopathic bloom.



And what do I give them in return?

NOTHING.

Do I care about banking the unbanked and cross-border remittances? Yes, I do. Very much. So I will TAKE the protocols and the KYC procedures and everything else Libra offers, and I will USE all of that to further the social justice goals that I maintain. And they will get NOTHING from me in return. I will keep my autonomy of mind. I do NOT forget what they are trying to steal from me. I do not ALLOW them to steal that from me.

**I refuse to give them my trust.**

And I will look for every opportunity to **destroy their Little Kingdom.**

Seriously.

Do I really have TRUST NO ONE tattooed on my hands? No.

I trust lots of people. I trust my pack.

**But Mark and Sheryl and Christine and Jay and Donald and Barack are not in my pack. And they never will be.**

Trust no one? No.

**I just don't trust THEM.**

**Take back your vote.**

**Take back your distance.**

**Take back your data.**

**It's that simple. And that difficult.**

**As wise as serpents. As harmless as doves.**

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