



AxisofEasy Salon #9: Algorithmic Guerilla Warfare  
Mark Jeftovic, Jesse Hirsh, and Charles Hugh Smith

**Mark Jeftovic:**

I was just about to step away for one sec when Charles came on, so give me two seconds. I want to pour a coffee and stretch my legs and I'm going to be right back, okay?

You guys can talk. I am rolling in case one of you guys says something halfway intelligent, and then I will test it, okay?

**Jesse Hirsh:**

Could we say something entirely incriminate?

**Mark Jeftovic:**

Yeah.

**[opening credits]**

**Charles Hugh Smith:**

One of the issues that I'm thinking about is the way that software has the potential to treat all individuals equally, right? That's one of the great advances in human history. But is that intentional? I don't know.

**Jesse Hirsh:**

I've never subscribed to that. I've never believed that computers could enable egalitarianism. I mean, I am fond of egalitarianism. I'm no opponent of egalitarianism, but I definitely am skeptical as to whether computers could deliver that. In that, I think computers deliver the illusion of equality because they operate at a greater velocity than we do. So they give the illusion that they could deal with everyone equally, but just as we have to deal – this is, well, how do you deal with a thousand different **[inaudible: 1:51]**

Well, first you go with the people you know and the people you recognize, and then maybe you go with the people whose subject lines capture your attention, right? And as a human being, your relationship with time limits you when it comes to the amount of people you could process. And that's one of the ways that humans create hierarchies. And I would argue computers do the same thing, it's just at a different timescale.

Yeah, they could treat blocks of 10,000 people the way that we deal with one person. But when you scale that up to a billion Instagram users, there's going to be a hierarchy



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because the computer still has to prioritize the way humans prioritize on an individual level. If that makes sense.

**Charles Hugh Smith:**

Well, I guess just to offer a counter example, I guess I'm thinking more of a passive system like Bitcoin. In other words, Bitcoin doesn't, as far as I know, maybe when you put in an order to buy, there is a hierarchy that the winners [3:01] get the cheapest bid or, you know. I mean, there could be something like that but as a general rule, as far as I understand, nobody's going to treat you differently as an individual owner of Bitcoin if you're going to buy and sell it, but I could be wrong.

**Jesse Hirsh:**

Well, wouldn't it be the quantity of Bitcoin that you'd have that would determine your status? Because to your point, you can bid on a transaction; and bid so high in the transaction that you're a [inaudible 3:33] way ahead of everyone else's. And so, by the sheer fact that you have greater wealth, the scales of justice tip in your favor.

**Charles Hugh Smith:**

I really don't know how Bitcoin is. The exchanges, how they program it, because maybe they have a high frequency trading system like stocks that that's incredibly biased in favor of wealth, but I don't know. It certainly has the potential to treat everybody the same.

**Jesse Hirsh:**

I was going to say, I think the biggest bias in Bitcoin, which is a bias that is true throughout our political economic society, is the bias of the incumbent. That who's there first, who's already in power, always has a natural advantage against the people who want to come into power.

So Satoshi Nakamoto, if that individual, or if that collective, or if that revolutionary cell actually exists, they would have the greatest power of incumbency because they'd have so many Bitcoins. Because they started it. And then the other early adapters who got in, you know, at the early days, they too would have a power of incumbency. It's because they were there first or they were smart enough to get in there first.

**Mark Jeftovic:**



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You know, there are people who analyze the early Bitcoin wallets and stuff, and they have a lot of insight into it to the point where people have a fairly educated guess as to which Bitcoin addresses were the Satoshi wallets and that sort of thing.

Let me just double check that this is all rolling according to plan, and then we can actually start this thing.

And we're back.

**Jesse Hirsh:**

Mark, you were on mute again. I hope you know that.

**Mark Jeftovic:**

And I just gave the answer to life, the universe and everything. Just like in the lost first episode where we had it all figured out. And it was –

**Jesse Hirsh:**

Yeah and you know it's the question and not the answer that matters.

**Mark Jeftovic:**

Yeah, exactly.

We're back! Is this #9? Salon #9?

Charles Hugh Smith from Hawaii, Jesse Hirsch from the Ottawa Valley, and Mark Jeftovic here in Etobicoke. I believe it's Salon #9. Recording on June 18th.

And I'm reliably informed that it is Father's Day this weekend. So, it's that weekend.

**Charles Hugh Smith:**

I'd like to start out by saying Salon Number 9, Salon Number 9, Salon Number 9. You have to be a music fan of a certain age or extremely knowledgeable about 1960s pop rock music, but okay. Those of you who got it, alright. Those who didn't, look it up.

**Mark Jeftovic:**

Recorded June 18, 2020

<https://axisofeasy.com/podcast/salon-9-algorithmic-guerrilla-warfare/>



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Yeah. We won't give it away in the podcast. The first person to post the correct answer in the YouTube comments gets...I don't know, something.

**Charles Hugh Smith:**

The satisfaction of winning.

Yeah. Well, I am extremely interested in two topics. Jessie and I already chiseled away at one, which was his algorithmic bias piece. That whole topic is fascinating. And as he said, something that's still morphing and developing before our very eyes.

And Mark, I want to go back to your piece you wrote recently on the the French Revolution, which I know is a key point of interest for you. But you made a lot of interesting points there that I think map over to any kind of social disorder, including the kind we're experiencing here, right? Jesse?

**Jesse Hirsh:**

I'm interested in Charles' gambling metaphor partly because a lot of what you guys write about when it comes to monetary policy or stock markets goes right over my head. But what I liked about the gambling metaphor is it intrinsically made sense. It did so in a way that it's to the kind of reality denial that we're currently seeing – whether it's pandemic denying, whether it's the economic denying, whether it's political denying – there seems to be a lot of denying to what is obvious to all of us.

And that's what in particular – what I liked about that contact. But I'm also interested in with this kind of broader notion of where are we right now? Is this the eye of the storm? Are we waiting for another shoe to drop? A second wave in the pandemic uptick when it comes to protests and the revolt, or as many believe, but I don't, are we over the worst of it? Is it easy sailing from here on in? And there is admittedly a little bit of doubt on my part, but I kind of feel it's the zeitgeists when it comes to where people are right now and what they're talking about especially when it comes to the debate about what do we need to do to anticipate what comes next?

**Mark Jeftovic:**

And on my part, I was also wanting to talk about rule by algo and that whole algorithm piece.

And then to Charles' point, the continuation on a theme that we are in this central bank induced bubble where they will not permit market signaling to work.



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I actually interviewed yesterday the three guys who wrote the *In Gold We Trust* report, they put out a book called the *Zero Interest Rate Trap* and I made the audio book for that. So I had them on yesterday and we had a great conversation about what central banks are really doing to not only our markets, but they have a whole section where they talked about the social cost of zero interest rates even right down to an increase in narcissism. And it all ties into what we've been talking about here. And of course it will link to everything in the show notes as I started doing a bit of a better job over the last week, I think.

So, who wants to go?

**Charles Hugh Smith:**

Well, I would like to pick up on Jesse's topic, which he introduced. I mean, I'm very interested in that whole idea of the social cost of 0% interest rates and financial repression. That's worthy, but where are we now? I think is a very interesting sort of pressing question. It's speculative of course, and therefore even greater interests.

Yeah and I'm going to just throw a couple of things out there that are not unique to me. Everybody's kind of looking at the same stuff. It's clear to me that once you open up your economy, then you're going to put people in close proximity to each other, and that's where you're more likely to get the virus. And I also think that when I can't find any data on – and that troubles me – is what percentage of people under the age of 50 who have no chronic health issues, come down with a serious case of the virus and are suffering months of some sort of degradation in their health, whether it's damaged lung tissue, some sort of inflammation that doesn't go away, all these really terrible symptoms that you read about.

And so I want to know what percentage of the population under 50 that gets the virus has those really negative experiences. They don't die, so they're not counted as a death. So therefore we ignore them. And that bothers me. I want to know whether it's a 10th of a percent, 3% or whatever, because my sense is that's the consequential number. The number of people under the age of say 50 who come down with it and get a serious a serious episode that lasts for months and may end up resulting in some sort of organ damage that may take a much longer period to heal. And so, we seem to be ignoring those cases although I see a lot of anecdotal stories about that. So that's one thing and yet, and then their economy is it's in the tank. There's no way that's going to recover.

So go ahead.

**Jesse Hirsh:**

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Not to be morose, but I think you're going to get that data. When it comes to the younger, relatively healthier people, that's going to be the "second wave". That one of the things we understand so far from the first wave is that the role of super spreaders. That the virus is particularly powerful, particularly infectious in a large groups of people – at a church, at a choir practice, at a party, where the virus has enough time to not only jump from person to person, but really fill up the enclosed space. Cause there's a lot of people breathing. There's ostensibly one person coughing, but even if they're asymptomatic or pre-symptomatic, that's where a lot of the major clusters have been.

On the one hand, that's why a lot of jurisdictions are now able to gradually go towards reopening, but it also suggests that younger people might be the ones primarily infected in the recent present and the current present and in the near future. Because they're the ones who are most likely to party. They're the ones who are most likely to congregate. They're the ones who are most likely to hang out in tight spaces. And you're right. That there have actually been an alarming number of young people who have been sick for extended periods and could have extended damage, but they don't die and they do recover. And so, as a result, they're not necessarily included in the fetishization of the stats that we've been seeing, which focused on things like mortalities and focus on things like overall infection rate. So, I think you raised a very interesting research question. It'll be curious to see sort of how the current understanding of this virus correlates with people who believe that they're invulnerable, but in fact, due to their own behavior, might be even more particularly vulnerable.

**Mark Jeftovic:**

Where are you guys hearing about these cases? Because I've heard nothing about that kind of thing. Obviously there's no data because that's what we're ruminating about right now.

**Jesse Hirsh:**

There is some data. It's incomplete data. I get a lot of my information from science.com, which is doing some fantastic journalism and a bunch of other scientific websites. I want to say medstat is another, but I off-the-cuff require Google usually to auto complete such things. But there are a bunch of really credible, politically neutral, science-based sites that are basically just sorting through all the research that's being published. And, you know, while very little of it is peer reviewed, most of it is the kind that you can quickly see whether it's backed up, whether it has the kind of support from amongst all the medical research in the field. But the beauty about this current moment is it's relatively open source. So, if you want to go look at what people are researching, if you want to go look at people are responding, that's where you get as much knowledge as you desire. Italy in particular has been a huge source of data because they were hit so hard, and New York City most



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recently has been another huge source of data because those are both jurisdictions, unlike China where there's incentives for them to share that information and to publish it.

**Charles Hugh Smith:**

I've been just picking up those stories personal firsthand on social media. Twitter, Facebook. And some of my Facebook "friends" have said they've caught it twice, and that they're generally healthy. And the second time, their lungs weren't so badly affected, but they had a bunch of other symptoms and anecdotally, people in their twenties who were super healthy, they were in the first wave of people that got sick. And according to these accounts, some of them almost died and then they were young and healthy.

That bothers me because I'm thinking okay, everybody is so ecstatic that it's only old, frail people who are dying. Yay. So we don't have to worry about it. And the death rate, even including all those old, frail people who were going to die anyway – so what the heck – is like 0.2%, 4%. It's trivial signal noise, et cetera. Well, what happens if it turns out that 2% of the people under 50 come down with a serious case and we're not tracking that? Because in other words, you guys both know the way the data holes in this story are. You can drive a D9 tractor through it. Like half the time, people were told: no, you don't need to be tested because you didn't meet our standards. Some people didn't go to the hospital, they suffered at home. So they're not even counted. Or they were released as "cured", and then you go home and they're sick for two months. I mean, in other words, we really don't have any mechanism to track the kind of people we're talking about. That's what I think.

**Mark Jeftovic:**

That's my probably single largest beef with all this – the lack of testing. It could be my own ignorance. I wouldn't know. I don't know how to get a test if I wanted one. I mean, do I just call my doctor and say: I want it COVID test? Would you say –

**Jesse Hirsh:**

There's hotlines you can call. Yeah.

But you realize part of the reason that the testing has been such a problem is the global supply chain. Is that the chemicals to create the tests for all sources are in China. And when China shut down, the global supply chain shut down. So did the medical supply chain. And that's been, you know, I don't want to say underreported because it has been reported. It has been out there. But to me, that's the other scandal. That the healthcare system was not only unprepared, but didn't even have an awareness of the vulnerability



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in its supply chain, which played out both in personal protective equipment, but also the materials to do testing. And that testing was at a shortage for so long.

**Mark Jeftovic:**

That's the fourth scenario for my Jackpot Chronicles, where I sort of said: these are four different ways that I sort of see this shaking out. The fourth one, which I haven't actually written that installment yet, is the de-globalization scenario where everyone kind of has this reality check of like, okay, we improved our margins and we had this just-in-time delivery system. And everything originated out of China. Was that really as business smart as we think it is now in retrospect?

But people tend to think that these tail risk events, it's like, well, that's not going to happen again for another 200 years. So we can just pretend that this didn't happen and go right back to having an extremely tight supply chain. I would like to think that almost everybody collectively gets religion out of all of this and says, you know what, maybe we should keep some more slack in the supply chain even if that means we have to lower guidance estimates by half a penny? So be it?

If we can actually build six weeks of buffer into our supply chains, then maybe that's not a terrible thing. I mean, ultimately, I would love to actually see people that starting to be reflected in the valuations of companies where analysts kind of look at two different companies and say, Hey, you know what? This one can have the legs cut out from underneath their supply chain and keep operating for 90 days. And this one can keep going for 180 days. I'm going to actually pay a little bit more to own this company. And it actually gets reflected in valuations, but that would presuppose a rational market, which I think the past 10 years have shown us are extinct.

**Charles Hugh Smith:**

Yeah. I'd like to speak to that.

The topic that I've written at the last couple of my books have been about: what do we measure and what do we not measure? And of course, what we don't measure is ignored. It's just because we're a database economy, if it's not measured, it does not exist.

And so, Mark, what I hear you saying is in the supply chain, we don't measure the vulnerability or a dependence. We only measure profit and cost. That's all we do, right? And price at point of purchase, right? So my example is because I was actually in Thailand and saw these huge open round holes filled with stagnant stinking water in a wasteland that looked like it had been the whole jungle. It looked like it had been defoliated and hit with B52 bombs. And it turns out, they were shrimp pits where you go in and you dig a



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hole and you fill it with seawater and you put in the shrimp and then you put in tons of chemicals to knock down any disease that the shrimp might get, any kind of algae, blah, blah, blah. Well you basically poison the planet, and every one of these holes, you can only use it a couple of times and then you just walk off and you leave it. Well, wait a minute. Is that damage in the cost of the bag of shrimp that we buy at the supermarket from Thailand? Well, of course not. What would it take for us to start measuring that? That would take like something way beyond what we have now.

I mean, how do we start saying that? What is the cost of a lithium battery? When we look at all the huge environmental damage to the places that are being mined, that all the water in the whole area has been used for lithium mining. And so, agriculture dies and so on. What would it take? Of course, if we actually put up all those costs in so-called externalized costs, then a lithium battery wouldn't be that cheap and shrimp would not be cheap either. And virtually nothing would be cheap if we put in the true cost, if we measured these things. And so then, and again, I'm kind of bringing the same thing up with COVID. What are we measuring? We're measuring dead people, bodies, and we're measuring unemployed people. And what else? I think we're leaving out a lot of stuff because our system is incapable of measuring what's actually valuable.

**Jesse Hirsh:**

Well, and I find it interesting too. Not just the fetishization of data in terms of trying to quantify things, but your larger point or the context in which we think of that cost. Because it's not just that some things would cost more. I think there's many things we just wouldn't do. We would just declare them as too costly. And to me, that makes sense. That pre-pandemic, there were a lot of things that we took for granted that we may not be able to do post pandemic. But I think the pandemic is also quantifying the health cost in correlation to the economy. You were alluding to the environmental costs. There's also the labor cost, you know, especially when people aren't being compensated appropriately and it costs them, it deteriorates their lives. So all of it, I think, is both a slippery slope in terms of then focusing on the costs, and not understanding or valuing the benefits.

Because there, in theory, should be another side to that, right? There should be: well, what are the benefits from this? And therefore, how do we measure those costs? How do we balance out those costs? I think the example of the shrimp is really strong because it makes you think: Oh, I don't want to eat shrimp anymore, right? Like that's something I could easily do without. Versus I spent most of my life – certainly most of my adult life – eating eggs every day. And I love eggs. I love eggs to be part of my diet. But then, once I understood the factory production of eggs, and how eggs are produced on an industrial scale, on the one hand I was like: Oh, I don't want to eat eggs anymore. But on the other



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hand, I now have chickens that produce more eggs that I could eat, and do so in a way that's not only more sustainable, but they are remarkable.

When I look at a store bought egg versus one of my eggs, the color difference alone is dramatic. The taste is dramatic. And it gives you a clue as to we could be doing a whole lot of things differently. Not just if we understood the cost, but if we understood the benefits, right? That if I were to have bought free range eggs in the city at the grocery store, I'm paying double the price. And at the time it was hard for me to justify that. But now that these chickens are part of my life and their cost is no longer measured in a per egg basis, but in a larger ecosystem that I'm part of, then the costs are still part of the picture, and that they're mitigated. But the focus is way more on benefits. The focus is more on being healthy because I'm eating a great egg. And those eggs make me happy. And those chickens are funky and I enjoy hanging out with them. So it's a much different relationship with my food. Then I think to your point begins on costs, but also gets into benefits. Because that's what really motivates people. That's what allows them to see the positive as to why they would put the investment in or why they would pay more or put more effort into the things that they get.

**Mark Jeftovic:**

I've been eating free eggs for decades. They're the best, but they do cost a lot more. But again, to your point, because my wife is very sensitive to processed foods; she eats factory stuff, she will be ill. It just hits her really hard. So we have to eat organic as much as possible. We don't go out to a lot of restaurants, and so it costs more. And so that shows okay, there's less externalities here. There's less that has been externalized and it gets reflected in the prices and you pay more. And again, it just comes to what your priorities are, right? The benefits are things that we can't actually measure. Well, not directly, I guess, but we see them clearly.

The shrimp pit reminded me of the whole fracking industry. The fracking industry in the United States is – there's this myth that oh, United States has achieved energy independence. But anyone who looks into the sort of economics behind the fracking wells sort of sees that these wells have very short lifespans. They drop very precipitously. They can't make money under \$70 at barrel. I don't know where we are now, but we're not there.

And you know I mentioned Max Keiser in the last podcast, but in that same podcast, you said the fracking industry exists for one reason alone. And that's so that hedge funds can sell shares to pension funds. So the investment banks can sell shares to pension funds and that's it. the entire industry loses money. It takes more energy to frack a well than you get from the oil that you pull out of the well, and all of that gets externalized, but it just keeps the wheels going and you've got an entire industry built around it.



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**Jesse Hirsh:**

I would also quickly intervene and say, there's very obvious geopolitical reasons for shell gas industry and fracking; and clear reasons as to why not just the banks, but the broader United States complex would benefit from much cheaper oil prices and the lack of dependence on foreign petroleum sources.

**Charles Hugh Smith:**

Yeah. Let me add another complexity here that I don't want to spend too much time on, but when I think about globalization, you know, Mark's topic and, and the conversation about fracking, I immediately think currency arbitrage. because so much of what we think is cheap. Like, Oh, stuff from China, you know, it's becoming more expensive, but it's always been cheap, which was why we moved all the factories there and all that stuff. It was all a currency arbitrage because the Chinese government assigned an arbitrary peg to the U S dollar. So the Chinese currency, the RMB is in effect a derivative of the U S dollar. And it remains a derivative of the U S dollar because that's how they, they artificially could peg their currency and say, we're going to make our stuff cheap.

Now, what would the cost be? I mean, in currencies, you know, if the Chinese RMB was, you know, cost twice as much, it took, it took \$2 to buy what we buy, but we now buy with a dollar. Well, obviously it would no longer be cheap. And so the whole globalization thing is just like, sort of like a travesty of a mockery of a sham built on these arbitrary pegs of currencies. So on top of the fact that we were not measuring what's valuable in either cost or benefit, right. then we also have this like financialization thing where, you know, fracking makes sense in terms of loaning people money. And if you can extract the interest on it – nevermind if, if they go broke, because we've got our money back. And as Mark said, you know, where we're just selling this kind of financialization.

Well, if we strip all that out, what are we left with? You know, and, and it to answer, maybe that's part of my answer to Jesse's query of where are we at in this big story. And it's all like, well, if we start unraveling the benefits of, of globalization and the costs start rising, right? And the, the currency arbitrage, it starts unraveling, well, then we're going to have a whole different cost structure globally and locally as well. Because, you know, one of the things I wanted to mention about where we are in this story is Eve Smith who runs, I think, naked capital or naked capitalism.com. She had a nice piece out where she was saying, you know, everybody thinks that restaurants can just shut down, right? Go, go bankrupt, clear their debts. And then they're going to reopen. And she said, that's not the way it works, because guess what? small businesses...to get a loan from the government or, or any agency is you got to sign a personal guarantee. meaning you personally have to go bankrupt if your small business goes bankrupt. So you have been stripped of capital.



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You're not going to open another restaurant that costs a hundred thousand dollars to stock and reopen. You are flat broke now, you know, you've got a car and the clothes on your back. So that's the kind of devastation that I see coming. And to me, the metaphor is that tsunami wave, you know, when the wave is approaching right as the water pulls out of the Bay, and everyone's seeing all the flopping fish and they're going well, this is fantastic. This isn't so bad. Look, it, you know, it's so easy to walk out there and grab some fish and then comes the, you know, 50 foot wall of water and washes it all away. And that's, I think we're we're in the fish flopping around in the Bay stage of this whole thing economically.

**Jesse Hirsh:**

I think that's a very appropriate metaphor. And I agree with you both in terms of the lament or the, you know, the, the feeling of compassion to many of the small business owners who are going to be wiped out by this wave. And not to be cynical, but the other image that comes to mind, and I mean this with no disrespect, but it's another sucker, right? There's always another fool. That's, that's part of what has fueled the market for so long. That's part of why the concentration of wealth is able to continue unabated.

Because I'm already seeing, at least in my community, while yes, there are many restaurants closing, there are new restaurants opening. And the restaurant business is interesting because it's relatively accessible in a sense that there are many people who believe, rightly or wrongly, that they have to succeed in that business. And it has a very high rate of failure, right? There's a lot of turnover. Properties, premises come available quite often. And to your point, I think it is very much what people are saying: Hey, look at all those fish. The water's gone. Let's open up a new restaurant. And then the wave is going to hit. And the three months, six months runway is going to run out, and the market is not going to come back.

I think there will be some who innovate. I'm seeing many who are pivoting into local food sourcing because they have relationships with farmers. And so, they're the ones who are distributing the meat, the eggs, the fresh vegetables when it comes to the local food services. But I also want to talk about the airline industry because as someone who used to travel a lot, not by choice, but because of work – and I quite disliked travel – I've kind of been following it quite closely, both because I may be forced to travel again relatively soon, or relatively soon when it is possible or feasible.

But also, because I think psychologically, there are a lot of consumers who were benefiting from an artificially low cost of travel. And they built their entire lifestyle, their entire world outlook on the idea that they could travel cheaply. And I think that those days are gone. I think while the airline industry will be consolidated, will be subsidized, will be bailed out; that air travel as we know it, and travel as we know it, is going to be completely



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different. In many cases, it's going to be more expensive. And in other cases, it's just not going to be accessible. And I think there's a lot of people that are going to find that shock.

There's a phone call right now so I'll throw off to you guys as I mute and wait for that to be dealt with.

**Mark Jeftovic:**

Well Charles said something, and then Jesse, you actually brought the point home. And it comes back to that structural inequity that I constantly rant about.

Because Charles, to your point – exactly right – when a small business owner goes bankrupt, it's full recourse. You lose everything you have. I mean, when I apply for credit, I have to still put personal guarantees on most of the time that I apply for credit for easy DNS. I think like 10 years ago my lawyer said, you've been in business 15 years. Your personal guarantee days are over. For certain size loans, yeah, it's no problem. But everything I want to do, if I need credit, it's like, yeah, you personal guarantee, personal guarantee, personal guarantee. It's like, okay, all right. That's just the cost because I'm still considered self-employed.

So if I go bankrupt, it's over. I lose everything I own. But the airlines – to your point – who spent \$47 billion on share buybacks over the last 10 years and are getting a \$50 billion bailout, those executives aren't losing their houses. And it's not full recourse against them. And the equity holders aren't going to get wiped out. They're just going to get recapitalized. And that shift that you were both sort of alluding to where we are in this cycle, I just had this phrase drift through my mind of like: the global cap table was about to be rewritten in a major way. And a cap table is when you're about to do an investment based – what's the cap structure look like – there's debt holders here and there's equity holders here, and there's preferred shareholders here.

I think where we are in this whole cycle is the universal cap table, or the capital structure of our entire society is about to be completely rewritten. And I think the people who run it, the movers and shakers and the politicians and the captains of industry, they want to make all of these changes go through and keep the capital structure to same. We still own the equity. The central bank is still lending us all this money at 0% interest. And we can use it to drive up all of our assets over here. And I think what's happening with this revolt, it's sort of rumbling the beginning of – whatever you want to call it – a Corona spring starting to happen. That's going to rewrite the capital structure of society completely where equity is going to get wiped out. Debts are going to be repudiated. And I think we're kind of headed for an all bets are off situation. I just don't really know what



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the final catalyst is going to be. Whether it's a second wave or something comes completely unglued in the US in November, I don't know.

**Charles Hugh Smith:**

Yeah. I'd like to speak real quick to this idea of travel no longer being cheap. And I think Jessie is absolutely right that it's going to be difficult on multiple levels because people, a consumer based society, is based on the idea that you can live like your upper middle class even though you have like a third of the income, right? And air travel was really a pit of mice. That whole thing of – well, sure, you're sitting in coach and not first class, but you get to go to these exotic places and you can afford to do it on your credit card. And so stuff that used to be only available to the upper middle class – now basically a billion people were able to go fly around. And so, if flying around is no longer as easy or cheap, then that's going to destroy the global tourist industry which I think I might've mentioned, is also a globalization thing. That as globalization is gutted all the local industries, the only thing that's been left for a lot of locales is tourism.

You know, and that's actually, I'd say Europe's primary economy for primary sector is tourism, right? I mean, so many places in, in, in Europe, don't no longer have any economy except tourism. substantially. And there's, there's so many places like that around the world. So what happens if, if travel fades by 80% and we're back to 1965 levels of tourism or something. that's going to be quite a a row of dominoes that are falling. to Mark's point because all of those things are hotels and resorts and, and airlines and airports. All of it is going to be devalued hugely because it's no longer worth what it used to be based on revenues and profits and all that other stuff.

**Jesse Hirsh:**

On the one hand, the tourism sector is a bit of a paradox because you see credible consolidation and concentration in terms of airlines, hotels, car rental agencies and yet, you also see incredible diversity in terms of small operators and small locations. And, you know, I think the theme of what we're discussing today is those with power do fine. Everyone else is kind of screwed. And in particular, what I was hearing in your scenario there Charles, was that it's the small and rural communities that'll be screwed – right around the world – that depended upon tourism off of seasonal tour. And they can't afford to miss a single season, let alone two, let alone five or 10, which is how long it might take, I think, for these types of travel numbers to return if they ever return. And so I think there are all sorts of ways to go back to our original metaphor of, you know, following fatality statistic without actively looking at who's suffering from the illness.

I think, again, we're focusing on big pictures – meaningless numbers in the economy, like the stock market when instead, we're missing the Potemkin village up in Florida. And you



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know, the thing about a Potemkin village is when it burns, it really doesn't take long for the whole thing to go because it is just a front. it is plywood as it were. So I, I worry. This is what keeps me up at night in terms of kind of figure out how to survive, how to position, how to, you know, get through this next – not so much second wave of the pandemic, but deep travel disillusionment That is his own oncoming depression. And that's where I'll admit I'm I'm I don't, I'm not clear. I don't know. And it's part of why I keep doubling back to my interest in technology, the interest in algorithms and looking at the way in which these systems influence our life because, you know, part of the desire to study algorithm in the system is to figure out how to win advantage in the black box system. how to gain the algorithm to your benefit. And it almost feels like that's what survival is going to be in this coming era of uncertainty and economic stagnation. is it's an economy controlled by algorithms.

If you can convince Amazon to show your product first on search results, then you got three months of prosperity until Amazon creates its own clone of your product and kicks you out of that first place. [inaudible 42:22] So there's all sorts of ways in which it reminds you – thinking about how the algorithm operates, and thinking about how to be a mouse amidst elephants, or a mosquito amidst elephants to gain the algorithm to your benefit. Seems to me like the big survival question would be [inaudible 42:40]

**Mark Jeftovic:**

Because I was just going to say, when you're not part of the incumbents, right? You're not in the public sector, you're not a member of the government, You're not working for one of the gigantic companies, Survival is in the niche summer. you have to carve out a niche. It's all about, you know, there's a book called riches and riches in niches, but now it's survival in niches, right? And, and that I think is all in danger of going away, because there's this trend towards consolidation, there's this asymmetry where the large players get they play by a different set of rules than the small players. And so it is going to be harder to find these niches to exist in, and then, you know, how long is it going to last, if you actually find a viable one?

**Charles Hugh Smith:**

Yeah. I'd like to hear your point of view on in our little ecosystem of independent journalism, you know at least that's my term for it.

Zero hedge just got demonetized by Google AdSense. Now that's as far as I can tell, and I do correspond occasionally with Tyler. That. he's totally dependent on ad revenues. He has no other, other than some donations, so that's a, of potentially mortal blow. And so he's already announced on the site that he's going to be pursuing a premium, you know,



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paywall site, ad free, as his only way to survive the politicization of, of his content. Right. That's the, of course this course of being demonetized. And I don't know, we've talked about it a little bit, but I certainly have been shadow banned, and I've sort of exited from there and in unknown ways. And, and as Jesse, when I mentioned that before Jesse mentioned, well, maybe the maybe the the ban had had a time duration period. And it expired, hoping that I would expire before the duration ban. But again, to Jesse –

**Jesse Hirsh:**

Or [inaudible 44:47] to manipulate your behavior. It's hoping that the ban encourages you to conform to its expectations. Please continue.

**Charles Hugh Smith:**

No, no.

Well, that's a very interesting idea. Have they beaten me into submission? I don't know. Maybe in some ways that I might not even recognize, I don't know. I don't think so, but I'm still the same stubborn fool that I was years before. But anyways, what are your guys' thoughts on that?

**Mark Jeftovic:**

Well, this was the part when I wrote my book about surviving deep platform attacks and canceled culture. When I got to the section about payment systems and payment gateways, I really had a hard time with that chapter because there's not a lot of alternatives and it really is your Achilles' heel. So in Zero Hedge's case, they'd been demonetized by Google, although I think they think they can possibly get restored. The justification given to them was the comments. And the comments on Zero Hedge – everybody knows they're a dumpster fire. They made an ideological decision at the very beginning to say, we're not going to moderate comments. So now they may have to get back in Google's good graces. And they're going to go with that premium paywall model. Also, they were suspended by PayPal about a week earlier than that.

So PayPal takes away your donation stream. Google takes away your ad revenues. Oddly, ironically, Twitter restored them just as all this was happening. So Twitter gave him that permanent ban back in January and gave him their account back. But this really bothers me. Even MasterCard has been taking the accounts away from people and stuff. And it always has some sort of mobile justification of why which may seem arbitrary. But for me, it's very troubling that there's no appeals process. It's a one-horse town, you've got one game. You've got basically a quasi monopoly deciding to take your income stream away, and it really bothers me. And you can say, okay, we'll start taking Bitcoin. Yeah.



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You can start taking Bitcoin, but the Bitcoin economy isn't big enough yet to support you to just be a drop in replacement for PayPal or AdSense. So it really is a huge problem. I'm hoping that overtime, these companies are just incentivizing their own disruption and that there will be challengers to them and that they have to see that ground of being a virtual monopoly. But it is very disconcerting.

I think about Visa, Stripe, PayPal, MasterCard. They're absolutely huge. If they pull the plug on you, they've pulled the plug on you. And that's okay. That's why I'm so – I suppose paranoid is a good word for it – about things like digital cash, digital IDs, things like that. Because then you have to fully comply with the parameters of the system or literally, you become depersonalized and you can't do anything. And it just really – I don't like to live in an – I like to see all business failures to be self-inflicted. I don't like it to be because somebody else decided yeah, they don't like what goes on in the comments thread of your website. I just really have a hard time swallowing that.

**Jesse Hirsh:**

I mean, I was sort of following you up to that point. I think people underestimate that the market plays a role in your success or failure. And if the market deems you not worthy of success, you fail. I agree with you that there is no accurate measurement of the market. So the loudest wins – and currently it's really easy for people to be loud – they may or may not represent the market, but they are nonetheless successful at being the voice of the market and therefore shutting people down.

A separate subject, perhaps. But I think the broader notion here is really the last thing I said, which is guerrilla warfare against the algorithm. That, to a large extent, is the algorithm that identifies you've done something wrong. It's the algorithm that punishes you and/or, it's the algorithm that brings you to the attention of the people who want to get you.

So gaming your relationship with the algorithm strikes me as the only viable strategy in what is otherwise a very hostile environment. And I generally empathize with your paranoia, Mark; although it can be a little sweeping. But in this case, I think you're paranoia is well grounded. I would only push back and say I kind of feel it happened 20 years ago. And I say this because it is a slippery slope.

Like about 20 years ago, I was still without a credit card. And I was very proud of the fact that I was without a credit card. I had a debit card, so I could therefore get cash at any ATM anywhere. But I believed that credit cards were the root of all evil. And I was not going to use a one and Oh, how naive I was, right? Because at a certain point, you ran in



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to a very real barrier which is to be a member of society. You had to have credit. You had to have a credit card to do so many things, that at some point I had to. Because I remember there was a couple of years where I just didn't do those things, whatever they were, because I was that stubborn about not having a credit card.

And then the other issue is the driver's license. I didn't get a driver's license until I was 30 years old. Because as a very young, naïve radical, I decided that cars were destroying the planet and that it was immoral to operate a motor vehicle, and therefore immoral to have a license to operate a motor vehicle. And that I was perfectly content to take trains, or bicycles, or transit, or even other people's cars anywhere that I needed to go. Until I came to a point where even though at the time I was living in downtown Toronto, that was not viable. There was no way for me to be an active member of society, let alone support myself financially without having a driver's license.

You may not need a car because you could rent a car or you could drive other people's cars, but you have to have a license. And as soon as you have a license, you're in the state's identity system. Because that's the primary means by which they manage to get identity. So I hear you, Mark. I'm just saying we're 20 years late to that party. I think that's why decentralization – I think that's why alternative identity infrastructure is so compelling. And it's unnecessary because we've been living in this world against our wishes. Against our desire. And it incurs costs – environmental, social, and political ban to a certain extent. I think we all regret –

**Mark Jeftovic:**

Well, I haven't.

**Jesse Hirsh:**

And for the record, I should confess for the record.

I am now a very happy but equally guilty gearhead with a tractor, a pickup truck, an ATV, a couple of motorcycles, and many more internal combustion engines to come. So, you know, life works in mysterious ways.

**Charles Hugh Smith:**

Well, I just want to suggest it.

I have the next title of your, your joint, your co-written book: Guerrilla Warfare Against the Algos.

**Mark Jeftovic:**

Recorded June 18, 2020

<https://axisofeasy.com/podcast/salon-9-algorithmic-guerrilla-warfare/>



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Yeah, I like that.

Actually, I've had an idea for an app for a couple of years now that's sort of in the ballpark. In that you would put an app on your mobile device that whose sole job is to throw out spurious data points about your identity. So if you're sitting at your desk, it would somehow go through a network of proxies and check in at the gas station in the supermarket and it would go out on Facebook and it would "like" things that you don't even know exists, so that the advertisers are spending a lot of money to retarget you on stuff you have no interest on, because your filters are filtering that out. Anyway, it's just like the submarines when they see a torpedo coming at them, they just blow all this flotsam [54:01] out.

**Jesse Hirsh:**  
Flack

**Mark Jeftovic:**  
It would be digital that.

**Jesse Hirsh:**  
It exists and it's called Entropy as a Service.

**Mark Jeftovic:**  
Really?

**Jesse Hirsh:**  
Yeah. So there is, in the identity industry. Because the identity industry is actually fairly broad and diverse. It's the entropy industries. Entropy as a service, kind-of entropy as a tool, and it's exactly as you described. There are people who, I think rightly so, are recognizing that others will see value in having that capability on demand.

**Mark Jeftovic:**  
Have you done a future tools on that?

**Jesse Hirsh:**

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Well, I only do future tools on free and open source tools.

**Mark Jeftovic:**

So there's nothing open source yet.

**Jesse Hirsh:**

And most of this stuff is proprietary, right? Because they see it as a service. There may be open source stuff on it. I should dig into it to see if there's anything.

**Mark Jeftovic:**

Sure. I like the concept greatly because it just has something where for three weeks, all all your searches are travel in Mongolia. I mean obviously you are really hot on Mongolia. So then every everybody's going to pick up on that. All the algos are going to start sending you stuff about traveling in Mongolia and it'll all be completely squandered, right?

**Jesse Hirsh:**

What if the CCP decides that you're subverting Mongolia to try to create a American satellite state. And then they start allocating their resources towards you, which would be good because that would alleviate some dissidents somewhere and provide them with the coverage to do their actual work. Well, it might put you at risk.

**Charles Hugh Smith:**

Yeah. I've already decided that I can't go back to China. Just that would be a very risky thing. Since whatever I've written, it might have triggered some algos into CCP already. But to your point, yeah. You'd have to have your entropy system target non-politicized things. You would not want to pick Crimea, Ukraine, Iraq, you know?

**Mark Jeftovic:**

Yeah but who would want to visit Iraq?

Yes, you could do it. It doesn't even have to be places. My second last car was an infiniti Q50. And I just saw how brain dead the ad retargeting business was, because for two years after I had signed the lease, these various Infiniti dealerships were following me around the internet with ads to get a new Infiniti. To test drive an Infiniti today. It's like,



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I've been driving one for two years. They must have spent an enormous amount of money on that. So you could go look at a Tesla. You have no intention of buying a Tesla and all of that is going to come after you and stuff. But –

**Jesse Hirsh:**

I think if anything, you're speaking to the dupes in the auto dealership industry who were being fleeced by marketers from very bad marketing campaigns. But again –not to feed your paranoia – but if we were to accept that cancel culture is arbitrary, and fickle, and volatile in the sense that: what is socially acceptable today is not socially acceptable tomorrow, you better trust your entropy engine. Because you might be creating interests that all of a sudden indict you tomorrow. That were socially acceptable today because the entropy engine, and you even perhaps, thought they were innocent. But instead, they're not innocent. And they also don't reflect your character. So it's for you to defend yourself when it's something that your own software has framed you for it.

**Mark Jeftovic:**

That's an interesting point because one of the tactics I was going to suggest is you could lure some large brands into places that they normally would adventure and almost get them to engage with the wrong place at the wrong time saying the wrong thing. You know, like a chat bot on 4Chan. And suddenly, Downy tissue is like Retweeting something they shouldn't, but you know.

Then the other side to what you just said is the next time someone's about to get canceled, you can just blame it all on your entropy bot.

Oh, that was my entropy bot that started ranting about immigrants or whatever.

**Jesse Hirsh:**

Forget the book. The title of today's salon is Algorithmic Guerrilla Warfare.

**Mark Jeftovic:**

Yeah. That's actually –

**Jesse Hirsh:**

That's really something that we've been discussing.



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**Charles Hugh Smith:**

Okay. So I'm going to finish my contribution with one more twist on your guys' convoluted paranoid dream, which I totally buy into personally. You have an authentic entropy engine, which only promotes in bizarre ways, your true self and interests, right?

And then you have your multitude of fake entropy engines which then give you these multiple facets on your identity, which then you can just say, well, you're canceling one of my fake interview engine selves, so go right ahead. But my genuine interview engine self is still whole.

**Jesse Hirsh:**

I mean, that's the harmonics of identity, right? The way in which different beacons or different signals that you're deliberately putting out there – either deliberately a cover up or a masquerade or disguise, or when the time comes, amplify your true self at an intensity that ensures you are heard by the world.

**Charles Hugh Smith:**

Wow, great stuff.

**Mark Jeftovic:**

You could get into some serious levels of compart – compartment –

What's the word I'm trying to say?

**Jesse Hirsh:**

Compartmentalization?

**Mark Jeftovic:**

That. That could almost even like veer into mental health territory if you have somebody who got these separate entropy engines that he sort of begins to identify with different aspects of his entropy engines in different scenarios. Like it's –



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**Jesse Hirsh:**

But let's not marginalize the risk. I think that you're raising a valid issue that any user would be susceptible to the mental health impact of actually quantifying how divided your real personality is. And further, that your entropy engine can create a personality that you like better than yourself.

There's all sorts of risks that come with using this kind of software, which is why I think it belongs in the context of guerrilla warfare because it comes with risks. You got to be very strategic, and prudent, and smart about how you not only engage the world, but engage your own psyche.

**Mark Jeftovic:**

You know, Jaron Lanier book Ten Reasons to Delete your Social Media Accounts Right Now, I think he tackles that without even really calling it that or realizing it that. Because what he's saying in that book, one of his is his maxims of that book, is social media turns us all into assholes. Because when we're on social media, we're basically not acting like our genuine selves. We're acting like an entropy engine. Because for one of the reasons, I think, is that because social media is a little bit of a gas relief valve, right? People say things on the internet they wouldn't really say to another human being in person or in polite company because they just use it to relieve tension or whatever. But you're actually acting in that capacity out there. And then, you start to get sucked into your own entropy and begin to believe or identify with your own social media avatar or personality or various shades of psychopathy that you're presenting to the world.

**Jesse Hirsh:**

Let's just qualify that with some people.

**Mark Jeftovic:**

Some?

Present company excluded?

**Jesse Hirsh:**

I don't really like Jaron Lanier because I find that his arguments are really based on what he thinks is synonymous with what the world is. And I just disagree with his assessment of the world. But I agree that there are many psychopaths on the internet who were probably not psychopaths before they started to play that role on the internet.



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**Charles Hugh Smith:**

Right. I guess I would say we can start subdividing your entropy, and I realize we're pushing up to our normal quit time. So I'll just end here.

I think that much of the damage is all about marketing, right? It's all about selling something, targeting a consumer, right? So if you just limited your entropy engine to throwing off the marketing or sucking those guys in and giving nothing back – so they're just squandering their money – you can do that and avoid as much politicization and other issues. That it would just be a front to suck as much money out of that marketing machine as possible. And maybe, that wouldn't be touching so many of these issues that you guys are describing.

**Jesse Hirsh:**

That's a good note to end on.

**Mark Jeftovic:**

Yes. I detected an awkward pause. Okay, so.

**Jesse Hirsh:**

We were all deep in thought.

No, I'm thinking on the nature of siphoning the marketing and advertising industry of their accesses, which you know, who would be the loser there? You'd almost want to be a shareholder in one of the major advertising and marketing conglomerates because there'd a lot of profit as a result of that fraud, which has already been happening for the last 15 years.

**Mark Jeftovic:**

It what drives the entire industry. But I was also wondering if there was a way that wasn't self-defeating. That not only could you suck the steam out of the marketing industry, but also pull a bunch of the energy out of some of the wildest most distasteful elements of social media or Twitter – like the online roving gangs of stuff and just sort of get them chasing almost like a mechanical rabbit at the dog race. There's nothing really in there, but they're like, you got a bunch of people like whoever it is.

**Jesse Hirsh:**

I think you're opening up a whole new can of worms when we're trying to close the episode. I would only counter by saying that I think the opposite effect. I think you'd be



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training a larger and larger army and expanding its capabilities for even greater warfare. But that'll be part two in our algorithmic guerrilla warfare manual. Maybe next time on the AxisofEasy Salon.

**Mark Jeftovic:**

Right. And it'll be called Salon #9A, right?

**Charles Hugh Smith:**

Or Salon #9B

**Mark Jeftovic:**

Yes. Today was 9A.

Alright. We're going to stop it there.

**[closing credits]**