

LISTED RESERVE

MoneyBits

AI exam results

GPT-4 is very good at exams. It smashed the bar exam straight into the 90th percentile. It is also outstanding at mathematics, which is more than could be said for its predecessor 3.5, which was good but not brilliant.

Simulated exams	GPT-4 estimated percentile	GPT-4 (no vision) estimated percentile	GPT-3.5 estimated percentile
Uniform Bar Exam (MBE+MEE+MPT) ¹	298 / 400 -90th	298 / 400 -90th	213 / 400 -10th
LSAT	163 -88th	161 -83rd	149 -40th
SAT Evidence-Based Reading & Writing	710 / 800 -93rd	710 / 800 -93rd	670 / 800 -87th
SAT Math	700 / 800 -89th	690 / 800 -89th	590 / 800 -70th
Graduate Record Examination (GRE) Quantitative	163 / 170 -80th	157 / 170 -62nd	147 / 170 -25th
Graduate Record Examination (GRE) Verbal	169 / 170 -99th	165 / 170 -96th	154 / 170 -63rd
Graduate Record Examination (GRE) Writing	4 / 6 -54th	4 / 6 -54th	4 / 6 -54th

Since these results came out, GPT-4 has also participated in the Maths Olympiad. These questions are very hard and designed to be non-formulaic, such that they cannot be learned. GPT-4 did much worse, finishing in the bottom 10% on one of the tests (which is still good on something incredibly difficult).

Still, people are rightly concerned that AI might replace a good deal of white collar work and I think those concerns are reasonable. It is very good for all but the most highly intricate tasks.

Perhaps more tellingly though, the exam results say something about the education system we have. A computer program that is just a compressed file of text is able to easily pass everything but the most complex of human exams. It destroys exams up to and including undergraduate university level. The education system itself is a machine. Literally a sausage factory of automatons. We know that because the people with the more unusual education tend to be outliers in performance (both good and bad). Their capability for independent thought is entirely different from those of us who have been told what to think and how to think it.

AI does not say to me, oh no we will all lose our jobs and die. It says, we have a terrible rote learning education system that is almost entirely pretend. It is a social construct. It is seemingly not education but indoctrination into the current knowledge base (which will prove to be almost entirely wrong over time)¹.

If, like most of us, you conform – work a normal job, normal hours, normal everything – you might have a problem. If on the other hand you are on the spectrum of difference you might be just about to launch into the stratosphere.

Put another way, our education system is such that we are now expecting children to enter into it and 15 years later emerge from the other side of it with a less than 50% chance of being as good as a machine was in 2023. It is a *terrible* bargain. The alternative? Just give them the amazing AI machine and build on top of it. Here is all the knowledge in the world children, do with it what you will.

Doing anything else is simply putting people into a competition that 99.9% of them will lose.



Ben Hunt ✓
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If you don't see that GPT-4 is an Industrial Revolution-level event, you're just not paying attention.

The education system is deeply embedded in the social psyche. It is venerated in the same way healthcare is. Universally accepted as valid; just like fiat money. Unchallengeable institutions.

The returns to independent thought are now higher than ever and are likely to grow. If you can grasp this thing and bend it to your will, you might be able to do something very special indeed. Millions of people in this country and across the world are asleep at the wheel.

You can point out that the same things were said about the internet and nothing happened. Unemployment is still low and GDP is growing. That is true, but the returns to labour have collapsed since the internet. Real wages

have gone nowhere in decades, which is why house prices are now 10x an average salary when they used to be 3x.

¹ For an excellent book on knowledge. Try the [Beginning of Infinity](#) by David Deutsch. He points out that everything we know now, is wrong. Even those things on which we have apparent certainty.

The crimes of Binance

Our Managed Fund divested its BNB position last year as the regulatory heat from the US started to grow. As our best performing asset delivering 2800% return, it was difficult to let go. That Binance was in the sights of the SEC seemed rather obvious and was difficult to ignore. Sure enough, the lawsuit finally dropped.

The specifics of the action are that Binance knowingly facilitated US entities to trade on their platform by instructing them on ways to connect to Binance systems despite the US block. The clients were very highly sophisticated US trading firms who knew exactly what they were doing and were sophisticated enough to do it.

I see a significant difference in this case and the one we will cover shortly on Coinbase. For Binance, we are talking about massive trading firms, who knew what they were doing and wanted to do it. There is no suggestion anywhere that they lost money as a result. I imagine they made a lot of money trading against retail clients globally. There is no suggestion of either fraud or foul play by Binance; their [SAFU](#) fund played a key role in steering through the collapses of late 2022.

Binance is rich. CZ is rich. They will recruit an army of lawyers and inflict maximum time consumptive pain on the US authorities such that a deal will be done. Fines will be paid and promises will be made of no repeat. Binance isn't going anywhere; they got big globally and if the US wants to be a significant player in this space they will have to play ball with Binance.

For me, Binance are maligned because they are seen as a 'Chinese firm' (CZ is Canadian). Fine, their shareholding is opaque and some of the shareholders are Chinese but most of the action, and the attacks, and the media that targets Binance is nothing short of racism.

One guy, *the American guy*, SBF stole \$9 billion of other people's money. The other guy, the Chinese one who is in fact Canadian, didn't. He started an insurance fund that backs up the whole industry, he runs the biggest exchange in the World, a very good one.

He responded like this. Which is his coded signal that I'll let you look up for yourselves.



CZ is a winner. In the short term his American ambitions will be thwarted because his crime is he is the wrong colour and looks a bit Chinese. Things like this are not allowed to be said but when it's true, we should be calling it out.

Coinbase

Just to show how even-handed they are. One day before the Binance action, Coinbase received their Wells notice from the SEC. A Wells notice is generally a precursor to legal action. The response from Coinbase was aggressive and fulsome. You can read the whole thing [here](#).

In essence:

- We tried to register with the SEC but they specifically blocked us
- We have been open to dialogue for years; the SEC has preferred enforcement action over guidance

On these points I must say I agree with Coinbase. The whole approach from the SEC is a disaster and they are clearly being led by politics and not by facts. Coinbase adds some recent colour from a judge in the Voyager bankruptcy case:

Judge Wiles stated in his ruling: "Regulators themselves cannot seem to agree as to whether cryptocurrencies are commodities that may be subject to regulation by the CFTC, or whether they are securities [...] subject to securities laws, or neither, or even on what criteria should be applied in making the decision. This uncertainty has persisted despite the fact that cryptocurrency exchanges have been around for a number of years."

Where I wonder about the chance of success for Coinbase is their Earn product which paid interest on digital assets. Coinbase is a US business, actively targeting US retail clients that the SEC is there to protect.

Whichever way you look at the Earn product; it was a security. Coinbase claims that their detailed internal review is emphatic in confirming that they have never sold securities.

The bottom line remains: Coinbase does not list securities or offer products to our customers that are securities. Coinbase has a rigorous process to analyze and review each digital asset before making it available on our

exchange — a process that we shared in detail with the SEC as part of our public listing. Coinbase has rejected hundreds and hundreds of assets because they did not meet these standards. This is exactly why we were so eager to engage in registration discussions with the SEC, to find a home for assets like these that can't currently be listed on any exchange.

The whole thing is the equivalent of saying. "I wanted to murder some people, I called you and asked for permission but you wouldn't engage. I wrote to you for guidance on exactly how to do it and you wouldn't engage. In the end I only killed a few people and now you're suing me?"

Coinbase will lose but the SEC will also look stupid and the USA will lose a lot of business they could otherwise have had as a result. An omnishambles if ever there were one.

Your Saudi Banker

"We looked at the downside, we believe it is limited," he said. "It's a 160-year-old brand, so how far below 30 cents on the dollar on book is it going to go?"

Alkhudairy said the purchase of 9.9 per cent of Credit Suisse might have been large in terms of the Swiss bank but it amounted to about 2.2 per cent of SNB's investment portfolio of \$68.7bn, or just above three months of earnings. It was, he added, barely worth a press release.

However, the SNB chair is not concerned. "When was the last time the system allowed for such a venerable global brand to simply keel over?" he said. "That's what it's going to take for us to lose significant money."

Since these remarks a few weeks ago, Mr Alkhudairy has chosen to leave as Chairman of the Saudi National Bank, for 'personal reasons', to spend more time with his prison wardens.

Euro-Trash

A busy week in Euro land. Team Christine announced that they will make a launch decision about the digital euro in October 2023.

A digital euro would provide an anchor of stability for our money in the digital age.

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Stability is exactly what we need. So let's go back to 1999, the launch date for the Euro. You will remember some of these names I'm sure.

German Chancellor Gerhard Schröder:

"The euro is a symbol of unity and stability for Europe. It is our responsibility to ensure that it maintains that stability and strength, now and for future generations."

French President Jacques Chirac:

"The launch of the euro represents a unique opportunity to create a stable economic environment across Europe, fostering growth and enhancing the well-being of our citizens."

Italian Prime Minister Massimo D'Alema:

"The euro is not just a currency, but a promise of stability and a stronger European Union. We are now more than ever committed to working together for the common good."

European Commission President Romano Prodi:

"With the euro, we have laid the foundation for a new era of stability and prosperity in Europe. Our shared currency will be a driving force for the continued integration of our economies and societies."

The truth is the Euro-zone is anything but stable. The euro did not deliver it despite having had a generation to do so. It is intensely fragile and entirely propped up by the enormous balance sheet of the European Central Bank. Most European banks are zombies, technically bankrupt. Without ECB support at least half of them would die overnight.

My prediction is this: firstly a digital euro will launch, it will launch at parity with the euro and slowly over time the concept of parity with the original euro will be eroded. For example, the maximum digital euro that a person can

hold is 10,000. Next the old euro can only be exchanged for 99 cents of the new euro. Justification? Because it's much cheaper to run the digital Euro and it has a lower environmental footprint. People don't complain that much because it's only 1% and only €10,000 and it's green, so we are all happy.

Now, if you steadily erode the euro in that way, by one cent per year your enormous euro denominated debt stack dissolves rather quickly. It will be fair, it will be green and it will be slow and it will mainly affect pension funds where private individuals have no control over their asset holdings. Euro-bonds will bear the brunt of the damage. The way to avoid the pain is to not hold any bonds belonging to European governments.

Logically, there is no reason to bring in a different kind of euro unless you ultimately propose it has an exchange rate with the old one. You might think this idea is mad but I think it rather sensible because if it is done over decades it won't cause a stampede out of old euros and it will solve their enormous debt problem through a stealth devaluation which they can actually control. Here's the roadmap for 2023 but if you go out a decade more it will look a lot different.

