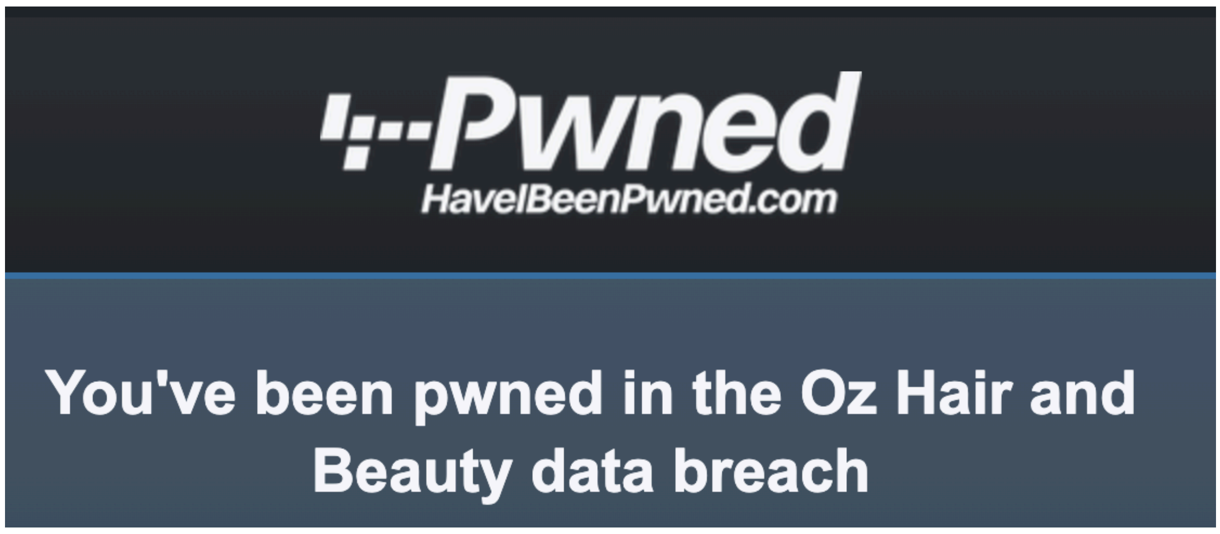
LISTEDRESERVE

MoneyBits

Military Grade



I was rather surprised to receive this during the week. I'm not naturally a frequenter of "Oz Hair and Beauty" and cannot ever remember buying anything from them. My email did in fact show though that in 2019 I secured myself a "Military grade Lemon Myrtle deodorant". It's amusing, I suppose, because working in an air-conditioned office doesn't cause me to perspire in a 'military grade' fashion. Perhaps I wanted to smell like a flower, while pretending to be a soldier. I can't remember. Nonetheless, the transaction is on the internet now, along with email address and everything else that might have been collected at the time of the purchase.

Am I concerned? Not really. I have long argued that every piece of KYC we provide leaks. I am near certain that my passport, driving licence and every other identifying document I have are circulating on the internet. Are eight different versions of me wandering around Moscow now? Probably.

Documents have been requested over the years for all sorts of absurdities like car hire, hotels. I mean every hotel photocopies the passport, it's completely ridiculous. "I'll just take a copy of that Sir and put it in our highly secure plastic tray". The KYC net is so wide now, so many organisations are required to do it that it has simply started to self-destruct. Emailing a document to someone essentially proves nothing any more. They are easily created with AI, as are complete human personas and accompanying documents.

Oz Hair and Beauty (seller of deeply masculine deodorants) made an announcement that was pretty relaxed. It happened and we moved on, for what other options are there?

Every time this happens I would guess there are tens more we don't hear about. Back in 2022 when Medibank was hacked I wrote this, which is still true and even more true now.

> What we should be doing is this:
>
> - Under no circumstances requiring people to share copies of passports or driving licences digitally.
> - Educate people to never send any personal details over email.
> - To the extent that companies like Medibank need to see these documents, they should do so physically, confirm they have seen them and keep no copies of them.
> - Stop requiring excessive ID for things that really don't need it.
>
> It's not hard.

Yet it got worse, AML and KYC got even more extensive from 1 July in the name of keeping you safe. The last bastion of the tyrant.

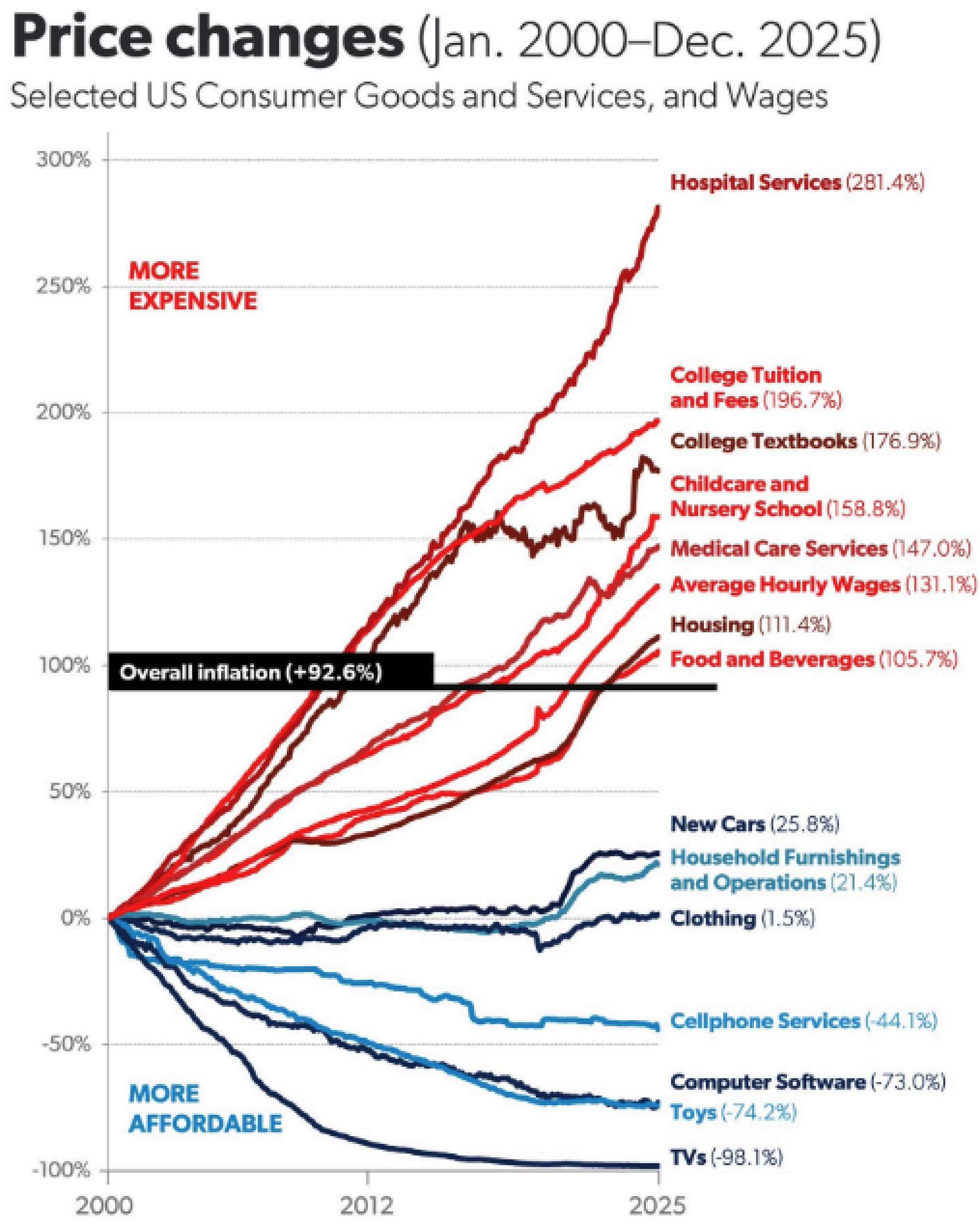
I try to imagine the worst possible leak that could happen, but it really did happen with Medibank. Nine million health records. A disaster from which we apparently learned nothing.

It is sad to say that the only thing that stops this madness is the catastrophic moment, which is coming, when the dam bursts and a major government just spills its economic guts. Reserve Bank, ATO, who knows?

The truth, which we need to face up to, is that KYC is a total, utter and abject failure that achieves nothing and costs a fortune. There is a reason too, the money laundering comes *after* the crime. Whoever this KYC stuff is targeting already sold the drugs, or assassinated the victim. Do you think they are really bothered about using stolen ID after they shipped half of Colombia into the United States? I'm guessing not. So it doesn't work, and it never will.

Cheaper

Everything gets cheaper all the time. You have your mandated 2% inflation, which is just a tax on poor people and is really closer to 5% and yet, everything (nearly) gets cheaper. Health and education, more expensive. Government rackets, you see. Everything else. Cheaper.

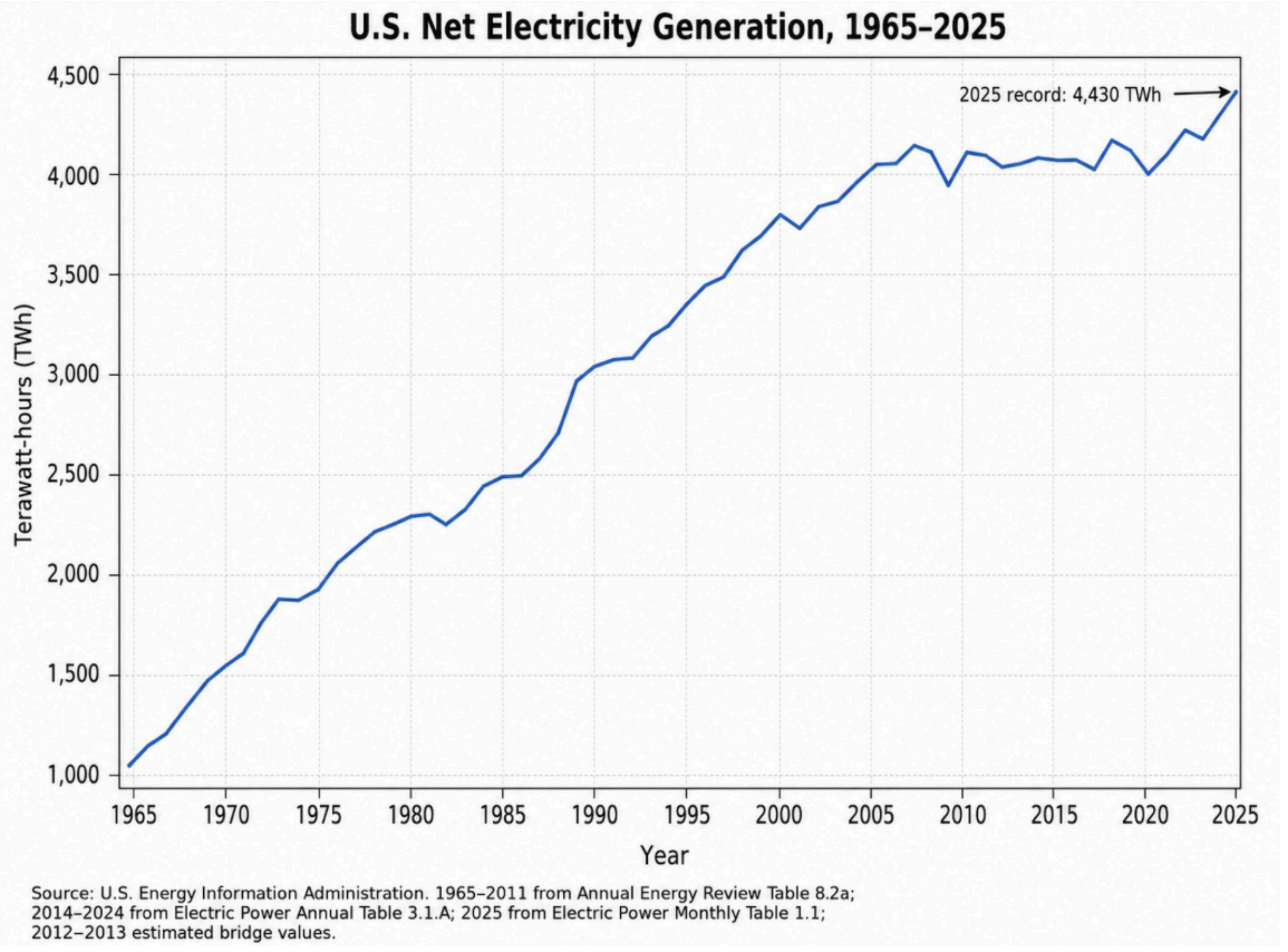


Relevance? Well last week we were concerning ourselves about government spending and the endless deficits to the sky. The only way out of that is gigantic productivity leaps across all sectors. If you think about AI and where it operates best, I think medicine and education are two. It is used extensively, at least in our house, for both. Indeed, I trust the answers of the machines far more than I trust teachers (who, like me, are biased) and doctors, who only know what they know, which is always less than could be known.

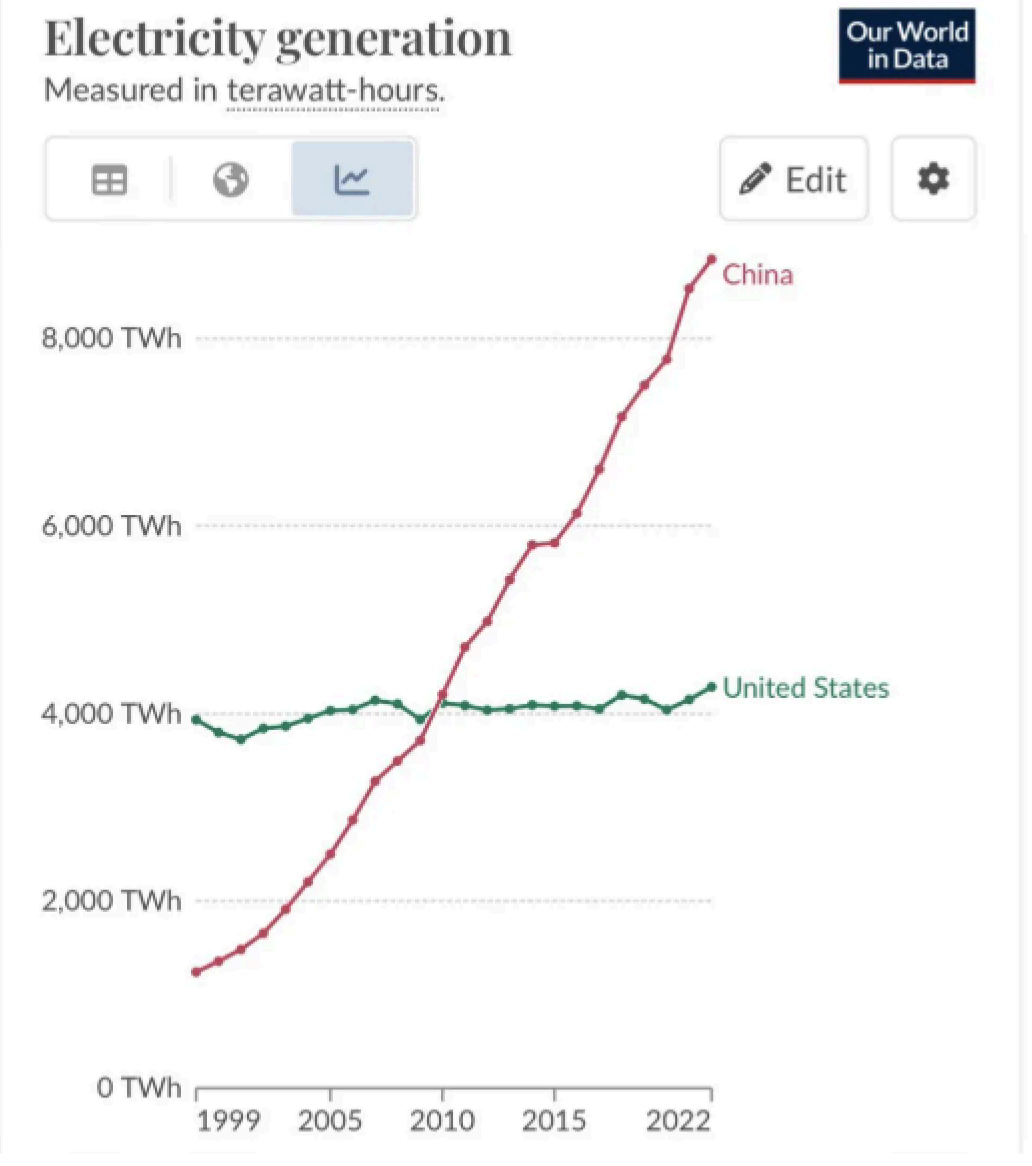
Some countries will master this and adopt it. Those with the strong educational and medical cartels, like Australia or the UK will be last. Eventually it will happen everywhere because the cartelised operations will simply deliver a service that is so much worse and so much more expensive.

I am wildly optimistic about all of this because in the way that Bitcoin weakened the government's grip on value transfer, AI will weaken their grip on knowledge. That in turn will weaken the grip of the cartels which have gouged us all for too long.

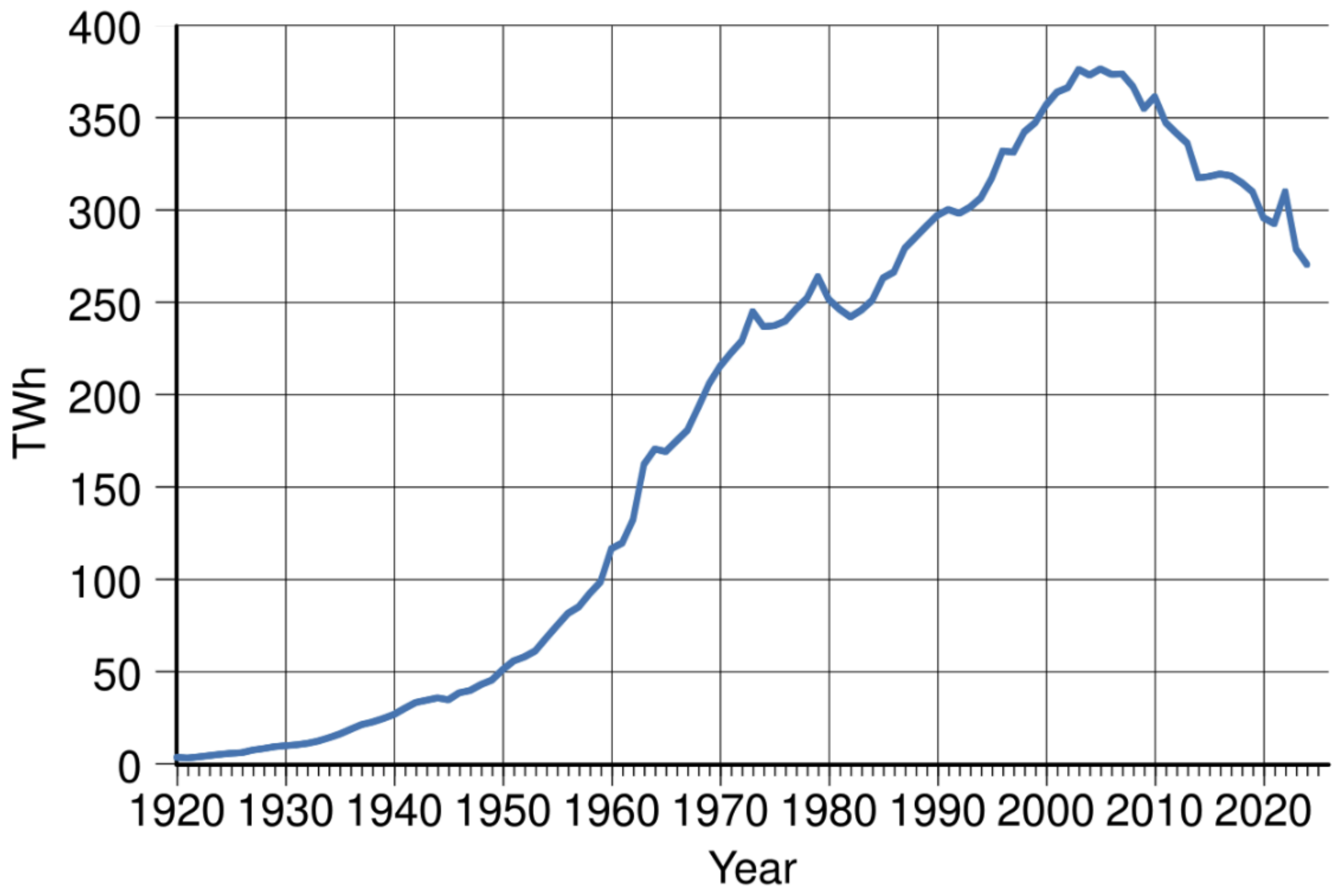
Some countries are already off to the races, including the United States whose power generation capacity is up 10% in 5 years. They are back in the game.



China understands too



The United Kingdom does not. Peak Britannia was 2005, they did not and have not yet recovered. Tough times in the UK are always marked by power declines. See mid 1940s, late 70s, early 80s. It's a catastrophic chart actually.



Australia you ask? The Macarthur wind farm. Enough power for 167,000 homes! When it isn't windy though it powers zero homes. Not sure that will work for data centres.

The critical limiting factor to economic growth is power. The superpowers know the answer.

Powah

Why the memes? I love them, they contain so much more information than text. Knowledge itself is a meme. Once again, David Deutsch. The Beginning of Infinity: Chapter 15 “The Evolution of Culture”. Again and again I recommend it, some of you have finally read it too. You’re welcome.

Stanley Druckenmiller

> The reward is enormous: A credible fiscal package would do more for the long end of the curve than a buyback program 1,000 times this size.
>
> Governments defending prices against fundamentals always lose. The only variable is how much they spend before conceding. The U.S. shouldn’t put itself on the wrong side of that trade, not with the most important price in the world, and not when that price is trying to say the one thing Washington most needs to hear: Let the bond market speak.

Stanley points out the obvious this week in the WSJ: the United States cannot hold back the bond market tide. They need to spend less and the only variable is “how much they spend before conceding”. They will spend a lot and the bond market will win.

Subsequently, Druckenmiller ‘admitted’ that the article had largely been written by AI while reflecting his sentiment because, as he put it, ‘There’s a reason I moved from an English major to being an economics major’.

TECHNOLOGY • ARTIFICIAL INTELLIGENCE

Druckenmiller’s Surprising Critique of Bessent Was Delivered With the Help of AI

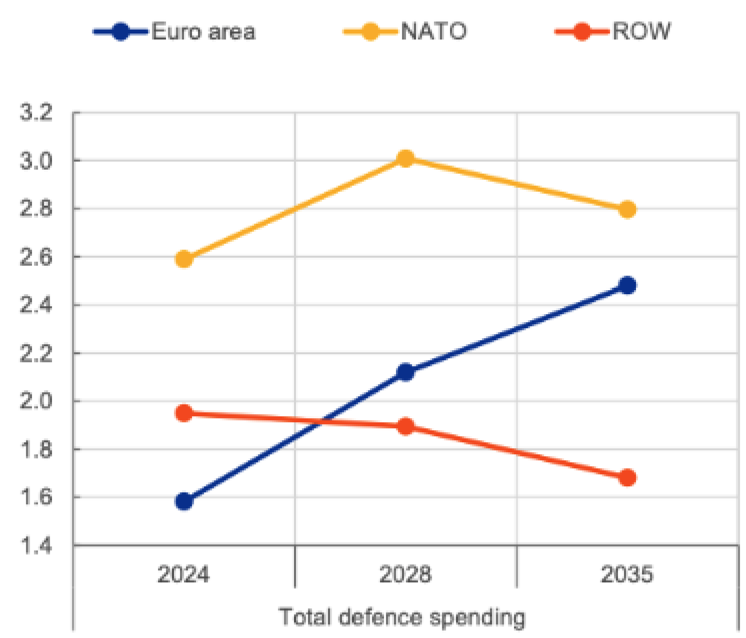
‘I’m kind of proud of using it,’ legendary hedge-fund investor says of the technology

So what? The whole thing inspired horror across the journalistic community. The most read article in the WSJ that week was written by a machine masquerading as a man. Journalists are special you see, the Fourth Estate and all that. No sympathy for the coders and the Excel specialists (like me) and even the doctors.

Yet I would bet in one form or another every single one of them is using it and as the saying goes “.....I never thought the face eating leopard would eat *my* face”.

Euro-Trash

Total defence spending
(percentages of GDP)



Sources: Janes databases and ECB staff calculations for the aggregation.
Notes: ROW stands for rest of the world. The ROW aggregate excludes the NATO countries. The euro area aggregates exclude Malta and Cyprus.

Mega-lolz. All based on the reliable source of “ECB staff calculations”. Euro area aggregates exclude Malta and Cyprus. Yet, both countries are in the Euro. Is it really so difficult to calculate Malta’s defence expenditure? They only have 1,950 defence personnel. The ECB itself employs 5,800 and thus one could reasonably conclude that if Christine Lagarde decided to invade Malta, she probably could.

It's not really all that relevant though, is it? It's the job of politicians to scare other nations with their potential defence spending, certainly not the job of the central bank. Yet, every time, the ECB manages to demonstrate that it is just another political tentacle in the European infrastructure.

You wonder too how it can be economically possible to spend those amounts within the confines of the rules of the Euro for this to happen. Recall at the outset of the Euro, no country could have debt to GDP in excess of 60%.

Country	Launch Debt (% GDP)	Current Debt (% GDP)
Greece (joined 2001)	103.7%	145.7%
Italy	113.7%	137.1%
France	60.9%	116.0%
Belgium	113.7%	106.3%
Spain	61.6%	101.0%
Portugal	51.4%	89.7%
Finland	48.5%	88.5%
Austria	64.7%	80.5%
Germany	60.9%	63.5%
Netherlands	61.1%	43.3%
Ireland	48.5%	32.9%
Luxembourg	6.4%	26.5%

Of course back in 1999, Belgium and Italy were nowhere near the 60% mark and so the Maastricht Treaty included a Trajectory Clause, you could still qualify if your debt was heading in the right direction at a good enough pace, specifically:

> *"The ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace."*

Great! Belgium honoured the bargain and is well on the way to 60%, currently 106% with a 7.4% reduction over the ensuing 25-year period. Italy not so much.

For everyone else, well once you’re in, you’re in. Nobody cared about it and debt pretty much exploded everywhere. France is the standout. A big economy and 60.9% to 116% is not something you come back from.

Do I believe the ECB projections on defence spend? Actually, yes. I also know where the money will come from.

Finally, props to Ireland, the only country in the list to have debt to GDP meaningfully lower than at the launch of the Euro. That includes a visit to 120% on the way through. How did they do it? They cut the corporate tax rate to 12.5% and naturally businesses (even if most of it is virtual) gravitated there. It was smart, because it only works *because* they are in the EU. There are lots of places with lower rates but they do not benefit from being inside the European Union.

Australia is about to learn the lesson in reverse, putting tax rates up does not automatically equate to tax revenues rising. We will see.