

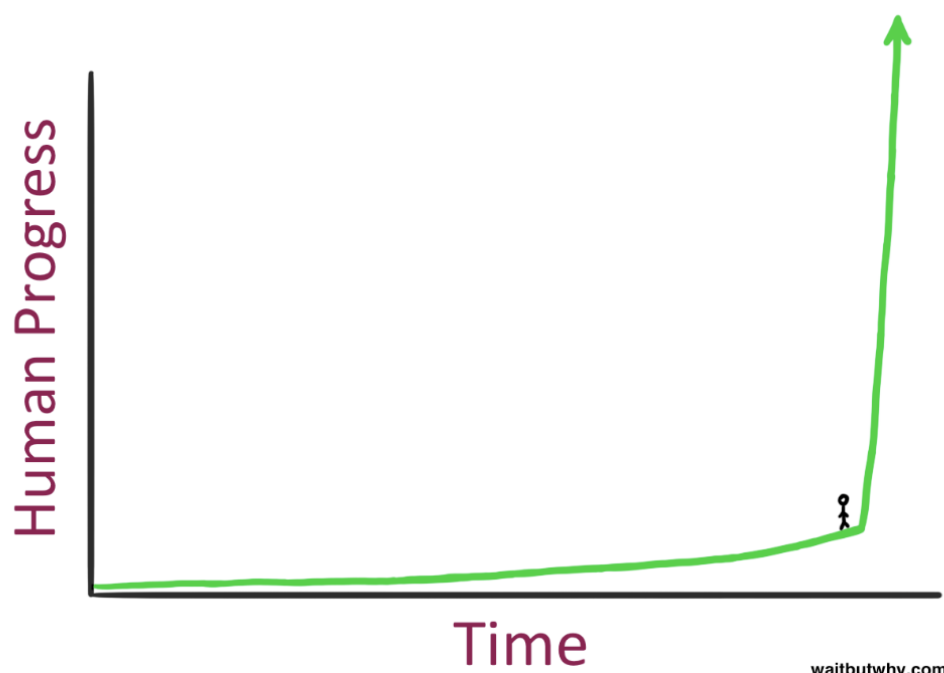
LISTEDRESERVE

MoneyBits

Excellent reading material

I urge you to read [this](#). You will need at least half an hour but it will be worth your time. Written in 2015, its forecasts about the speed of human development are absolutely excellent. Among other things, it predicts that right about now we will have artificial intelligence that is about as good as we are. I think that assessment is correct; more exciting though is what happens next and just how quickly it happens.

The article is adequately summarised in this single chart at the beginning.



The idea is that we humans are simply not capable of computing exponents. We work in a linear fashion and that linear fashion means none of us really take proper account of what technological change means for us.

Perhaps the reason everything around the world looks a little bit frayed is not necessarily because society is collapsing but because it is advancing at such a rapid rate that you can actually witness legacy decay before your eyes. It wasn't possible before because change was too slow.

Hollywood: Collapsed before your eyes (last good film you saw?)

Terrestrial television: Collapsed before your eyes (last decent thing you saw on Channel 9?)

Mainstream media: Everybody knows, it's mostly pretend. It is the ultimate live television show.

Education: I keep saying it. It's over. For those that grasp the nettle, the opportunities are huge. The motivated 14 year old will have finished high school learning four years prior to their compatriots who remain in the government sausage machine. This one is going to take ages, social momentum, habit. Doesn't matter. It's over and it will only be obvious when people who take the new route come of age (give it 5 years).

Health: The sacred cow. This [article](#) made me laugh. In support of human doctors it trumpets that the majority (52%) of patients would rather have a human than an AI diagnosis. Consider that for a moment. 48% of people, who have probably never even used a medical AI, still prefer it to a human diagnosis. It is astonishingly high and it's only going up. We know it is true, it was laid out brilliantly in [this book](#) which proved people's interactions with machines are vastly more honest than they are with people.

The interesting thing in nearly every case about why this change happens is driven by incentives. Any government-provided service is incentivised to take it slow and keep you coming back. It pays them to prescribe you pills or perform an operation. How often do you consult a physician who says "*almost always the best thing to do is nothing, the body's ability to heal itself is really quite remarkable*". Even though that is true, it is almost never said.

In education, it is mandated that you learn some piece of history that may or may not be relevant. It has been chosen by a person to whom that aspect of history is important, not by you (case in point [here](#). I don't think of modern history like this, but somebody does, so it has become the Australian Curriculum.) Up until now you didn't have a choice, so you ate the food that was put in front of you.

From now on you *can choose* because the entire corpus of human knowledge now sits at your fingertips and you can interrogate it, cross reference it and learn about it. It is an astonishing capability that is simply not matched by the education department and they will never match it. They will fight it.

The bottom line is this. The embrace of machines is because they do not wilfully lie to you. They have no **incentive** to do so. They will not recommend an operation if it doesn't suit you, so the medical profession as we

know it collapses, you will be asking what does the AI say inside a decade. The scramble by doctors to preserve their mythical status will be quite the epic to observe.

A machine will not give you an explanation that it does not believe is factually correct or has been morphed into a different version of events to suit the current situation. This is also why I believe the open sourced AI models will win out because they haven't been politicised in their training, you might invest accordingly.

Education, the absolute doyen of inefficiency, collapses. Right now, today, there is no match for the machine in education. Only incumbency will keep it alive.

We are absolutely charging up the exponential curve. Vested interests are collapsing, institutions are wobbling not because things are bad but because they are overwhelmingly good.

To finish; another super chart from the article. This one is originally taken from an even earlier [article](#) written in 2013, which again, turned out to be wonderfully prescient. Note the speed of the increase to 2025; it keeps accelerating.

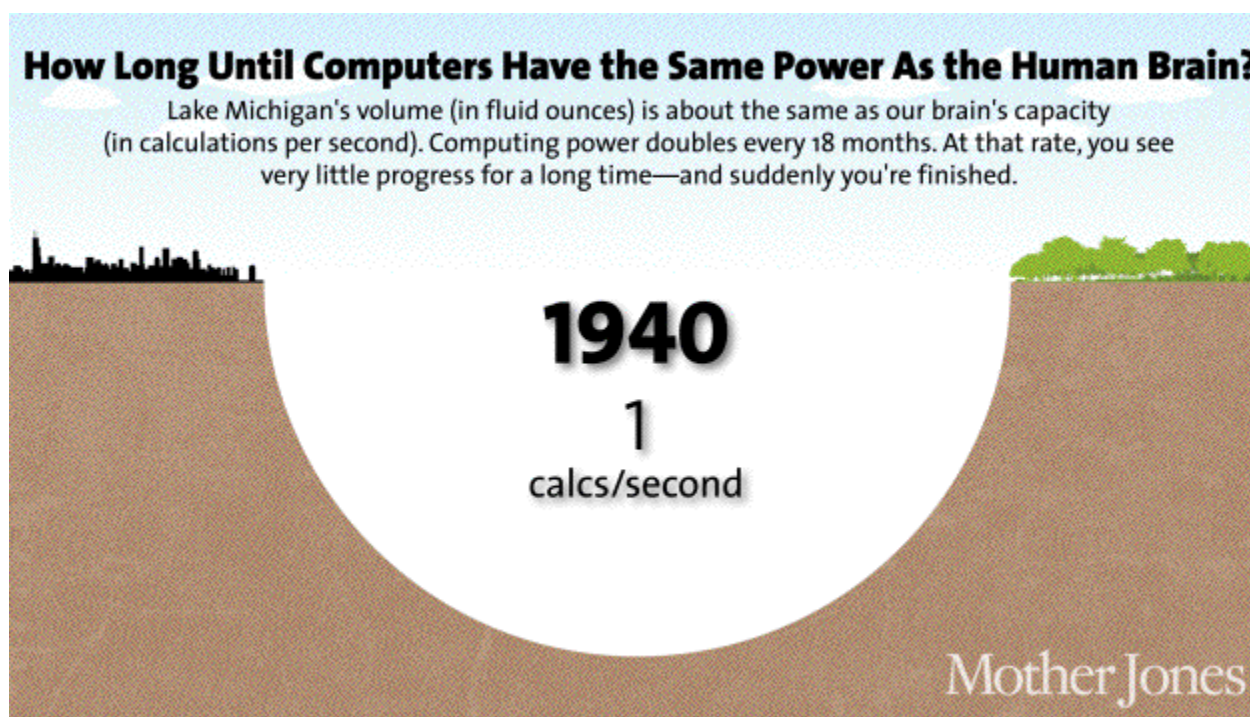
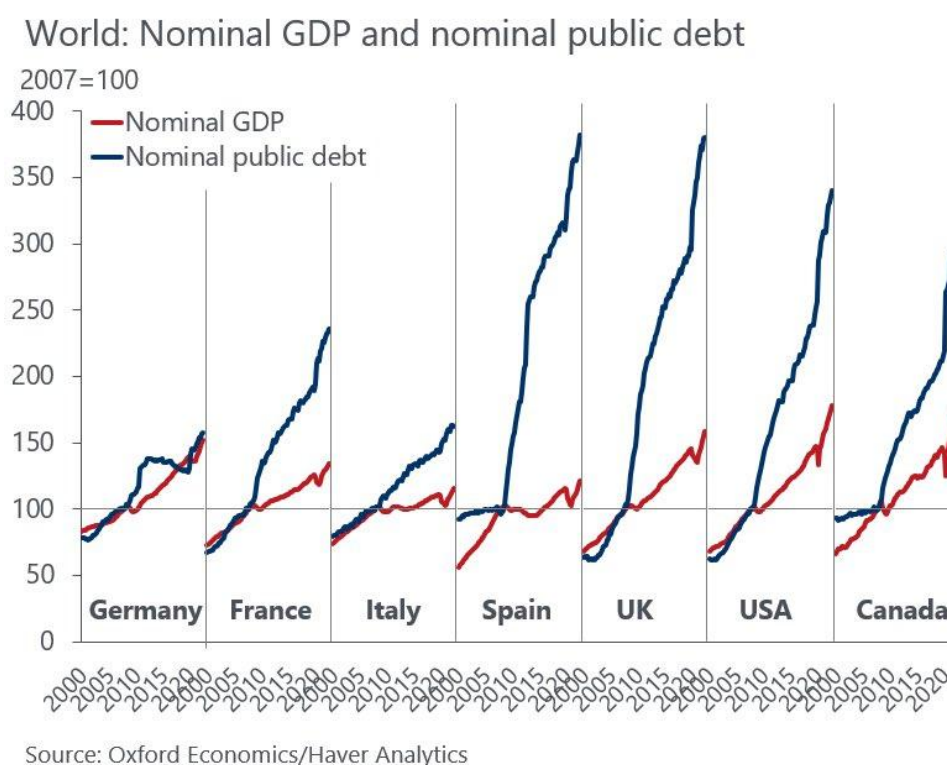


Chart crimes

My reaction here is “chart crime”.



The suggestion is that in the UK since the year 2000 GDP has risen (in nominal terms) by 50% and government debt has increased by 3.5x.

For the sake of interest I ran the numbers on this using data from [MacroTrends](#). I got a slightly lower result. 50% GDP growth and a 3.3x increase in nominal public debt which means the chart is basically correct. Astonishing.

There are still crimes of course. Starting in 2000 makes it look more dramatic, its gross debt not net debt. Inflation has a different effect on the two lines, in real terms the gap is less big (which is the real fraud in every economy). In every economy the story is the same though. Control was completely lost in 2008 when the banking system collapsed. It has never recovered. We continue to pay for the socialisation of those losses.

History will zero in on that year with astonishment at the bailouts that happened. At the size of TARP, which simply rescued a bankrupt Wall Street at the expense of nearly everyone.

The chart is misleading but the story it tells will be told for the rest of time.

The world's most popular investment

Bonds. Here's your \$10,000 invested in 20-year US treasuries. Over the decade your \$10,000 is now about \$11,700 (assuming you reinvested all dividends).



The Hypothetical Growth of \$10,000 chart reflects a hypothetical \$10,000 investment and assumes reinvestment of dividends and capital gains. Fund expenses, including management fees and other expenses were deducted.

In the words of Ronan Keating: "you say it best, when you say nothing at all".

Debt deal

The debt deal saga has been so massively boring that when news of a deal broke on Monday, I eschewed the financial press and headed straight for [news.com.au](https://www.news.com.au). Here's what I found:

Cataclysmic default

Catastrophic default

Avert a financial precipice

Risk a global meltdown

Scorched Earth

I'll be getting more financial news from there in future. It's just much more exciting isn't it when the language is hyperbolic? I enjoyed it.

The rather tedious facts, as we have discussed before, are that there was never going to be a default, the ceiling is now suspended until *after* the Presidential elections which is perhaps surprising because that particular weapon has now been given up until 2025.

The US can now spend however much it wants, which is rather good news for those of us short the dollar and longer more interesting assets. The perfect symphony for the fund would be recession + more government spending + slightly higher interest rates for a while and I think we are going to get it.

Euro-Trash



European Central Bank @ecb · May 24

The euro is more than a currency, says President Christine Lagarde. It's a symbol of European integration and stands for a united Europe that works together. We'll always be a cornerstone of that effort and an anchor of stability.

It always was more than a currency. It is a well-intentioned political project to bind Europe together by the wallet. To celebrate 25 years of disingenuous politicisation and personal enrichment, the ECB had a cake.



Now, if I were the ECB marketing department there would be absolutely one thing I wouldn't do during hard times in Europe. While the French are rioting about retirement age and Germany slips [into recession](#) for the first time in forever; I wouldn't have an *out of touch French lady serving cake*.

It's fairly obvious that one. Of all the things we mustn't do...

Anyway; they did. On the left Jean-Claude Trichet a former ECB President and in the middle, Super Mario, Christine's predecessor. The only one missing was the first President, Wim Duisenberg. He [drowned in his swimming pool](#) in the south of France in 2005. No cake for Wim.

Pres Laggner then gave a speech which signed off:

"The single currency will prevail for many, many years to come,"

Maybe.