

John Deaton, Aaron Welwood and Darren Moore Talk Politics, Crypto and Privacy

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SPEAKERS

John Deaton, Darren Moore (Host), Aaron Welwood (XX Network).

Darren Moore 00:00

... everyone for joining us today. We have a very special guest. We have John Deaton, how are you today John?

John Deaton 00:05

Doing well, Darren, how are you?

Darren Moore 00:07

I'm doing great. So glad to have you on. I haven't spoken to you, I think since, since consensus, really, it's been quite some time.

John Deaton 00:16

Yeah, I was in full election mode. Then I believe, right?

Darren Moore 00:20

Yeah, yeah. Do you think you're going to try again the next time?

John Deaton 00:26

You know, listen, Massachusetts is such a fascinating place, right? 8% are registered Republicans. That's it. 26 or 27% are registered Democrats, and everyone else is independent. But, you know, I got my butt kicked by 20 points, and the next day, I got all these text messages of how great I did. And I'm like, What are you talking about, dude? I like, I got my ass kicked, right? And they're like, a Republican hasn't pulled over 40% in a couple decades. I was the only non incumbent senator to outperform Trump in the election. And so, you know, she had 25 million I had three. She was a career incumbent, entrenched politician. This was the first time out for me. I didn't have name recognition.

John Deaton 01:20

So I haven't ruled it out, you know, I don't know for sure what I'm going to do, but I don't like losing. To be honest with you, that competitive guy in me is like, you know, hey, I want to take another shot at trying to trying to win. But more importantly, it's not about that. It's about I really got in a race, because I think that we're losing our way as a country, just we've lost all common sense. And it's like, I'm sure we'll talk about some of this. You know, it's like, you take crypto, you know? It's like the financial crisis, we go from one extreme where everyone in the world could get a house and a mortgage, right? No income verification, no job needed, credit scores, we're not even going to look at them. And they create,

you know, the crisis, and then they go, overreact. I couldn't even get a mortgage on a house and and I do much better than most people, or at least a lot of people, and I had assets as collateral. They're like, Oh, we can't even consider those assets as collateral.

John Deaton 02:25

And I couldn't get a mortgage because my income fluctuates too much, you know, one year I could have a great year. The next year I could have a shitty year. And, like a lot of people, and so now we go from crypto, and are we going to go from, you know, the the boot of the government on the industry's neck, unfair, unlawful lawfare, regulation by enforcement, to the, you know, free for all wild, wild west. You know, it's all going to be where pump and dumps and meme coins through the roof. I mean, you know, I'm not saying that's going to happen. I'm concerned that that's going to happen, but it's a... we have this tendency to just go from one extreme to the other, you know, and overreact from the previous administration and, you know. Anyways, I know you didn't, didn't mean for me to go on my little rant.

Aaron Welwood 03:19

I have a bit of a follow up on that actually, like, what do you see as, as a path for that just middle of the road, you know, being, you know, Canadian, looking outside in I see that those extremes. And I have guys that are Democrats, that I'm really good friends with, the guys that I work with, they can't stand Trump. Then I have other friends that absolutely love Trump. They love that new Republican side. And I had to just look from the outside, and I'm like, Oh my gosh, this is so extreme. It used to be like, you know, 20 years ago, everybody could get together and they could have these disagreements, and they could kind of talk policy, but it wasn't this, like hatred, like it's it's sad, it's sad to see, and it does affect the rest of the globe, because you guys basically set the tone in terms of how people are treating each other, even it seems like, yeah, it's Definitely washed into Canada, where there's, like, this massive hatred of the left right now, because, you know, the left has been in power for about 10 years in Canada under Trudeau. And like, I don't like Trudeau policies at all, but I mean, he's a freaking human being, as much as I can't stand the guy politically and like, he's caused us a lot of problems at the same time. He's a freaking person. So, yeah, I don't, I don't know, do that, and it's both sides. It's freaking rough.

John Deaton 04:48

Yeah, I don't know, when we live in a divided world. You know, I was at dinner. There were four people in 2020 and I had dinner with the same four people after this election, and two of them voted for Biden, two of them voted for Trump. And then this year, two of them voted for Kamala, two of them voted for Trump, and that's the divided world we live in. And I was trying to explain to my daughter, who's, you know, she's younger. I'm talking about Olivia. She graduated USC a couple years ago, and she's much more liberal than her dad. Okay, you know, I tease her and I say I paid a lot of money at USC for that indoctrination, honey, yeah, and, you know, but I love her to death, but I would have to explain to her like, you can't say that someone who votes for Trump is a racist, you know, like, don't fall into that trap.

John Deaton 05:47

There are very good human beings out there that are voting for Donald Trump. That doesn't mean they don't support women's rights. That doesn't mean that they're racist or xenophobic, right? They're all for leaving an open border completely, or they think that they went too far left and all that, so like when I on my concession speech, I basically said, Look, I kind of addressed it and said, let me just tell you that if, if voters are voting for Trump, that doesn't make them racist, xenophobes, and if they're voting for Kamala Harris. It doesn't make them a Marxist. You know that they're doing what most of us do, which is look at two flawed human beings and deciding, you know, either on policy issues or personality

issues, which one is worse and so... But no, you're right. I don't know if it's the advent of social media and where you know you can have an avatar and there's no accountability to anything you say and what you say and the hate you spew. But I don't get it. I don't understand. I have very good friends who are the most ardent Trump supporters you've ever seen. Yeah, and I have good friends who despise the man, right? And we're still friends!

Aaron Welwood 07:10

I think you're right about the social media, like it's a big deal, like it dehumanizes us, just inherently, you know, even to be able to get together like this, at least it's something you can see. You can see each other's facial features, and, you know, you can kind of take social cues, whereas on, like you said the avatar stuff, it's like they're not a person. So like, they say something you don't like, you don't understand their tone, you don't understand them as a human. There's no relationship. So that's just like, it's almost like you see them as a policy, or you see them as an idea, and you hate it, so then you end up hating that person, and it's freaking it's got everyone.

John Deaton 07:53

And not just that, but they conflate things, like, for example, if I say that, I believe the concept of DOGE... Not, not the coin, right? The the govern, the agency, if you will, that having a commission or people to look at our government spending, see where the fat is. Try to lean it out. See where fraud, waste and abuse is. So if I say, you know, I think DOGE is a good idea. Immediately you get, how could you support Elon Musk? How could you it's like, I just said, it's a good idea. I didn't endorse. I didn't endorse everything Elon has said or done. But that's, that's the reality. When I was like, running for office, people would say, you know, are you going to go on that person's show? I'm like, yeah, if I can get, well, how could you do that? Because that person is, you know, too extreme or something.

John Deaton 08:50

And I'm not talking, I'm not talking about an Alex Jones or something like that. It could be a Tucker, right? Or it could be Joe Rogan or something. I'm like, I hope I get invited to something, yeah, and you're like, Oh, well, you know that person you know said this or did this, and it's like, going on someone's show you know, like you guys having me doesn't mean you agree with everything I say and everything you know me coming on your show doesn't mean I agree with everything you say or do. It's having a conversation. But we've gotten so divided that we we conflate personalities with issues. You know, can't separate them.

Darren Moore 09:29

When I noticed that your your platform was more like dead center, you know, it wasn't, wasn't too, too Right, like, even though they were running through Republican it wasn't. It wasn't like extreme right, or anything like that, common sense and center. So I think that's that's exactly what we need. It's more middle of the road type of thought versus the extreme because it seems like the pendulum swings all the way to the right and swings all the way to the left, and you don't like it when the next political party gets in that you don't want, because it just gets that much more extreme. So I appreciate...

John Deaton 10:06

I mean, Joe Biden becomes president, and immediately he reverses every single executive order related to the border that Trump did, all because Trump did it, right? All because it has Trump's signature, and they didn't stop to say, you know, maybe there's a few of these remain in Mexico or, don't, you know, just release them if they have criminal convictions. Like, there could be some good

but because Trump's name was on it, they just want to reverse it. And, you know, we could see the same thing happen, you know, with President Trump coming in, you know, maybe there was something that good that the other administration did. And who knows? But again, you know, we live in a we live in a divided world, man, and I don't know what's going to break it. You know what I mean.

Aaron Welwood 10:55

Do you know of any... I get we can move on to crypto in a second. I just have one more question. Do you know on that line of thinking, like, is there policies that Biden reversed through executive orders and then ended up kind of doing a similar policy anyway, but then putting it under maybe a different name, and has Trump now done similar things where he reversed executive orders, but then did the same thing that... so they can get the win for their party, like, does that go on?

John Deaton 11:26

It does go on. I mean, if you look at tariffs, which are big topic right now, you know, Biden is a candidate, said Trump didn't understand tariffs. He was an idiot about tariffs. When Trump put on the 2017/2018 tariffs on China. Biden comes in office and not only keeps the tariffs, but he expanded those tariffs. You know, now there's an example right, where the rhetoric you have to separate, you know, what they say from what they do. But no, you're right. They play these political games where they're just interested in in political victories, like public perception that they got a victory. But, you know, we'll see, hopefully, I'm hoping that it doesn't take a tragedy or something drastic that happens to make people you know sort of come together. But, I mean, I know brothers and sisters that don't talk anymore because because of who they voted for, you know, it just, I just don't, I don't know how you deal with that.

Darren Moore 12:40

Several divorces over over the vaccine. I know, like a lot of friends, they just split over the vaccine. I'm curious to hear your thoughts on if you think the SEC is going to actually go after Trump for launching a meme coin at one point, or do you think like they're just acceptable now?

John Deaton 13:03

Yeah, I mean, I find it very hard to imagine that Paul Atkins is going to come in, you know, and, you know, make an argument that, I mean, the only thing you could do is argue that the Trump memecoin's a security, right, that it's relying on the efforts and identity of Trump. But no, I think memecoins are here to stay to a certain extent. And we just got to hope that, you know, I made the comment that for the last four years, crypto has fought for survival, choke point, 2.0 regulation by enforcement, the Ripple case, the Coinbase case, the Kraken case, I mean, just goes on and on... it's unbelievable.

John Deaton 14:00

But now Trump says he's going to make America, crypto capital the world launches a memecoin. I think we're fighting for our legitimacy and what people need to really know, experience and understand is that, believe it or not, guys, we just finished an election. One year from now, it will be full term, fledged midterm election cycle. A year from now, we will be six months away from the midterms. And if you look at presidential, if you look at elections, you look at Obama, you look at George W Bush, you look at Trump's first term, and you look at Biden, the party in power had two years, and then they lost, right and so in 2026 if the Democrats... The Senate's only got three seats where the Republicans have a majority. There are 20 Republicans up for re-election in 2026 and 13 Democrats talking about the Senate. So significantly more percentage are Republicans. If the Senate flips, guess who is the banking

Chairman overseeing the SEC? Elizabeth Warren, right? Because she's on the Banking Committee, and she's the ranking member, and so we have 100-150 days, whatever it is, to get real, meaningful legislation passed. And I'm afraid that, if they don't, then what happens if the House or the Senate flips in two years? What happens if four years from now, there is a Democrat president, and the House and the Senate go back to Democrat control. Are we returning to an anti-crypto army and a war so you know, these are really important times.

Darren Moore 16:12

Wow. You want the next question Aaron?

Aaron Welwood 16:22

Yeah, so, I mean, there's a question on here about the Trump coin. And the follow up said this, you know, this is a bit of a different angle on crypto sentiment, but, yeah, given the surge of XRP's price. Do you see market performance as a tool to combat this negative perception in crypto, like the fact you know prices going up and down? Or do you try to stay away from that?

John Deaton 16:53

I mean, I try to stay away from, I mean, it's a double edged sword, right? XRP is, for example, we'll take XRP. You brought it up. It is the best performing crypto, at least a major market cap since the election, and people are getting excited. And you see people, it generates a lot of people coming to the to the community, and I mean crypto community in general. But of course, if they're new, they don't know what people watching this know, (yeah, volatility). If they, if they, they may have experienced it a lot, a couple days, the last couple days, right? Like yesterday, yeah, experience the volatility. But you know, if they get in just because of price appreciation, if they get in just because they think 500 bucks could turn into, you know, 500,000 or more, then that's not good, because then they get disenfranchised, and they so we've been waiting for utility to sort of be the what carries the industry, and so we'll see.

John Deaton 18:10

I'm a little... listen. I think what we need to do is, we need in this time right now... I'm a Coinbase or an Uphold customer, and you guys are what, if you have an exchange, but if Coinbase files for bankruptcy, right now, my account would be considered part of the Coinbase bankruptcy as part of Coinbase's assets, right? Let's see. I got \$1,000 there - it would go on the balance sheet of Coinbase for their creditors. Like that's insane, right? We don't want that. So we need legislation that that protects that, legislation that tells Coinbase or Kraken or Uphold you're not allowed to comingling customer funds. You need to keep 100% reserves. No comingling, no rehypothecation, any of that kind of stuff.

John Deaton 19:07

Those are the kinds of things that that I hope in stable coin legislation and market structure and things like that. And unfortunately, you have everyone pounding the table arguing over a strategic Bitcoin reserve versus a strategic crypto reserve. You know, the Jack Mallers of the world are throwing, you know, videos, emergency videos, and calling for investigations and there's this debate. And the reality is, you know, the chances of that happening. I mean, sure Trump can say that Bitcoin and other crypto that we have in America that was seized, we're gonna HODL it. We're not gonna sell it. We're gonna put it on the balance sheet as a reserve asset. Sure. He could do that, you can write an executive order that says we're not going to sell it for 20 years. And that's fine, but it would require Congress to pass a bill that says we're going to, even though we have our deficits, even though we have 2 trillion a year deficits, we're going to print money to buy Bitcoin. Right. That's just not gonna happen. It's just not

gonna happen. And so let's focus on what we can accomplish instead of that stuff. But you know, I'm that's not a popular opinion that people want to hear, to be honest with you.

Darren Moore 20:35

I am absolutely with you on that. I mean, it takes away, like, the whole libertarian dream of Bitcoin having the government subsidize it so... But one of my friends, his argument back was like, you know, all these politicians, they rig everything anyway, and they're always invested in stuff that they rigged. So what's the likelihood of them rigging a strategic reserve while they're all invested in Bitcoin now?

Aaron Welwood 21:03

... That app that was that you that told me about that, Darren, it's like this app that follows politicians, yeah, literally, you build your portfolio based on a particular politician, and then it just copy trades them. Haha!

Darren Moore 21:19

Pelosi just sold the top...

Aaron Welwood 21:21

Yeah, Pelosi, shes the top person that the app is based off of, which is hilarious.

John Deaton 21:27

Yeah, I mean that the most the two most successful portfolios are the Pelosi tracking portfolio and the inverse Kramer.

Aaron Welwood 21:40

Oh, yeah, inverse Kramer!

John Deaton 21:43

Do the opposite of Jim, and you're going to make a fortune.

Aaron Welwood 21:48

My guess is Warren's probably doing pretty good too. I don't, I don't follow her, but I'm guessing that it's probably...

John Deaton 21:55

I mean, listen, I told her on the debate stage, because she literally said that I was corrupt, because I have, I'm invested in crypto, right? And so I said to her, I go, you know, I go, whatever I did and whatever money I've made, I made it before going to Washington. What Americans are tired of is, is you people broke going to Washington and a decade later, you're worth 20-30 million dollars.

Aaron Welwood 22:26

Yeah, irony, yeah, right.

John Deaton 22:28

How's that happen?

Aaron Welwood 22:30

Public Service, right? You know, right, right, right. That's great. Um, okay, so, like, segueing it kind of into another area. We had some questions about, like, what was happening with AI, but one thing that you said, kind of in our last little segment there was about use case, right? And actually having use case within crypto. Now this is something that kind of is in the heart of the project that I'm a part of, which is XX Network, founded by David Chaum. You know, famous, famous cryptographer, you know one of the, you know, arguably...

John Deaton 23:09

Some argue well, some argue that... I was asked, just so, you know, I'm sorry to interrupt you, brother, but someone asked me, like, who would be the Mount Rushmore of crypto. I said, well, you know, you'd have a blank face for Satoshi. And I go, you know, whether you like it or not, you'd have to put Vitalik Buterin up there, right at Eth. I think Jed McCaleb probably because he did, you know, Ripple, XRP and he owned, like, the website for Mt. Gox, and was part owner of Mt. Gox. I go and I said then the fourth one, you know, maybe David Chaum, yeah, is, is what I said, yeah.

Aaron Welwood 23:55

No, it's legit. I mean, he's an interesting character, you know. Like, I know him a little bit personally, not as much as some of our other guys, just because we're always so busy. And he stepped back from running the XX Network once... he kind of, like he always had this vision, like he wanted it to be truly decentralized, right? So they kind of got it off the ground. They did all, like, the initial core development of cMixx, which is the mixnet that runs on the network. And then got everything going. And then they basically handed it off to what's called the XX Foundation. And then all of the, you know, the code and everything was kind of put into our hands to keep developing and then to further decentralize the network, because to actually have a truly decentralized network is incredibly difficult to do, like people don't realize it.

Aaron Welwood 24:50

And most projects in crypto really aren't decentralized, like they have distribution of nodes across the world, and they have some decentralized aspects, but to have a full decentralized network for your kind of core product is really freaking hard, because there's a lot of like issues with speed and efficiency of the network in terms of its core use cases that are very difficult. One in particular with ours is we have this mixnet technology, and it's running on the global network, on all of the nodes. But there's like one aspect left that we're working on right now, which is called permissioning, and that is a decentralized and randomized way of the network to choose which nodes will run cMixx rounds like an actual mixnet round. Now, currently, those mixnet rounds are chosen by a centralized server because it's just very difficult to do in a fast and orderly way that won't break and that's kind of like the last piece of the puzzle for the decentralized network is to get that permissioning running on these nodes globally without the foundation having to play a part in that. And like people, it's boring to people, because they're kind of like, where's your memecoin? You know, like, make the price go up. And, you know, projects that are really trying to build real systems, they kind of get a bad rap because we're so busy actually trying to do work, we don't put as much effort into, like, the hype machine, which is, unfortunately, most of crypto that's what people want, because it makes them fairly quick money and but the flip side to that is this use case thing, like you say there's if you're trying to build a use case, it's so hard because it's difficult to make it run as efficient as web 2.0 products. That's the reality. It's very difficult to have the speed and efficiency and cost reductions while staying actually decentralized.

John Deaton 27:10

I've heard, I've heard some people claim that 100% full decentralization is a pipe dream. I don't know. I know that. You know you're trying now,

Aaron Welwood 27:22

For now, it probably is like, you can do it. It's just there's trade offs like, well...

Darren Moore 27:29

There's a lot of reliance on infrastructure that's centralized, like AWS or Azure or things of that nature so and like you see with all the privacy violations that are occurring, like, when, when they're relying on infrastructure that's large and centralized. Like, yes, there's a lot of problems that could happen with data privacy laws. And like we're seeing, we're seeing like, Meta getting fined quite a bit. Apple getting fined quite a bit. I'm curious to hear your take, John, do you think that's the best method to kind of get these centralized systems to adhere to privacy laws with fines? Or do you think there needs to be a different plan of action?

John Deaton 28:15

You know I mean, it's an interesting question and a good one. You know, I always say that if you want certain behavior, you have to incentivize for that behavior, right? Whether you're talking about government or you're talking about private enterprise, you know, you take taxes, for example, if the tax code incentivizes tax avoidance. Now, I'm not saying tax cheating, right? I'm not talking about tax evasion, but tax avoidance, oh, you know, like, I tell my accountant, listen, I want you to if it's a legitimate, you know, if I can deduct it legitimately, lawfully, then do it right? I want to pay as little in taxes as I can that makes me a bad American, I don't know. But you know, we have a system where they have loopholes and you manipulate your taxes, or you come up with some structure to avoid paying as much as you can in taxes. And so if you want to change that, we need to change the tax code. And I think as far as what you're saying about, you know, privacy violations, you if you want to change it, you got to come up with a way that's going to deter it and significantly. And so, you know, these fines sometimes don't even get paid, do they?

Darren Moore 29:42

No, they don't get paid most of the time for what I understand.

John Deaton 29:46

Yeah I mean... if you're going to do some real enforcement, you gotta put some teeth behind it and so, you know, how to... actually do the incentive, I don't know, it's above my pay scale, but it's an important issue, obviously, as we... and listen, it's like you're seeing, I just text... tweeted... posted that the war against crypto is not over. You know, the war against centralized entities, Ripple, Coinbase, Kraken, that might be over right with the new administration and the new SEC chair, but you know, it's an open question, and we've got the TornadoCash Roman Storm case, and we've got the Samurai Wallet individuals, where the DOJ hasn't dismissed those cases. And so DeFi is always going to be an area that that the government's not going to like, you know, it's just the banks are not going to like it. Politicians don't like it. People like to exercise control over individual lives, and so that's going to it's going to be interesting to see how that plays out. I don't even know if President Trump, you know, he's someone who likes authority and likes... I know his family and Donald Trump Jr and all them are big in DeFi, and we'll see, I mean, that that could be a positive sign.

Darren Moore 31:32

I was searching the FBI's most wanted, and so many of them were, or just like crypto people that like did scams or the Tornadocash developers, they're on the list like, like, it didn't seem like a lot of violent crimes. It seemed like more crypto related crimes than anything that kind of humorous. Speaking of which I saw, Roger Ver has been like, posting to kind of ask Trump, like, what he did for Ross Ulbricht to do for him, from what I understand, like, he paid his exit taxes left, and now they're, like, going after him without, you know, they just, like, pretty much arrested him with without even asking. You know, how much was owed? Can we figure out a payment plan, something like that, that none of that has happened. You just yeah, they came after him. So what's your take on Roger Ver situation?

John Deaton 32:28

You know, I haven't submersed myself in Rogers case, and I see some people who are huge proponents of him being pardoned, that is completely unfair. And I've seen a few other people who, who I respect as well, say that no, you know, he hid his holdings, his Bitcoin holdings, from the government, even at the time of exit and all this. So I don't know. I mean, it's unfortunate for him, because I saw the Elon Musk tweet that said, you know, you basically saying Roger gave up his US citizenship, and when you give up your US citizenship, therefore you sort of give up your right to a pardon. Now I don't know whether you know Elon saying that closes the door on it. But fundamentally, I mean, I listened to Roger, and Roger said that the government hasn't told him the amount. You know, does he owe 50 million? Does he owe 12 million, and that he would pay it and but yet there's still want to go and seek jail time, and that I would know this, it seems harsh to pursue him, to take his liberty and throw him in prison over a tax, right?

John Deaton 34:04

Especially if he's saying, hey, what do I owe? I'll pay it. And so there's something's going on. And the reason why I'm not saying, hey, free Roger, pardon him, is there seems to be some inconsistencies, because he may, I may change my mind and become the hugest proponent of pardoning him. I just don't know enough of the facts, but it doesn't make sense to me. Why are they prosecuting him if he's willing to pay? Now, if he's willing to pay what he allegedly owes with interest and late penalties, then let him pay it and go on with his life. Right? He certainly doesn't deserve to go to jail for it or prison for it for for five years, 10 years or 109, years, from what I what I heard. So the the fact that part doesn't make sense to me, if Roger's right. And he's said to the government, tell me what I owe and I'll pay it. And the government hasn't done that and still wants to put him in jail, then I agree it's completely unfair.

Darren Moore 35:14

Tax laws work like like any felony, or it's all intent based. So if like, he hid stuff intentionally versus he accidentally went through it.

John Deaton 35:26

Yeah and he's got defenses. I mean, of course it would cost, you know, a trial, which is going to cost, you know, several million dollars, probably in his case, um, certainly in seven figures. But yeah, I mean, he paid an exit tax. Roger would have had accountants and accountants said this is what you owe, and the government accepted it. Maybe, I don't know, and then they come back and say, No, that's not right. Well, he's relying on his professionals so he has a defense of some sort, like, when you're relying on counsel, you relying on on these experts, tax experts. He can get up there and say, Listen, you know, I'm not a tax expert, and I had many businesses. I was investing in multiple businesses and making a lot of money, and my accountant said, hey, you want to exit the United States, you owe X million

dollars. I paid it, and just because they were wrong doesn't mean I should go to prison. That makes perfect sense.

John Deaton 36:32

Now, that's why I'm saying to you, is whether or not you were hiding holdings and all of that stuff. I don't know. I'm not saying that he did. I just, I'm agreeing with you. There's a difference between intentionally, tax evasion, hiding assets and all of those things, versus simply getting the amount you owe wrong. You know, it's crazy. Let me tell you something. I got audited for two years, man, Darren, two years, meaning that the IRS came up to me. I got a notice that said, (this is 2012) they said, John, we're going to audit you for 2009 and 2010 I just want your audience to know how insane it is. So I called the IRS agent up and I said, Listen, yeah, you want to come in tomorrow? And we'll talk. And then she laughs. She goes, no one's ever been this enthused... I go, I'm not enthused. I go, you know, I don't got anything to hide. You know, if I owe money, I'll pay it. If I overpaid, I want my money back, and I want you out of my hair. I got a business to run, I got employees to pay and she came in and she said to me, can you you and I make an agreement that this audit will be over by the end of the year.

John Deaton 38:00

It was March, and I look at and I go, Why in the world would it take you eight months to audit a small law firm of six employees? And I also said to her, I said, Listen, I'm a plaintiff's attorney. I only make money if I'm successful, like, I'm not a billable guy, right? I don't have monthly billing statements where I send to someone and they pay me. It's, you know, I'll go two, three years in litigation. I make no money, and then I might settle for a million bucks or something, right? And so she... Oh, yeah yeah yeah, well, after about four months, she told me that I owed a million dollars in back taxes. And I said, What are you talking about? She goes, that money. I go, that's not my money. That's the client money. She goes, Well, why haven't you? Why is it still in your account? I go, it's in an IOTA account, a client account. I said because there's Medicare liens that I have to pay, and the government hasn't told me how much they owed. So I hold that money because the government will punish me if I don't hold their money for them. That's actually not my money, it's the government's money, and you're telling me I owe taxes on the money that I'm paying the government. And I, you know, but that's the madness of what's going on when it comes to taxes. So I can completely be sympathetic to Roger that. You know, the government's all over the place because they were with me.

Darren Moore 39:37

Even if they even if he maliciously hid stuff like, to me that the punishments a bit extreme. You're saying 100 something years in prison for tax evasion. Like, who cares that much? Just make him pay.

John Deaton 39:51

I agree, especially, especially, you know, if it's Bitcoin, bitcoin cash, you know. Uh, Roger, right or wrong could be taking the position of, you know, I shouldn't pay taxes on my bitcoin, right? And so I'm not going to declare that I have a wallet that has, you know, 1000 Bitcoins, or 10,000 or more than that. I could see that. And I mean, I It's not how the government works, but that doesn't mean he should spend decades in prison. Come on.

Darren Moore 40:29

I've heard arguments about, like, about DOGE, if they actually cleaned up the efficiency of the government, it actually wouldn't amount to that much in the deficit. And as you're telling me these stories, it's like, well, if you have a thorn in your side for almost a year long, distracting you from what

needs to get done in your business, like, How much money did that really lose? You've really lost because you're catering to some imbecile going through your books.

John Deaton 40:58

And let me tell you, when the audit was over, I underpaid for 2009 \$9000 in taxes. I overpaid 2010 \$32,000, overpaid so at the end of the audit, and I had to pay interest for the 9000 that I didn't and penalty they didn't give me an interest for the money I overpaid. But that's just how it works. When all said and done, Darren the government cut me a check for 16 grand, and I would have rather them kept the 16 grand, because they cost me so much. At one point, she sent me a bill of a million dollars right in the middle of the audit. And, you know, as you can imagine, that causes a lot of anxiety, right? And now I'm sitting there, I'm going to be fighting the government for the next two years, and I'm going to have to spend, you know, hundreds of 1000s in attorney's fees to argue over a million dollars that's legitimately not mine.

John Deaton 42:00

And so, yeah, it's, it's crazy. And so when, when the government said Elizabeth Warren was like, you know, those 87,000 new IRS agents, they're good, that's a good thing. And they were asked her, well, what's that for? And she said, the billionaires like Elon Musk, and I'm sitting there thinking, okay, well, there's 759 billionaires in America. So why aren't we just hiring 759 IRS agents, one each assigned to each billionaire is a full time job. And then where do you think the other 50 you know, or 60 some thousand... 80 some thousand IRS agents are going they're going to be for you, they're going to be for me, they're going to be for small businesses. It's not going to be for the billionaires. There's not enough billionaires, and so it's crazy, and that's why, when we're talking earlier, I don't see I don't think there's a reasonable person that could say the idea of DOGE for the government is a bad idea. It's a great idea. Now whether it gets executed the right way is still up in the air, but it's certainly a great idea.

Darren Moore 43:20

Yeah, I agree with you. Do you have like, 10 more minutes.

John Deaton 43:26

Yeah, I got 10 minutes.

Darren Moore 43:28

Okay so the sab rules that are you familiar with, the SAB rules that the SEC pushed out for the banks, allowing them to purchase crypto and then to kind of...

John Deaton 43:41

Yeah well, I mean, I'm not, I'm not versed. I know that SAB 121 under Gensler, may force the banks if they own crypto, they had to, they had to count it as a liability. So if they custodied a billion dollars of Bitcoin for high end customers, that billion dollars would be counted as a liability on their balance sheet. And of course, that would hurt their investments, their investors and their their earnings. And so that was what we're saying about incentivizing the behavior you want, right? So Gary Gensler incentivized banks not to custody crypto because of the way they would have to report it and and now that that rule has been reversed, banks can come in and basically count it, not as a liability, they're either going to count it as an asset, and I don't even think they should if it's customer funds, it shouldn't be on their balance sheet.

Darren Moore 44:50

Sure, sure. I mean, is there anything that is in the immediate future that kind of forces the SEC and the CFTC to say, this what a security token looks like, is what a utility token looks like. Is there anything like that, or is it just kind of a lot of hype and no substance?

John Deaton 45:08

Well, that's why I was saying that we have this this period of time and and earlier I told you that, you know, I hope that there's stable coin legislation. I and I said market structure bill. That's what I meant. Which is... okay. Which agency is it? The CFCC, the CFTC, FinCEN, Treasury, OFAC... how many agencies? How about you just say digital assets will be under the CFTC or a subcommittee, or something. And this is what a security token is. And they they give characteristics of a security token. This is utility token, exchange token, or what have you. We're hoping to get that. Now this crypto council that's been established, I'm sure they're going to report to the President what should be done. I know Hester Pierce and the acting guy, Mark, I don't want to butcher his last name, Uyeda I think it is. I know they want to put guidance out. And so when Paul Atkins comes in, maybe there'll be some real, some real guidance. But I think we need to establish it.

John Deaton 46:17

You know, entrepreneurs... we can argue, right... this is what I was saying in the Ripple case, where I was screaming that the SEC should have come down and said, here, here is what makes it a security or not a security. And we could disagree. So, for example, a lot of people would talk about ripple owning 40% 50% 30% whatever they own today, of tokens, okay, well, then you could put in there that no centralized entity should own more than x percent of the token in order to be sufficiently decentralized. We're not going to just talk about the network. We're going to talk about, you know, token concentration. So one of the things... no one should have more than 25% of the outstanding tokens. Okay, now we can argue whether that's good or bad, but, but if that's a rule, and we have clarity that that's a rule, we know. Same thing with how many nodes and how many validators, and you know, you could come up with some guidance and and we'll see. I mean, my fear is that we focus on these grandiose ideas, like a strategic Bitcoin reserve, where the government's literally going to buy 200,000 Bitcoin per year for five years, right? We're, I mean, think about that. Bitcoin was created in part because of the devaluation and the debasement of the US dollar by central banks excessive printing and spending. So we're going to further debase our currency by printing more in order to buy the hedge. That's a hedge of debasing our currency. It makes no you know what kind of sense, guys, to me, to me, it makes no sense. Listen, I mean, if they do it, Bitcoin is going to go through the roof. I'm going to do well, right? I own Bitcoin So, but that doesn't mean it's the right thing.

Darren Moore 48:31

Yeah it seems like it's just tapping out, saying that we just can't handle the debt anymore. Let's just switch over to something different, that's kind of the impression that I got. I heard this morning, there's there's rumors that Scott Bessent is working on something to to kind of restructure the debt that we already have and try to give different interest rates to all of our foreign debt holders. Is something like that even legal?

John Deaton 49:02

Well listen, we got to do something. I would tell you this. I don't know what your guys's take is, I'm impressed with this guy, meaning that I listened to his confirmation hearing. He's a smart guy compared to Janet Yellen like I'm just very much more optimistic. We have to do something, whether or not he can

restructure it and have different levels and different interest rates and and how he's going to drive demand for it. But guys, I mean, 36+ trillion dollars is just insane, and there is a debt bubble that when it truly bursts, we're in trouble. There's just no there's just no way around it. You know, everyone they don't realize how big a trillion is. They really don't. People don't realize when I was young, little like my five year old. They used to talk about this, this spent, this is going to cost, you know, \$40 million and it was like, ooh, that's a lot of money. I got to college, and it was like, this is going to cost \$40 billion and I was like, oh, that's a lot of money. Today. They're like, hey, this is only going to cost 2.1 trillion and, and, you know, most your people probably know this, but I sat back one day, I was like, you know, how do you articulate a trillion? So I googled, how many years does 1 trillion seconds make? And it, you know, I'm expecting, like, you know, a huge number, but not the number. It's 37,000 years. So 1 trillion seconds equals 37,000 years. That's how large the number trillion is, and our government is like 1.2 and we're at, we're at 1.7 trillion deficit per year. It's just staggering. It's staggering. And so, you know, I don't know if it's legal, but we have to do something, and the only thing we can do is get our interest payments manageable, and expand our GDP so that we outpace inflation and outpace other things, and then we can, we can grow our way out of it, but we gotta get it manageable, because what's the figure we were putting, like a trillion every 100 days on our national debt? That's just insane.

Darren Moore 51:40

Yeah, I mean, that's pretty much picked up at the speed of light. You know, it's really moving quick. Aaron, do you want to take the last question?

Aaron Welwood 51:52

Yeah. I mean, being the privacy podcast, I guess in my own self interest like spinning it back to the necessity of privacy for people like, what is, what is your, your take on the necessity of personal privacy online, you know, what is your, your outlook on, let's say the next 5-10, years, about whether or not that's going to become a problem. You know, in terms of AI becoming more and more powerful, then quantum computing, obviously, will become an issue that's moving very quickly. We had a podcast not too long ago, where one of our head cryptographers was talking about that with John Woods. It was Rick Carback, John Woods and Mohammed., forget the guy's name, Darren, but they were all talking about how quickly quantum's moving, and what that's going to potentially do to not just crypto, but like, the entire world in terms of breaking cryptography and essentially the privacy of governments and corporations and individuals eventually. Have you been keeping up with this kind of news?

John Deaton 53:19

I mean, I think that's a big reason why I think the AI models need to be open source, right? I'm not smart enough to be able to look at the code... a guy like you can, right? But I think there's a world where your your goal of decentralization and AI come together, you know, I think we've got to come up with some kind of standard of like these AI models in a decentralized way. I mean, you could create smart contracts of what governs and trains these a models and so, but it, you know, I'm not an expert on it, but I think there's a way that it, we can be protected. I mean, listen, our data is, is already probably the number one thing at risk. I've been personally hacked, and, you know, my SIM card swapped on my phone, my Twitter account was hacked. I had to, like, rebuild all my tech from the ground up, because there was hackers had put in so many back doors that once I calmed down, like, once I got back and felt safe, they had a back door that they could come back nine months later, eight months later, and and infiltrate it?

John Deaton 54:42

And so I hired people that they were, like, trying to look on the black market if, like, my social security numbers and stuff like that were being sold. It's crazy. So I mean, it is in this day and age, especially with AI. Okay, it's got to be a concern. So what you're doing and highlighting, I think, is extremely important. I think the government is threatened by it. And I think that.. listen a software engineer, and I know the Roman Storm case a little bit. But you know, a software engineer makes software and that software can be utilized for good and be utilized for bad, and because bad guys utilized it, this open source software, they're going to maybe, you know, put them in jail. Yeah, that's a scary thought, But I'd be more interested, what's your and then I know we all got to go. But what's since you're more of an expert on it, what do you think is the number one area of concern from a privacy standpoint?

Aaron Welwood 54:43

Well, I mean, I work with a lot of guys that are legit, you know, credentialed experts in these fields, so I've gleaned a lot from them over the past, like four years. I would actually say I'm not, I wouldn't say I'm an expert, but I will speak from my experience, and, you know, rubbing shoulders with all these guys that are legit, like David and Rick and Mario Yaksetig and like all these different cryptographers that I that I've had the privilege of working with,

Aaron Welwood 56:29

Yeah, privacy is a big deal now. We work specifically with a mixnet. And this isn't like tornado cash. We're mixing coins. This is a mixnet for any type of data, really for the purpose of shredding your metadata, so that metadata, if, for those who don't know, maybe you do already, it's like the who where you know when of your data, right? So like when a data packet goes out for whatever, let's say, a message that you send in text or a transaction payment that you send on your credit card, or crypto payment, it has the transaction information for the blockchain, but then it also, when you send that data over the Internet, it's it's tagged with, you know who sent it, like the IP address When it was sent, you know where it's being sent to, what was that IP address? And then all of this information can be aggregated. And now, with AI being so powerful, like companies are taking this data, like Facebook, or, I should say, Meta, Apple, like everybody, they're the data brokers. They they take all this info, they aggregate it, and then they sell it, right?

Aaron Welwood 57:47

I wouldn't even say like it's nefarious, but it's a business model. That's how they make money in the web 2.0 world. So it's... people don't even really realize how powerful this stuff is, but that's how a lot of people get tracked, like, if people were tracking you, that's probably what they were doing, is they can find a trail of your information, and then they aggregated and kind of triangulate on you to find out everything about you. Because once they get your IP address, and they go, Well, where, who else were you visiting, right? And they go to like every website, and then they can just start collecting a dossier on you.

John Deaton 58:25

Luckily, I live a pretty boring life.

Aaron Welwood 58:30

Well, in this is the funny thing, like an individual is really not that interesting to the powers that be per se. it's us as aggregate communities when a whole bunch of data gets put together with like numerous individuals in a particular area, then they can find out a lot more about society, about culture, about

what are the trends in the markets. That's why companies pay so much money for this aggregated data is because it's super helpful for them in business, and it's it's helpful for governments to even formulate policy, all kinds of stuff. So now, obviously nefarious groups can get a hold of that, and even governments that are abusing power, or individuals within governments that are abusing power. You know, David understood this long time ago. You know, back when they created the initial protocols for the Internet, he was actually warning about this, saying, like, if we make this information public, it's going to be exploited eventually with things like AI. And he said this, like, 30 years ago. So now it's coming true, where all these systems are in place, and you have all this information flying around, and it's like it's all open if you know what you're doing. So that's what this mixnet that he created pioneered, is all about, and that's that's kind of like what we do now. It's kind of boring to a lot of people, but it's going to become less boring as people get exploited more and more and more.

John Deaton 1:00:07

The last thing I'll say is, I think the biggest challenge, if you want to know the truth, as I sit here and think about it, is making people care about their data. Yeah, because I will tell you... people if you tell them about Tiktok, hey, do you have you looked at the user agreement of Tiktok and you understand that they're collecting your data? I don't care, you know? I mean, like, I want my videos or whatever. And a lot of people I've heard many times, be like, ah, you know. So they got, they got my data. Who cares?

Aaron Welwood 1:00:40

I got nothing to hide, right.

John Deaton 1:00:43

... But listen it's always a pleasure guys.

Aaron Welwood 1:00:46

Yeah, likewise, John, thanks so much...

Darren Moore 1:00:48

Do you have any place that you want to tell the audience to follow you or...

John Deaton 1:00:52

I mean, they get they can always find me on X, @JohnEDeaton1, and anybody out there that supported me when I ran I appreciate them, you know, I want them to know that I knew I was climbing up a big mountain. You know, leave it to me right. My first time out the gate, I'm going to take on Elizabeth Warren,

Darren Moore 1:01:16

You did great, though. I mean, just having the amount of people in Massachusetts that were willing to vote Republican. You made a dent. And I really think, yeah, your viewpoint got out there, and that's what's important.

John Deaton 1:01:30

Well, it felt, I have to admit, it felt good to stand just a couple feet next to her or in front of her and tell her that I thought she was corrupt to her face, you know what I mean... and do it without being like a jerk.

Aaron Welwood 1:01:44

Thank you for fighting. It's, it's no joke, you know, I wish I could support you down there. All right, maybe we need to become the 51st state, you know.

John Deaton 1:01:44

Yeah, that's true. Hey, you could run for governor.

Aaron Welwood 1:01:59

Yeah, there you go.

John Deaton 1:02:01

Alright guys, have a good one.

Aaron Welwood 1:02:03

Thanks so much.

Darren Moore 1:02:03

Thanks John.

Aaron Welwood 1:02:05

Cheers, guys.