

LISTEDRESERVE

MoneyBits

54-45

Nine votes is the smallest margin yet by which a new Federal Reserve Chair has been approved. [Kevin Warsh it is](#). They don't normally bother counting, it goes through on a 'voice vote' because normally there is consensus.

Firstly, Jerome Powell. I liked him more in term two. He did actively stand up to Trump during the whole Federal Reserve renovation scandal and he faced down the criminal investigation. Frankly though, he should have done the same in the Biden era, when they were needlessly debanking half of our sector. He was also curiously quiet during the collapse of Silicon Valley Bank, another needless political operation. The [history](#) of that period of American banking will not be kind to Powell, even though he is obviously a decent man.

On to Kevin Warsh then. He is said to be crypto-friendly but that probably overstates it. His remarks specifically on Bitcoin are:

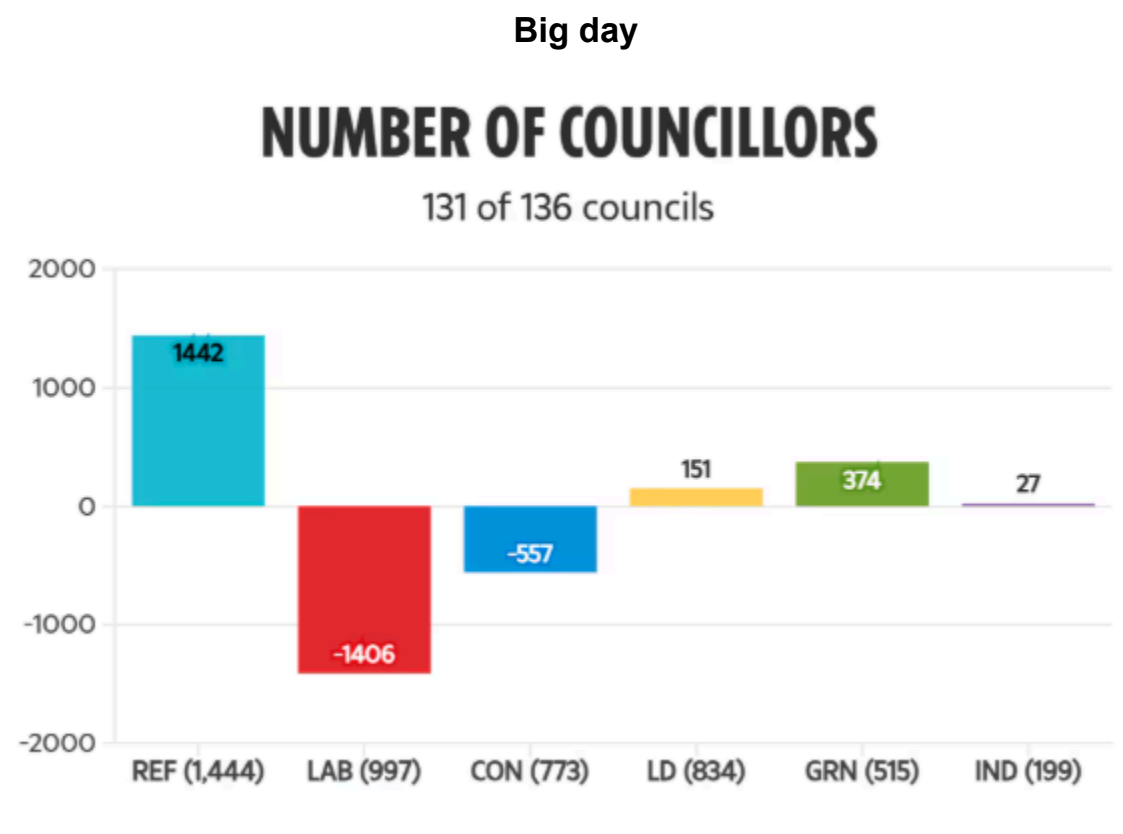
"an important asset"

"a very good policeman for policy, meaning its price can act as a market signal when monetary policy loses credibility."

"Bitcoin is not a substitute for the dollar."

I can live with all of those. It could have been worse.

Incidentally, on the theme of 'don't tell me what you think just show me your portfolio'. He has a lot of crypto related investments. A better measure perhaps, than his public statements.



It was local election time in the United Kingdom last week. Rather similar to state elections here but on a more distributed scale. It was catastrophically bad for the incumbent government, which is never a surprise but the official opposition also performed terribly. That left the Reform Party, arguably the UK equivalent of Australia's One Nation, to clean up. The Green Party also performed meaningfully well.

They are 'only' local council elections but to lose roughly 1,500 councillors destroys the structure of a political party. Members are far less engaged, there are fewer of them to attend party conferences and campaign at general elections. The talent pipeline, if such a thing exists in politics, is destroyed because so many fewer people have active experience in any form of government. Much more corrosive than is obviously apparent.

For that reason Labour MPs are angry and the odds of Prime Minister Sir Keir Starmer surviving are low. \$1.25 to be gone this year. I rather prefer the 2027 odds of \$4. If the Labour Party were tactical about it and given there is no general election until 2029, they could do everything politically difficult under Starmer now and then bring in a new candidate with 18 months to go until the election who would at least have some sort of chance.

Drowning him in blood before throwing him out of the door would be the sensible play, but the political ambitions of his challengers might put an end to that.



More interesting and relevant to us though are the challengers to Starmer. They are all from the left of the Labour Party and believe strongly that the poor result is due to their desertion of their core constituency.

Accordingly, it will be a bigger government that spends and taxes more, whoever follows Starmer.



Excluding Wes Streeting, the likely candidates are significantly left of Starmer. The most radical would be Angela Rayner. She could win on her own, but none of the men on the list can win without her on their side. So she either wins or decides who does. In a further oddity, Andy Burnham (besties with Angela who can't stand Wes) is the Mayor of Manchester and not currently an MP so cannot run for the position despite being the bookmakers' favourite.

On the day following the defeat, Starmer gave his latest 'reset' speech.

Keir Starmer leaves door open to ditching his Brexit red lines

In a defiant speech, the British prime minister said he would lay out 'a platform on which we can build' tighter links with the EU.

Incredibly, he pledged to renew Britain's ties with the EU. A great many people in the UK would like this, but they are precisely not the people who might have voted Labour. The 2016 Brexit referendum was well supported by 'traditional Labour voters'. Politicians, including those in the Labour Party, have utter disdain for these people who they consider (and treat) like an intellectual underclass. As a consequence, the 2019 general election became a second referendum on Brexit. Politicians of all stripes wondering "did you really mean it?". Once again, the electorate delivered the same instructions.

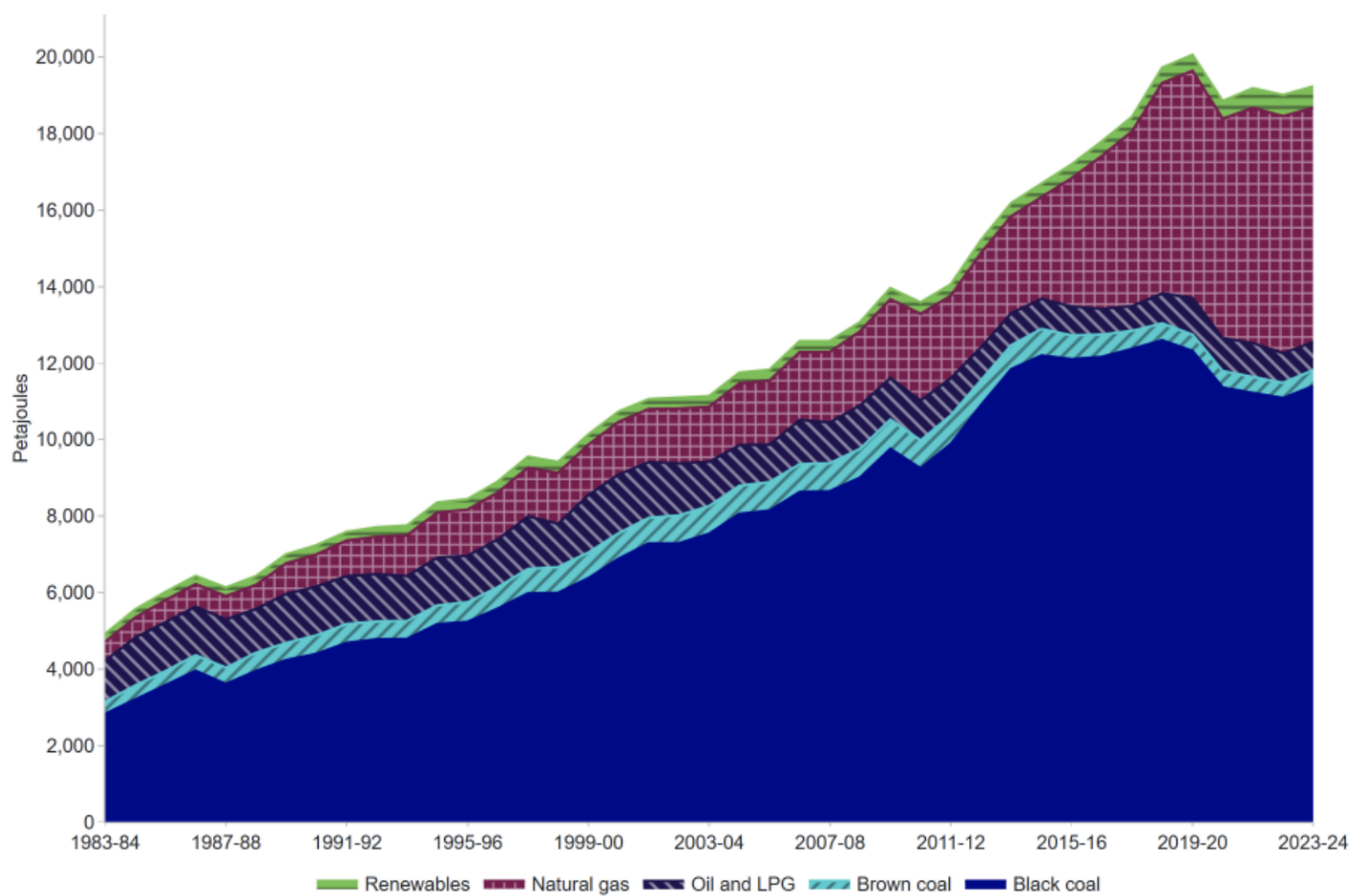
Now those very same people have voted overwhelmingly for Nigel Farage. The man who, for better or worse, delivered Brexit. And Starmer announces European reintegration? From an economic perspective it's most likely correct, but politically it's stupid and to do it the very next day is mad. The political class in Britain just cannot get over Brexit, it still looms large after a decade.

So, perhaps the strangest outcome of this vote is that the public will get more of precisely the things they did not vote for.

There is an unspoken haze over the United Kingdom. Everybody knows that everybody knows and nobody wants to say it. Including me.

Budget 2026

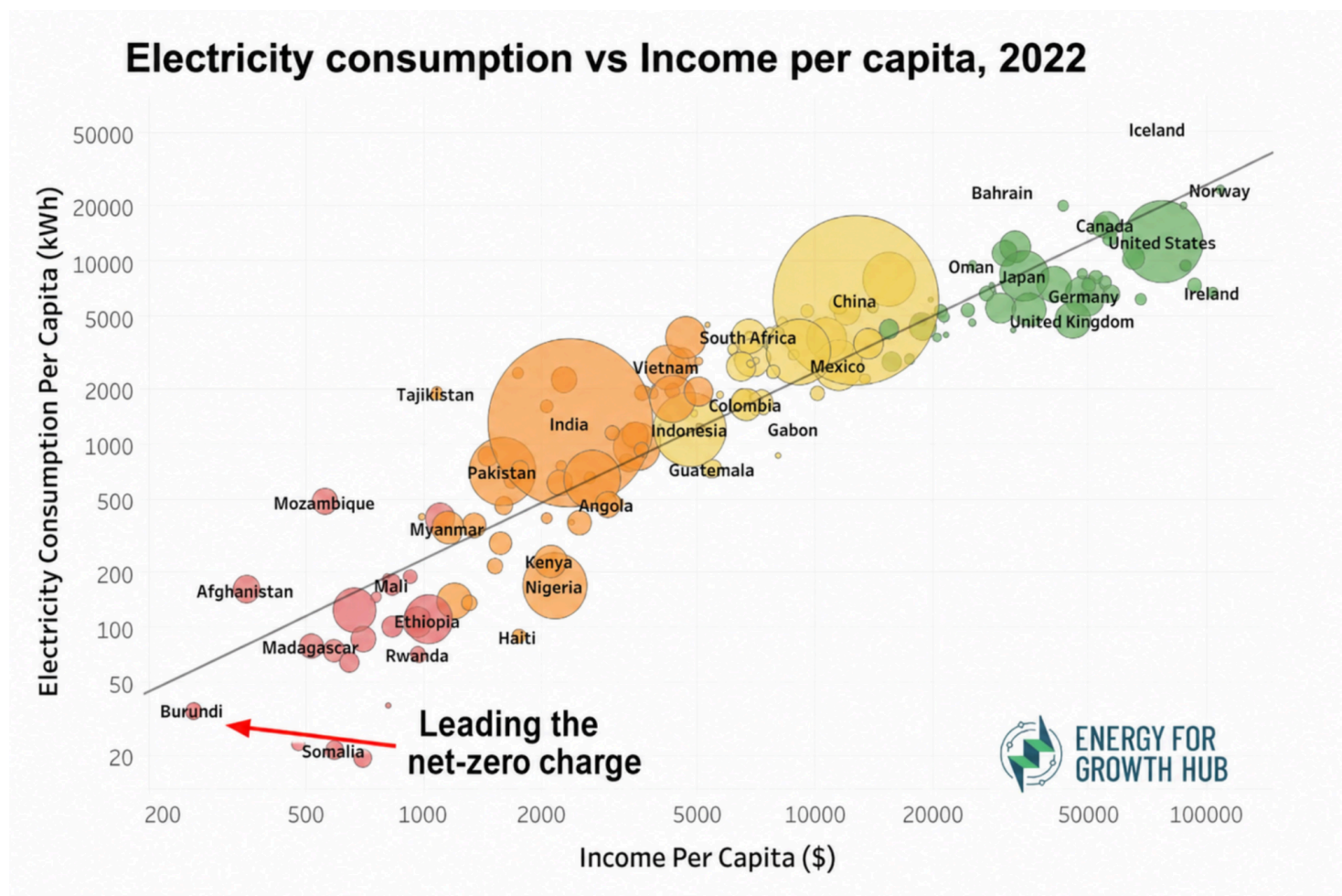
A big political week in Australia too. The problems here are different (and more easily solved). Energy production is now trending down for the first time in generations. Both in absolute terms and per capita.



Peak [production](#) was in 2020, with total output at 20,000 petajoules. It has since dropped significantly and continues to fall. We produced 777 GJ per capita in 2020. By last year we were producing 19,100 petajoules, a 4.5% drop. In that time the population in Australia has risen by an extraordinary 2 million people though. So, the per capita energy drop is much higher at 10%.

Is Australia 10% poorer than it was in 2020? I think so. The Saudi Arabia of gas simply cannot get itself organised at any level and we are paying the price. That's why the budget was so financially aggressive. We just are poorer and the government is too.

A gentle reminder then that there is no such thing as a high income, low energy country. They [do not exist](#). Why has our Minister for Climate Change and Energy never praised Burundi for its net zero achievements?



The solution might be as simple as letting people dig a few holes if they want to. For Australia, it's all there if we want it. We just don't.

What's in it for us?

In the bowels of the budget documents (the [Productivity Addendum](#)) was something for our sector too!

*To maintain momentum on financial sector innovation, the Government will **work with** regulators to establish a regulatory sandbox for tokenised assets, building on recent work by regulators and the DFCRC as part of Project Acacia to facilitate continued testing of use cases for tokenisation in wholesale markets.*

Incidentally, the regulatory sandbox for digital assets in Australia has been open for years. The DFCRC is the Digital Finance Cooperative Research Centre, which has its offices in Sydney's harbour front Gateway Building. Their "achievements" to date are all [here](#). What we actually got was "**work with**", no legislative agenda, no vision for the future.

While in the Productivity [section](#) the government also showcased its approach to AI which it believes will help Australian productivity growth (at 60 year lows). They have even launched a new website. ai.gov.au. It's a masterclass in why Australian productivity has collapsed. It could not be further from the cutting edge of the technology. A case in point is this document which is designed to help 'your teams' use AI:

PLANNING CANVAS

Team readiness for AI

Use this canvas to map how your team will safely and confidently adopt AI. Think about the people, tools, habits and policies that will help make AI work well for your team.

<p>Training needs</p> <p style="font-size: 0.8em;">How can we identify our team's AI training and development needs on an ongoing basis as the technology and our work evolve?</p>	<p>Building capability</p> <p style="font-size: 0.8em;">How can we build our team's understanding of AI and their ability to use it safely, effectively and appropriately?</p>	<p>Human oversight</p> <p style="font-size: 0.8em;">How can we ensure responsibility and human oversight of our AI systems?</p>
<p>Team communication</p> <p style="font-size: 0.8em;">How can we keep our team informed about AI?</p>	<p>Team voice</p> <p style="font-size: 0.8em;">How can we support our team to give feedback, raise concerns and share ideas about AI?</p>	<p>Team culture</p> <p style="font-size: 0.8em;">How can we build a team culture where people have the opportunity and confidence to innovate and experiment safely with AI?</p>

ai.gov.au

This resource was originally developed by the [SAAM AI Adopt Centre](#).

I wonder if such documents are in use at Anthropic or SpaceX? Are the single person teams generating \$100m in ARR using these slides? I think we know they aren't, they are wading through the jungle of Discord and Huggingface and Reddit. They are using models we have never heard of to do things in 24 hours that used to take two years. In the time it would take a government department to fill in those slides, it's no exaggeration to say that a single person could launch a fully operational business.

The whole website is pages and pages of slop (probably AI generated) so somebody can tick a box and say to their elected leader. "It's done".

This though took the biscuit for me: *"Collaborating with leading AI companies, including by entering into Memoranda of Understanding with Anthropic and Microsoft"* How is signing an MOU collaborating? There is absolutely no way any of the IP at those companies is coming to Australia. We will be sending money to America for decades to come. We missed the boat on AI, which was fully expected, but we didn't need to miss all the downstream benefit. We have the power capacity, we don't use it. We have the space for data centres, we don't use it.

One final moment of brilliance, this time on energy

At the May 8 Energy and Climate Change Ministerial Council (ECMC), a strong majority of Energy Ministers agreed to develop a legislative package to implement measures recommended by the NEM review panel and continue the preparatory work related to the establishment of the Electricity Services Entry Mechanism (ESEM) and the Market Maker Obligation (MMO).

So nothing actually happened?

Euro-Trash

Stablecoins are not an efficient way to strengthen the international role of the euro, says President Christine [@Lagarde](#).

The best solution remains deeper capital market integration through the savings and investment union and a stronger safe asset base
[ecb.europa.eu/press/key/date...](https://www.ecb.europa.eu/press/key/date...)



Stablecoins are not efficient.

The digital euro on the other hand is already through its preparation phase which began in 2021. This next stage is about technical readiness and market engagement, it will support the legislative process. That legislative process is a separate track which involves the European Parliament, an entirely separate body with separate objectives. Ultimately, the digital euro process will have to adapt to whatever the legislation is and the ECB has been explicit that it will not issue anything until that legislation is in place.

So currently:

2026: legislation being discussed. Strong opposition from the banks though because if stable coin providers can pay interest, there is no reason for depositors to use banks at all. Banks have correctly understood that it is an existential risk (similar issues in the US with the Clarity Act).

2027: Payment Service Provider selection.

2028: Build out and Pilot

2029: earliest live test

All of that depends on the resolution of several technical issues. The first one being the holding limits. The current proposal is that nobody can hold more than €3,000. This relegates the digital euro to being useful for cups of coffee and train rides. The idea here is any more than that and deposits will flee European banks and jump into stablecoins which have 100% asset backing versus <10% for a bank deposit. The opposition from the European banks will be enormous to all of this.

All told, at the earliest the ECB will launch 8 years after the initial work commenced. Most likely it will be long after that, probably when their hand is forced by some more successful overseas digital currency.

The point is not that stablecoins are better than euros. How would I know? But how would Lagarde know either? You just have to let them run, the market will very quickly decide which is better and which they prefer. You could interview nearly every European, ask them about money and I'm certain none of them will reply with "I'd just love deeper capital market integration through the savings and investment union".

Incidentally, the Savings and Investment Union is [real](#). It was launched in 2025 to counter the effect of Europeans leaving their money in bank accounts and not investing it in businesses in the EU. But, they are actively choosing to do that. Why? Because the business environment in Europe is bad. It is a terrible place to invest because of punitive taxation and the extreme difficulty in employing people at reasonable rates who you can remove if it doesn't work. It just is a terrible place for business.

Stablecoin supply has increased 155x between 2018 and 2026 compared to 1.5x for the euro. They still are not comparable in scale though. Total stablecoin value represents about 2.7% of euros in circulation. The speed of the growth implies that stablecoins might rival the euro in the next decade.

The market will decide. Most likely it will do so with stablecoins denominated in dollars. Not euros.