

**From:** "jeffrey E." <jeevacation@gmail.com>  
**To:** Joi Ito <[REDACTED]>  
**Subject:** Fwd: Taxes  
**Date:** Sun, 17 Aug 2014 13:10:04 +0000

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----- Forwarded message -----

From: **jeffrey E.** <jeevacation@gmail.com>  
Date: Sun, Aug 17, 2014 at 9:09 AM  
Subject: Re: Taxes  
To: Vincenzo Iozzo <[REDACTED]>

risk tolerance, can be accomplished by derivatives. , arbitrage for mis pricing, risk is never really reduced without a corresponding reward adjustment, however, tax allows certain arbitrage, for ex gains at 20 -losses at 30 Percent . review monte carlo simulations, need resource , bank, friction charges. read fooled by randomness.

On Sun, Aug 17, 2014 at 9:02 AM, Vincenzo Iozzo <[REDACTED]> wrote:

Can you let me know if you are? I'd be helpful if we can meet up - I'm trying to look at derivatives through my lens.

What is somewhat striking is that it seems like all they are is a programming language whose goal is to minimize risks (with the side effect of creating arbitrage and speculation opportunities).

What I am is if you interpret trading as an optimization problem of: given a belief(stock X will outperform the market, etc etc) maximize returns and minimize risks. Then all derivatives are is 'functions' to go from a risky bet to a less risky one - now you can go to riskier ones but that's an 'anomaly'

Anyhow if this parallel somehow holds there are interesting questions that come up, for example: what is a Turing machine in this world? Which would be a fancy way to answer the questions: what derivatives are missing? Also since you can stack up multiple 'functions' (eg: combine a forward with an interest float-to-fixed swap to make a riskless arbitrage) that leads to complexity and hence to bugs

But I'm not sure if this is me going insane/trying to forcefully fit one thing into the other or if there's actually something there

One of the reason why meeting up would be useful :-)

Sent from my Iphone

On 17/ago/2014, at 08:47, "jeffrey E." <jeevacation@gmail.com> wrote:

not sure yet

On Sun, Aug 17, 2014 at 8:36 AM, Vincenzo Iozzo <[REDACTED]> wrote:

That makes sense - do you happen to be in town any day from today to Wednesday?

Sent from my Iphone

On 16/ago/2014, at 16:41, "jeffrey E." <[jeevacation@gmail.com](mailto:jeevacation@gmail.com)> wrote:

taxes are variable friciton

On Sat, Aug 16, 2014 at 4:36 PM, Vincenzo Iozzo <[REDACTED]> wrote:

So quick question for you: are taxes a trick?

Here's what I mean, I think (gut feeling - no proof) that there are potentially a number of arbitrage/risk-free opportunities that are not tackled by anybody because when you add in taxes you don't actually make money.

Is 'hacking' taxes a strategy? It seems like all the academic texts leave that part for the reader which makes me think there's something there.

Also I was reading a while ago that rentech was using a weird structure with Credit Suisse (iirc) where they were taxed on their profits as if it was long-term capital gains instead of short-term.

Sent from my Iphone

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