



Epsilon Theory
The Widening Gyre

September 19, 2022



Inferno, Giovanni da Modena (1410)

The widening gyre is eating America alive.

And it's not just our country. It's our families and friendships, too. Ourselves, even, as the widening gyre rips our internal identities to shreds.

What is the widening gyre? It's the instrument of the Beast, working across the centuries in every civilization to lay humanity low.

Yeats saw it clearly in 1919, putting a name to the blasted heath of Europe after the Great War, the enormity of the Russian Revolution, and the aftermath of the Easter Rebellion in his native Ireland.

Turning and turning in the widening gyre

The falcon cannot hear the falconer;

We are the falcon, and the falconer is ... God, if you're religious, the Old Songs of reason and empathy and reciprocity if (like me and like Yeats) you're not.

In the widening gyre, we are deafened by Big Media and its New Songs of *schadenfreude* and I-got-mine-Jack, unable to hear the precepts of our better natures or the lessons of the past.

Things fall apart; the centre cannot hold;

The widening gyre is political polarization, where a mad rush to more and more extreme positions is the dominant political strategy, presided over by the institutionalized, unquestioned power of Big Politics.

Mere anarchy is loosed upon the world,

The blood-dimmed tide is loosed, and everywhere

The ceremony of innocence is drowned;

There's no escape from the widening gyre! Big Tech brings *mere* anarchy – quotidian, ordinary, boring anarchy – to every aspect of our daily lives, so that all of our social ceremonies of association and friendship – *all of them* – are drowned in a relentless, implacable tsunami of “news” and “social media”.

The best lack all conviction, while the worst

Are full of passionate intensity.

The widening gyre is Gresham's Law, not for money but for people and ideas.

The widening gyre is a profound social equilibrium where bad people and bad ideas drive good people and good ideas out of circulation. It is the triumph of **Fiat World**, where fiat news and fiat ideas and fiat people are presented as reality by proclamation, not lived experience.

And what rough beast, its hour come round at last,

Slouches towards Bethlehem to be born?

Our rough Beast of the widening gyre is a hydra, a three-headed hydra of Big Politics, Big Media and Big Tech, slouching towards Bethlehem in an unholy, inhuman, secular perversion of the **Second Coming**.

The three-headed hydra of Big Politics, Big Media and Big Tech is our true, common enemy, and to save America from the widening gyre, we must slay it.



Hercules and the Lernean Hydra, Gustave Moreau (1876)

But today, this is impossible.

Why? Because common knowledge.

Because everyone knows that everyone knows that the enemy of America is not the Beast of the widening gyre, but the Other Party.



Majorities in both parties say democracy in danger of collapse: poll

Majorities of Democratic and Republican respondents in a new poll said that they think U.S. democracy is in danger of collapse. The Quinnipiac University poll found that 67 percent of all of those surveyed said democracy is in danger, up 9 points from January. Seventy-two percent of registered Democratic voters and 70 percent of Republicans ...
[Continue reading](#)



Only about one-in-five Trump and Biden supporters say they share the same core American values and goals

% of registered voters who say ...

Not only do we have different priorities when it comes to politics, but we fundamentally disagree about core American values	We have different priorities when it comes to politics, but we share a fundamental commitment to the same core American values
------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------

*Views of Trump supporters
among Biden voters*

80

18

*Views of Biden supporters
among Trump voters*

77

22

Notes: Based on registered voters. No response answers not shown.
 Source: Survey of U.S. adults conducted Sept. 30-Oct. 5, 2020.

PEW RESEARCH CENTER

A significant majority of Americans today (72% of registered Democrats, 70% of registered Republicans) believe that the Other Party poses a clear and present danger to the survival of American democracy.

An even larger majority of Americans (80% of Biden voters, 77% of Trump voters) believe that the Other Party fails to understand the *meaning* of America, that supporters of the Other Guy are not good Americans.

Most Americans today believe that their belief about the Other Party is self-evident. They *honestly* do not understand how anyone in the Other Party does not see the world as they do. They believe that Their Party is the sole bulwark against the collapse of the American experiment, against the forces that would destroy American democracy. Sure, mistakes have been made by Their Party, but in an existential struggle against an existential threat, these mistakes are not just forgivable but must be dismissed.

And here's the kicker: ***They're not wrong.***

If there's one thing you get from Epsilon Theory, get this: when common knowledge is established – when everyone knows that everyone knows that something is “true” – then the only rational behavior, even if you do NOT believe that the thing is true, is to act AS IF the thing is true.

What does it mean to act AS IF the Other Party will destroy American democracy, even if you don't really believe that's true?

It means that you will reject as “corrupt” and “illegitimate” any electoral or judicial outcome that favors the Other Party. It means that you will not accept the possibility that a policy disagreement can be had in good faith.

It means that you will justify whatever crappy actions you take – no matter how much you treat other people as expendable pawns in your little game – on the basis that the Other Party has done and will do much worse.

It means that you will have no shame.

It means that everyone knows that everyone knows that the Other Party would stop at nothing to achieve their nefarious aims, so your stopping at nothing is just self-defense. Political common knowledge is always a perversion of the Golden Rule: ***Do unto others as they would do unto you. But do it first.***

It means that you will take extra-electoral and extra-judicial steps to prevent the Other Party from achieving electoral success. It means you will gerrymander. It means you will challenge electors. It means you will systematically suppress certain voter demographics. It means you will systematically augment certain voter demographics. It means you will investigate and indict your political

opponents. It means you will lie and nudge like there's no tomorrow, because if you don't you believe there won't be a tomorrow.

I mean, how could you not? What would you *not* do to prevent Hitler from coming to power in 1934? What would you *not* do to prevent Lenin from coming to power in 1917?

It's not that you *want* to take these extra-electoral and extra-judicial steps to prevent the Other Party from coming to power. It's that you convince yourself that all of these lies and nudges, all of this treatment of human beings as pawns, are a *necessary evil* in service to a Greater Truth and in opposition to a Greater Evil.

It's the entirely rational thing to do if you believe in the Greater Truth and the Greater Evil, and with the establishment of common knowledge it's the entirely rational thing to do even if you don't. Because you must assume that the people in the Other Party do.

This will get much worse before it gets any better.

With the establishment of common knowledge that the Other Party is the enemy of American democracy, we have changed the fundamental structure of American politics from a coordination game (Stag Hunt), where both cooperative and non-cooperative equilibria are possible, to a competition game (Prisoner's Dilemma) with an enormous sucker's pay-off, where mutual defection and conflict is an extremely stable and solitary equilibrium.

I wrote this SIX YEARS ago, in September 2016, when I said that **I thought Trump could beat Clinton.**

Trump, on the other hand ... I think he breaks us. Maybe he already has. **He breaks us because he transforms every game we play as a country — from our domestic social games to our international security games — from a Coordination Game to a Competition Game.**

The hallmark of a Coordination Game is that there are two equilibrium outcomes possible, two balancing points where the game is stable. Yes, one of those stable outcomes is mutual defection, where everyone pursues their individual goals and everyone is worse off. But a stable outcome of mutual cooperation is at least *possible* in a Coordination Game, and that's worth a lot. Here's a graphical representation of a Coordination Game, using Rousseau's famous example of "the stag hunt".

		Column Player	
		Hunt together	Hunt alone
Row Player	Hunt together	2 , 2	0 , 1
	Hunt alone	1 , 0	1 , 1

Fig. 1 Coordination Game (Stag Hunt)

The basic idea here is that each player can choose to either cooperate (hunt together for a stag, in Rousseau's example) or defect (hunt independently for a rabbit, in Rousseau's example), but neither player knows what the other player is going to choose. If you defect, you're guaranteed to bag a rabbit (so, for example, if the Row Player chooses Defect, he gets 1 point regardless of Column Player's choice), but if you cooperate, you get a big deer if the other player also cooperates (worth 2 points to both players) and nothing if the other player defects. There are two Nash equilibria for the Coordination Game, marked by the blue ovals in the figure above. A Nash equilibrium is a stable equilibrium because once both players get to that outcome, neither player has any incentive to change his strategy. If both players are defecting, both will get rabbits (bottom right quadrant), and neither player will change to a Cooperate strategy. But if both players are cooperating, both will share a stag (top left quadrant), and neither player will change to a Defect strategy, as you'd be worse off by only getting a rabbit instead of sharing a stag (the other player would be even more worse off if you switched to Defect, but you don't care about that).

The point of the Coordination Game is that mutual cooperation is a stable outcome based solely on self-interest, so long as the payoffs from defecting are always less than the payoff of mutual cooperation. If that happens, however, you get a game like this:

		Column Player	
		Cooperate	Defect
Row Player	Cooperate	2 , 2	0 , 3
	Defect	3 , 0	1 , 1

Fig. 2 Competition Game (Prisoner's Dilemma)

Here, the payoff from defecting while everyone else continues to cooperate is no longer a mere 1 point rabbit, but is a truly extraordinary payoff where you get the “free rider” benefits of everyone else’s deer hunting AND you go out to get a rabbit on your own. **This extraordinary payoff is what Trump is saying is possible when he talks about America “winning” again.** But it’s not possible. Not for more than a nanosecond, at least, because there’s no equilibrium there, no stability in either the upper right or bottom left quadrant. You want to pass a modern version of the 1930 Smoot-Hawley Tariff Act to “win” a trade deal? Knock yourself out. As in 1930, you’ll enjoy those benefits for about two months before every other country does the same thing against you. And in about 12 months, as in 1931, every bank that’s levered to global trade finance goes bust. Whee! There’s one and only one equilibrium in a competition game — the “everyone defect” outcome of the bottom right quadrant — meaning that once you get to this point (and you will) you can’t get out. The stability of the Competition Game is the stability of permanent conflict.

More importantly than what happens in any of these international games, however, is what happens in our domestic games. Blowing up our international trade and security games with Europe, Japan, and China for the sheer hell of it, turning them into full-blown Competition Games ... that’s really stupid. But we have a nasty recession and maybe a nasty war. Maybe it would have happened anyway. We get over it.

Blowing up our American political game with citizens, institutions, and identities for the sheer hell of it, turning it into a full-blown Competition Game ... that’s a historic tragedy.

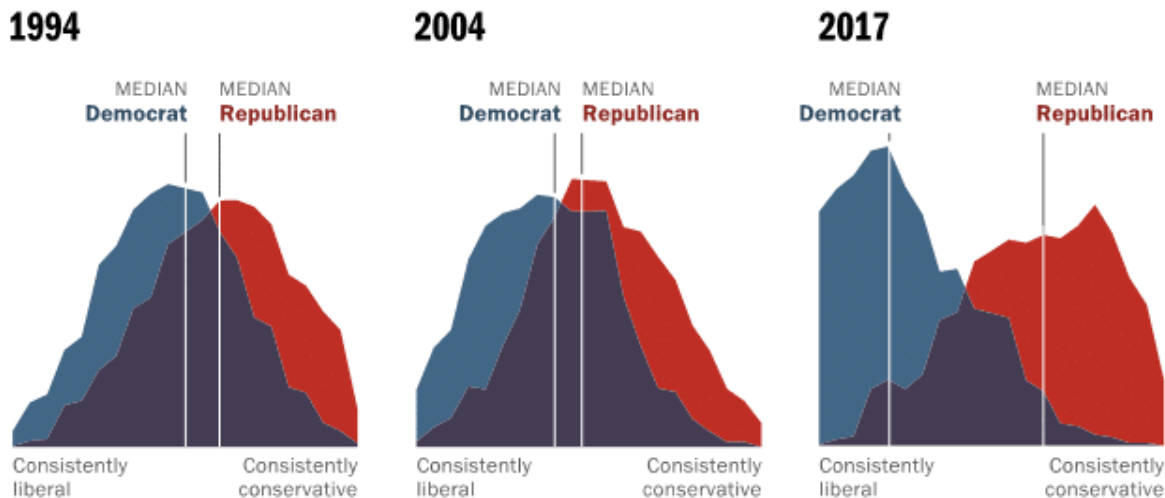
We don’t get over that.

But that's exactly where we are.

Here's [another way of showing the same thing](#).

Democrats and Republicans more ideologically divided than in the past

Distribution of Democrats and Republicans on a 10-item scale of political values



Notes: Ideological consistency based on a scale of 10 political values questions (see methodology). The blue area in this chart represents the ideological distribution of Democrats and Democratic-leaning independents; the red area of Republicans and Republican-leaning independents. The overlap of these two distributions is shaded purple.

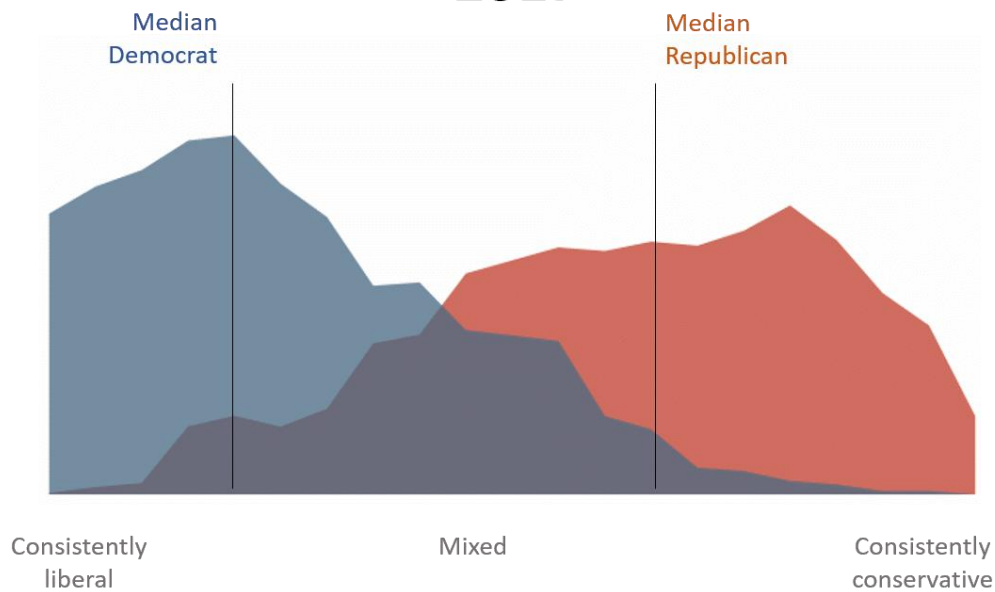
Source: Survey conducted June 8-18, 2017.

PEW RESEARCH CENTER

The Pew Research Center does consistently excellent work on U.S. voting patterns. In this long-running research series, they tend to focus on the distance between the median Democrat voter and the median Republican voter, and that's all well and good. What I'm focused on however, is the *shape* of the Democrat and Republican electorate distributions, such that the *overall* distribution in 2017 is no longer a single-peaked something-akin-to-a-bell-curve as it was in 2004, but is instead a double-peaked or (to use a \$10 word) *bimodal* distribution.

The bimodal distribution began to take shape in 2014, well before Trump came on the scene, but it's just gotten more and more pronounced since his 2016 election. There's a **time-lapse animation of these charts that's cool to watch**, and I've put a solo shot of the 2017 results below.

2017



So what's the problem with a bimodal distribution? The easiest way to think about it is to compare the size of the purple area (where both the Republican and the Democrat electorate overlap) with the pure blue area (Democrat with zero Republican overlap) and the pure red area (Republican with zero Democrat overlap). **When the purple area is smaller than both the blue area AND the red area, a centrist politician (someone between the median Democrat and the median Republican) can win neither a national nomination nor a national election in a two-party system.** For any centrist candidate or policy, there exists a winning majority of voters on both the left AND the right who will favor a competing candidate or policy on both the left AND the right. ***This is what it means to say that the center cannot hold.***

If you're an incumbent centrist politician, somewhere to the left of your median voter if you're a Republican and somewhere to the right of your median voter if you're a Democrat, you have exactly two choices.

1) You remain silent and just go with the party flow, clinging on for dear life against primary challengers, holding your nose at the party excesses, apologizing to your donors and your spouse in private, and hoping that one day the party comes back to you. You tell yourself "après moi, le deluge." Or in English, "sweet Jesus, have you seen the racist moron / lunatic communist who would take my place if I quit?", and you've got a big enough ego to believe that sort of excuse as you slowly sell your soul.

2) You quit.

That's it. Those are your options.

This is what I mean by a Gresham's Law of people and ideas. This is what I mean when I say that the widening gyre is a profoundly stable social equilibrium where bad people and bad ideas drive good people and good ideas out of circulation.

Let me be really clear about something. This is not an exercise in assigning blame for how we got to this sad state of affairs, of widening-gyre-as-stable-equilibrium. My personal belief is that Trump broke us, that he was almost singlehandedly responsible for first transforming internal Republican party politics from a coordination game into a competition game, and then went about transforming national electoral politics in the same way. My personal belief is that Trump was slouching towards an outright coup on January 6. My personal belief is *also* that Biden's Philadelphia speech a few weeks ago cemented the transformation of national electoral politics from a coordination game into a competition game.

Now you may have personal beliefs about Trump and Biden and how we got here that are very different from mine. You may believe that it's decades of Democratic elitist policies that got us here, that that's what is to "blame", and that if it weren't Trump as a "catalyst" it would have been someone else. Okay. You may believe that I am being way too harsh on Biden, and that Trump and the Republican party leadership are the sole locus of evil in the modern world. Okay.

My answer to both of you is the same: ***So what, now what?***

I don't know which side in World War I was the first to introduce mustard gas. I don't know who to blame for that. What I do know is that once one side started lobbing mustard gas shells, it was entirely rational for the other side to do the same. In fact, it would have been entirely irrational not to. Yes, the equilibrium of the Prisoners Dilemma is awful. But it's better than the sucker's payoff where you just sit there and take it. I don't *blame* Biden for escalating the competition game of American electoral politics and taking a missionary position of declaring "Trump Republicans" an enemy of American democracy. Frankly, my only surprise is that it took him so long. But that IS what Biden did in his Philly speech, and now THIS is our world:

The leader of the Republican Party – former President Donald Trump – has declared that Biden Democrats are an enemy of American democracy. A significant majority of Republicans believe that this is true.

The leader of the Democratic Party – current President Joe Biden – has declared that Trump Republicans are an enemy of American democracy. A significant majority of Democrats believe that this is true.

If you don't see where this is going, then you're not paying attention.

THIS IS THE WIDENING GYRE.

Okay, Ben, so what do we do about it?

I know what you want to hear. You want to hear that there are enough centrist voters to support a winning coalition of centrist candidates, perhaps within a new, third political party. You want to hear that we can DO something from the top-down, through a national campaign to reclaim our political sanity. Hey, it's what I want to hear, too!

But it's just not true.

I think the same thing about a third political party as I do about Bitcoin. I am enormously supportive of the energy, smarts and civic spirit of the people behind third party efforts and Bitcoin. I am entirely supportive of their goals. I am an ally in every sense of the word.

But in the same way that Bitcoin has been corrupted and absorbed by Wall Street, securitized into a *Bitcoin!*™ that serves the interests of the institutions it was intended to subvert, so is a third party that participates on the national stage corrupted and absorbed by Big Politics, autotuned into a *Third Party!*™ that serves the interests of the institutions it was intended to subvert. Specifically, Big Politics wants a *Third Party!*™ to serve as a fall guy for whatever the 2024 outcome might be. Whoever wins in 2024, *Third Party!*™ will be blamed by the loser and sneered at by the winner. As Margaret Thatcher famously said, if you stand in the middle of the road, you get hit by traffic from both sides. *Third Party!*™ is the designated patsy.

The problem for both Bitcoin and a third political party is that they seek to fight in an arena that was built by their opponents. It's not just that Wall Street and Big Politics have a home field advantage in their efforts, but much more so that they wrote the rules of the game! Worse, their allies – Big Media and Big Tech – control every aspect of the narrative presentation of the fight. The rules are stacked, the referees are paid off, and the commentators are intensely biased. Other than that, what's not to like about your chances?

Can a third political party have meaning without being co-opted into *Third Party!*™? By which I mean, can a third political party make a meaningful difference in reducing the stranglehold that our two-party system of Big Politics has on our country?

Actually ... yes, I think it can!

But only if it completely avoids the Presidential election, and probably Senate elections or any high profile statewide election, too.

To explain, let's go back to my fundamental premise. Our true, common enemy and the structural source of the widening gyre that is killing our country is the three-headed hydra of Big Politics, Big

Media and Big Tech. How do you kill a hydra? Well, if you remember your mythology, just cutting off a head isn't enough. Hercules could whack at the hydra all day long, but for every head he bashed to a pulp, two more would just grow back in its place. It wasn't until he had his nephew cauterize the neck stump with fire that he finally got on top of the situation.



Hercules and the Hydra, Antonio del Pollaiuolo (1475)

To kill a hydra you must prevent it from regenerating itself.

Cutting off a head – by which I mean winning an election, even a major election, or breaking up a media or tech company, even a major media or tech company – is useless.

Instead, you must burn away the tissue which regrows the heads – by which I mean shifting the common knowledge regarding politics, media and technology. If a third political party could do THAT ... if a third political party could change what everyone knows that everyone knows is possible when it comes to politics, media and technology ... well, now that is *very* interesting to me!

Specifically – and this is why my advice to any third political party is to avoid high profile elections like the plague – my goal for a third political party would be to spearhead a Constitutional amendment process that changes the *rules* of electoral competition, such that it was no longer a foregone conclusion that either a Democratic or Republican head would grow back whenever they – *mirabile dictu* – lost an election to an insurgent candidate.

You, uh, know that eleven states have already ratified exactly this sort of Constitutional amendment, right?

Here's how Rusty put it in **the most important Epsilon Theory note you've never read**:

We start from the outside.

We start from the bottom-up.

We start with a movement focused on engaging and influencing our state legislatures, one by one, to ratify the Congressional Apportionment Amendment as proposed to the states in 1789.

No, I am not kidding.

The only amendment that would have been part of the initial package that was approved by Congress but never ratified by a sufficient number of states, the Congressional Apportionment Amendment remains open for ratification. Indeed, eleven states have already ratified it (*New Jersey, Maryland, North Carolina, South Carolina, New Hampshire, New York, Rhode Island, Pennsylvania, Virginia, Vermont and Kentucky...and depending on whom you ask, Connecticut*). To blow open the doors of the U.S. Congress and begin the process of returning it to the people, we need 27 more states to ratify the amendment. Twenty-seven more **state** legislatures, closer to the people, less dependent on national party and fundraising engines, supported by 2020's vastly weaker state party infrastructure, to convince, pressure and influence with *as much time as we need* to do it.

A focused national movement, executed state-by-state. One at a time. Not a movement of national protests or strikes that can be waited out. Not a voter initiative that can be blunted by the siren call of "the most important election of our lifetimes" and "wasted votes."

And *when* we succeed – what happens? The US House of Representatives opens its doors to some 6,600 representatives, a veritable flash mob of just-out-of-college know-it-alls, communists, business leaders, theocrats, weirdos, libertarian bloggers, Vermont hippies, black community organizers, retired scientists, pipefitters union leaders, well-funded private equity managing partners, and probably a cultist or two, along with a well-coiffed and irritated looking Nancy Pelosi and an equally well-coiffed and irritated looking Kevin McCarthy.

You know. People. In the People's House. Imagine that.

What else happens? The change in the size of the House immediately dilutes the disproportionate power of the electoral college in small states (i.e. 100 electoral votes in a sea of 6,700) in complete concord with the integrity and original intent of our constitution.

What else? If we do it right, if the people are invested in seizing the People's House, and if the McCarthys and Pelosis of the world want to build a coalition to retain a shred of their former influence? **In exchange for the cooperation of the (I think) 10-25% of non-partied participants now necessary to make any legislation work, those participants demand in solidarity that the first law be a transition of our electoral model to a system for proportional representation in the House of Representatives.**

Haha! Borrrringgg! No national campaign. No trial balloons for potential billionaire candidates (*hey, I hear Mark Cuban is seriously considering this! and don't forget, Mike Bloomberg is only 80 years old!*). No wrangling to get a podium on a Presidential debate stage. No ego trip. Just a slog through one state legislature after another, talking with state reps as the natural candidates for a massively expanded House of Representatives, an expansion that would change ... everything that we all know that we all know is possible in American politics. True local representation on a national stage. An enormous step towards proportional representation and the *structural* end of the two-party system.

The Constitutional Apportionment Amendment.

Seriously. Just look it up. Just think about it.

To slay the hydra of Big Politics, Big Media and Big Tech, we can't play their game. We have to change the game. We have to change the rules. We have to amend the Constitution.

And we have to do it while we still have a Constitution to amend.

So that's my challenge to Andrew Yang and the Forward Party (or any other third party effort in American politics) – use this opportunity to work for structural change in the rules of the game, so we can focus on our real enemy. It's not sexy. It's not an ego trip for whatever billionaire candidates think the nation is secretly clamoring for them. But do this and I'll be more than an ally, I'll be your tireless partner. A lot of others will be, too, I bet.

Otherwise ... well, time to figure out who we want in the foxhole with us for the domestic political conflict to come. And where to find a mask for the mustard gas.

DISCLOSURES

This commentary is being provided to you as general information only and should not be taken as investment advice. The opinions expressed in these materials represent the personal views of the author(s). It is not investment research or a research recommendation, as it does not constitute substantive research or analysis. Any action that you take as a result of information contained in this document is ultimately your responsibility. Epsilon Theory will not accept liability for any loss or damage, including without limitation to any loss of profit, which may arise directly or indirectly from use of or reliance on such information. Consult your investment advisor before making any investment decisions. It must be noted, that no one can accurately predict the future of the market with certainty or guarantee future investment performance. Past performance is not a guarantee of future results.

Statements in this communication are forward-looking statements.

The forward-looking statements and other views expressed herein are as of the date of this publication. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and there is no guarantee that any predictions will come to pass. The views expressed herein are subject to change at any time, due to numerous market and other factors. Epsilon Theory disclaims any obligation to update publicly or revise any forward-looking statements or views expressed herein.

This information is neither an offer to sell nor a solicitation of any offer to buy any securities.

This commentary has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Epsilon Theory recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.