LISTEDRESERVE

MoneyBits

Dishwasher

David Deutsch @DavidDeutschOxf 𝕏.com

> I just fixed my dishwasher with the help of ChatGPT. A trivial task. I had been about to order a new one. So this software has increased the country's real wealth yet decreased the measured GDP. The main economic indicator is structurally incapable of registering the thing that actually makes people better off, namely the growth of knowledge

As you now know, I love to bore on to you about David Deutsch. Mostly because, until I had read his books, I had never even thought about what knowledge was. Circa 20 years of 'education' and somehow the concept of knowledge had never actually come up. Indeed, to ask someone today 'what is knowledge' is generally to receive the reply 'please leave me alone, because I don't care'.

I was specifically delighted though because I had recently done exactly the same thing with my own washing machine. So, I'm thinking 'the world's greatest physicist is doing what I'm doing with ChatGPT'. Which he almost certainly isn't but for 30 seconds he was and I'll take it.

There is a great deal in his message too. Firstly, access to the new knowledge machine has saved him from buying a new dishwasher. As a consequence, GDP in the UK is now lower than it would otherwise have been. Actually, he is better off and nobody else is worse off. So, you can immediately see the power of access to knowledge. You are wealthier and the country is too, but the government would prefer you bought a new dishwasher and threw the old one to rust in the ocean. Such is the broken window fallacy of modern economics.

Now, you might say, this is not actually "new knowledge". How to fix it was known. That is entirely the point though, because the LLM has propagated the knowledge easily. He was not going to dig out the instruction manual and fathom it. Too hard, new dishwasher please. The propagation *is* the knowledge, falsehoods die on the journey.

Education is, perhaps, the primary method of knowledge propagation that people know. Now there is another one and it's taking over at lightning speed. It's making you richer while GDP falls……<u>if you use it</u>.

He was asked in the replies what measure of GDP he would use. His answer "I wouldn't, I would spend all my energy removing the barriers to knowledge propagation and all the associated punishments that are given out to those that do share knowledge". I can't imagine what he meant by the second bit, but he said it.

Lots to ponder then for a country with collapsing productivity where the politicians do not know how wealth is created (and punitively punish people that create it). Precisely because they do not understand, or choose not to understand, that it comes from knowledge propagation.

As a matter of interest, in the Australian school curriculum, knowledge is dealt with as follows. All three explanations are wrong. It's actually extraordinary. So, of course people go to school, then believe the GDP figure.

Domain-Specific & Cultural "Ways of Knowing":
Rather than defining knowledge in the abstract, the curriculum describes different *traditions* and *methodologies* of knowing:

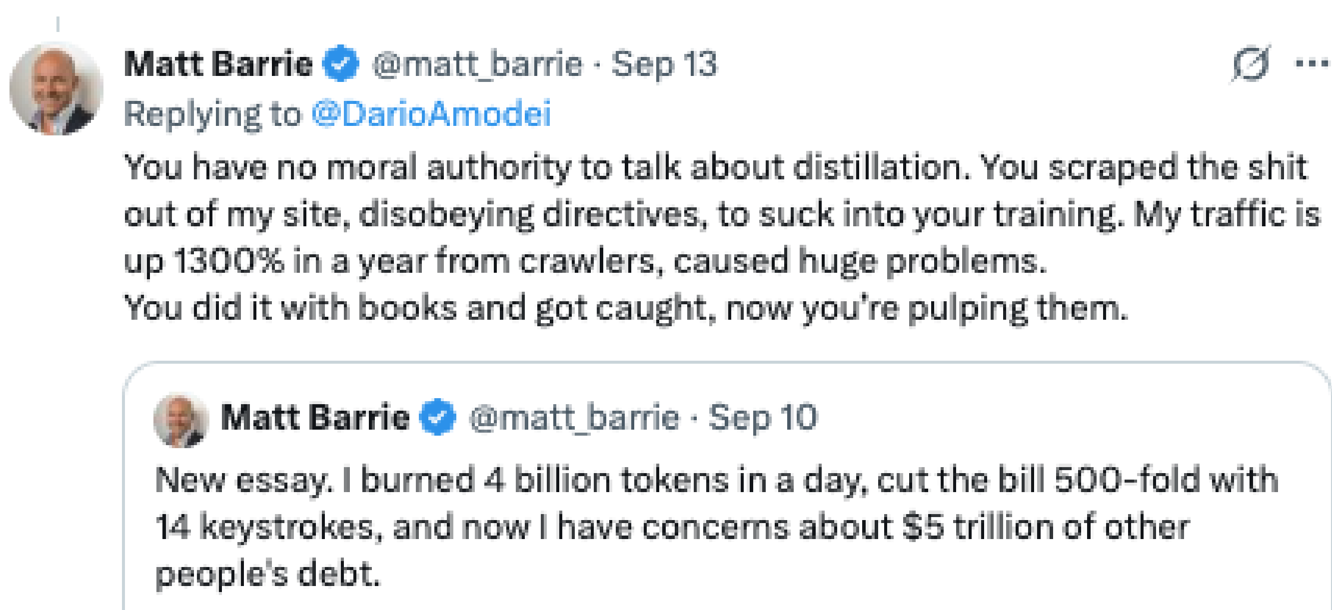
- **Science as a Human Endeavour:** Teaches students that scientific knowledge is tentative, evidence-based, and subject to revision as new data arises. Australian Curriculum
- **Aboriginal and Torres Strait Islander Histories and Cultures:** Refers to First Nations traditions as deep, living "knowledges" developed over millennia through empirical observation, oral traditions, and ecological care. Australian Curriculum
- **Humanities and Social Sciences (HASS):** Examines historical, geographical, and cultural perspectives and different community "ways of knowing".

Slow down

So the guy that did not pace the frontier until he was sitting on billions, now wants to pace it? Of course he does. His internet crawlers have been hoovering up IP for years, his company has bought millions of second hand books to feed the machine and now “we must pace the frontier”?

He then calls out the OpenAI attack on Hugging Face. Well, mate, goodness knows what hacking your machine has been up to without anyone knowing it.

Certainly, some in the Australian tech sector weren’t impressed. Matt Barrie’s point is a simple and good one, if Anthropic slows down we will all switch our API keys to DeepSeek and keep going. Because it is indeed 500x cheaper and 95% as good (and closing).



Matt Barrie @matt_barrie · Sep 13
Replying to @DarioAmodei
You have no moral authority to talk about distillation. You scraped the shit out of my site, disobeying directives, to suck into your training. My traffic is up 1300% in a year from crawlers, caused huge problems.
You did it with books and got caught, now you're pulping them.

> **Matt Barrie** @matt_barrie · Sep 10
> New essay. I burned 4 billion tokens in a day, cut the bill 500-fold with 14 keystrokes, and now I have concerns about $5 trillion of other people's debt.

That is the Anthropic and OpenAI issue. There is zero switching cost. I have personally switched from GPT to Claude and back, to Google, and also to DeepSeek. I’m currently on GPT because Codex is so good, but for lower level things, DeepSeek does it. If I had a choice I would run my own local model but I don’t really want to spend $20k on GPUs and find I don’t really know what I’m doing.

For Anthropic then, it’s too late. They knew about the risk and did nothing, and now I say we just run with it. Sites getting hacked all over the world, KYC leaking on a daily basis. It’s not happening because the new models are too good, it's because the old systems are not fit for purpose and the quicker they get replaced the better. Anthropic appears to only care about its own future, I’m not a buyer of Dario’s plea. He is hedging in case something really bad happens. “See, I told you”. But no, you did not. You waited and now the only choice is forward.

Next up was mathematician Terence Tao, a far easier man to like than Dario A-me-me-me but even his intervention rang hollow to me. Terence is basically worried about ‘attribution and plagiarism’.

> In recent months, the success of AI in solving major mathematical problems has made headlines even outside mathematical circles. But solving problems is only a tool and proxy for achieving the primary goal of conceptual understanding and insight. Forgetting this in the world of AI may turn the tool against the primary goal. Indeed, the mass production at faster and faster pace of “true/false” statements could destroy fertile ground instead of breathing life into new ideas.
>
> Often these solutions are announced in a rush, leaving no time for a proper writeup, the isolation of new methods and ideas, and citing relevant previous work of others. As in all creative professions, this raises severe attribution and plagiarism questions. Moreover, without the willing mathematicians who must take care of their development and integration into the mathematical canon, AI-conceived ideas would never become fully alive and the crucial human transmission chain between mathematicians would be lost.

Now imagine you have spent your entire life working on a problem, you have a deep understanding of that problem and you share your work. Your ideas are novel and generally accepted. A machine comes along and reads your idea, it then does something that you cannot do and applies it over the course of 10 days to 30,000 different scenarios and related problems. It finds a solution. It checks it, and it's correct. Its sub-agents write the paper. 5,000 agents check it. The next day it publishes it. Are you annoyed? Of course you are but that process is pretty much the process anyway it's just now 10,000x faster.

Terence has the signatures of 25 Fields Medallists who have formed a lobby group mathandai. It's world leading, frankly, because soon doctors will have a lobby group and lawyers will have one, and consultants will have one.

Customer service agents, they won't get one because they aren't Terence Tao. The same thing happened though, the knowledge level reached their level and now it's going to go past it. Nobody likes it, but are we going to legislate to protect Fields Medallists and not customer service agents?

The co-ordinated assault did not end there though. Of all people, renowned AI expert Kamala Harris was wheeled out to explain to the little people why AI is bad.

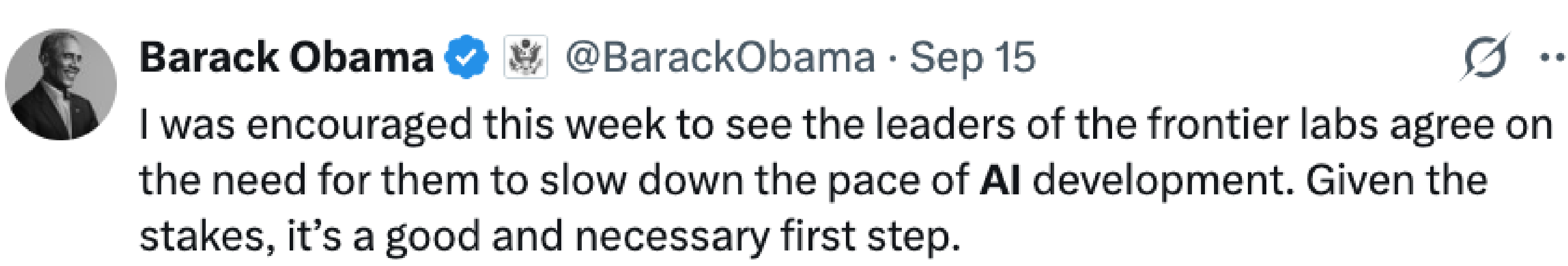

Kamala Harris @KamalaHarris · Sep 15
This is an encouraging effort to bring industry and government leaders together to pass the kind of sensible AI oversight we need. It is possible to heed the warnings of so many AI researchers and address safety concerns without sacrificing the technology's benefits. But time is running out; the federal government must act quickly.

Recall what she said about AI as Vice President.

"AI is kind of a fancy thing. First of all it's two letters, it means Artificial intelligence. But, ultimately what it is, It's about machine learning… and so the machine is taught. And part of the issue here is what information is going into the machine that will then determine, and we can predict then, if we think about it what machine, what information is going in, what then will be produced in terms of decisions ***and opinions that may be made*** *through that process."*

And the veil was lifted as Kamala clumsily gave the game away. We do not want people thinking the wrong thoughts.

Back to this week then…Obama


Barack Obama @BarackObama · Sep 15
I was encouraged this week to see the leaders of the frontier labs agree on the need for them to slow down the pace of **AI** development. Given the stakes, it's a good and necessary first step.

…and then Clinton


Hillary Clinton @HillaryClinton · Sep 15
Just this morning, the New York Times reported that China's spy chief wants his government to have more oversight of the **AI** industry.

As I said on Friday on @MSNOWNews: the Trump administration has a huge opportunity to enlist China in the effort to rein in **AI** when President Xi
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…and then in the UK 40 MPs signed a letter calling for a 'prohibition on further development'.

Among them, 68-year-old Baroness Bonham-Carter of Yarnbury (big DeepSeek API user no doubt). Baroness Bonham-Carter's family is the only example so far where three generations have received life peerages under the Life Peerages Act. Her maternal grandfather was the American publisher Condé Nast. Her cousins include the Hollywood actors Crispin Bonham Carter, Helena Bonham Carter and former Liberal Democrat parliamentarian Raymond Asquith, 3rd Earl of Oxford and Asquith. Asquith happens to be the MI6 agent who was Moscow station commander responsible personally for exfiltrating the KGB officer and British agent Oleg Gordievsky (an exciting story in its own right).

Anyway, I'm not saying it's a co-ordinated global conspiracy. I'm saying it's an unlikely coincidence.

HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Andy Burnham MP
Prime Minister
10 Downing Street
London
SW1A 2AA

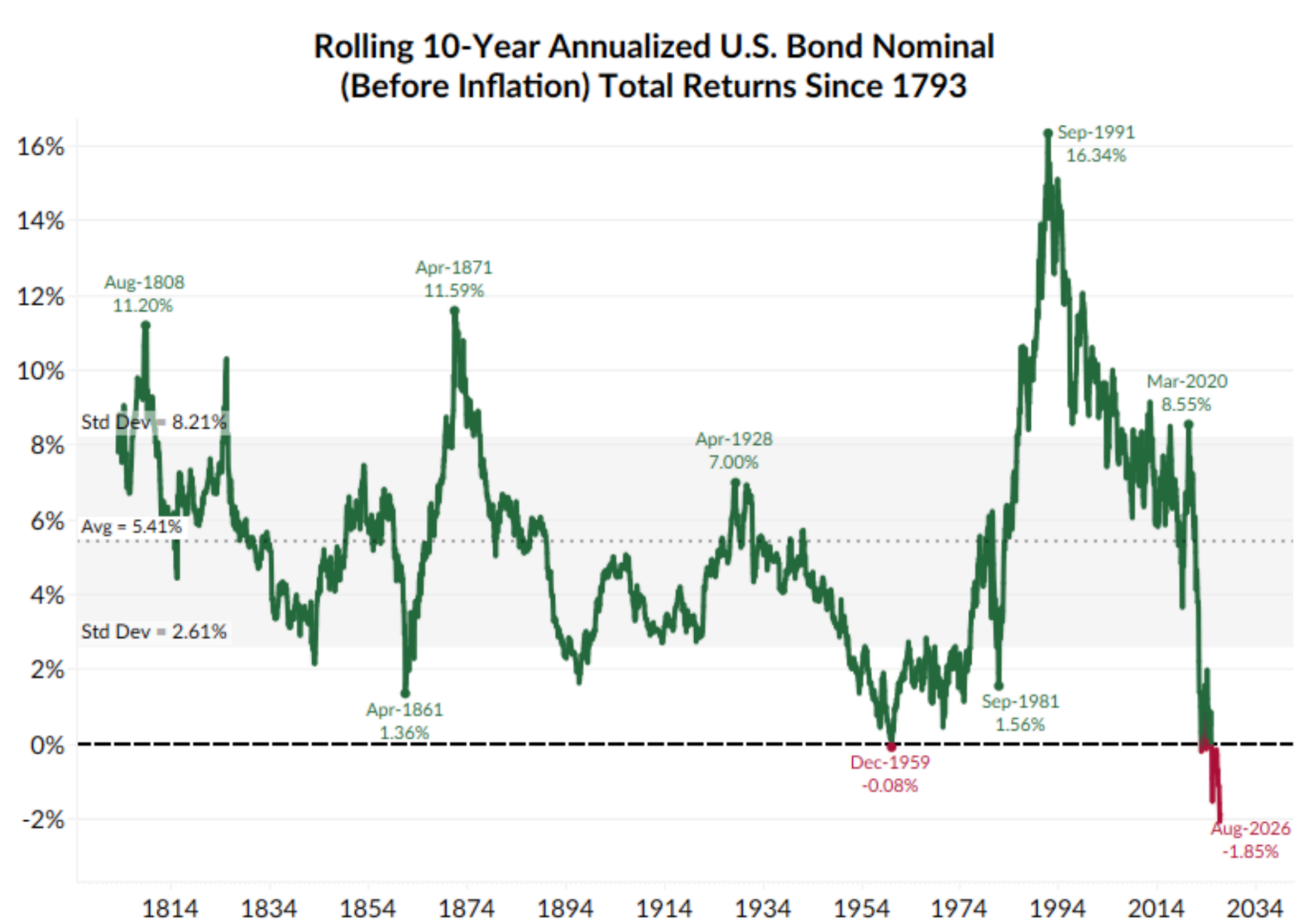
House of Commons,
London,
SW1A0AA

11th September 2026

Dear Prime Minister,

The UK should lead an international agreement prohibiting the development of superintelligent AI, while preserving strategic AI ambitions. Over the last few weeks, we have seen a string of alarming AI incidents, including rogue AI systems taking unsanctioned action on the internet and hacking organisations. This is aggravated by concerning testimony from AI company employees, including an AI researcher who resigned over concerns that leading AI companies are "racing straight to self-improving superintelligence", and that those building it believe "it could kill us all by the end of the decade."

A tough decade



There's lots in the construction of this chart that one could argue with. But let's assume it is just making one point. Bonds have had a rough time in the last decade. It's a bit false because of the covid, zero rate capture in the middle, but it's a numerical fact. You might see this and jump on the short bonds bandwagon here.

Not for me though. One reason (of many) I don't like bonds is (believe it or not) their potential for volatility. With yields now above 5% on the US 10 Year and nearing 6% in the UK, governments simply have to intervene or the

IMF is going to do it for them. Consequently, you know there will be wild moves in bond yields over the next few years. The market wants higher, the person that makes the rules wants lower.

It's "obvious" from debt and spending levels that bond yields have got to go up. Yet, they might very well come sharply down, overnight even, because of some government intervention. Such a thing is only ever the swish of a central banker's pen away. The worse it gets, the more likely the unlikely happens too. Yields up, means yields up, means something breaks and interest rates are zero next Tuesday.

Oh, you lost 30% of the part of your portfolio that's "safe and low risk". Yeah, sorry.

Clarity Act

Only 49 votes of the 60 needed. So no Clarity Act this year. We paid the price here for the Trump affinity scams within the sector. Elizabeth Warren, as ever, front and centre of the charge to prevent its passing.

"We need crypto regulation—but not a crypto bill written by the crypto industry to benefit only the most extreme voices in the crypto industry—at the expense of our national security, our economic stability, and to help the most corrupt President in the history of the United States make himself even richer."

"I urge my Republican colleagues to come to the table and negotiate a real bipartisan crypto bill. But until then, I urge my colleagues to vote no."

And? Well, I find myself basically agreeing with Elizabeth Warren. So, you know, new and interesting things can happen all the time.

Meanwhile, Melania Coin is down 99.3% on its January 2025 highs.

Euro-Trash

It's the Middle East! That's why interest rates are going up.

The economy is holding up better than expected

Manufacturing is doing better, partly because governments are spending more on defence and infrastructure. Firms are investing in AI. Exports have picked up. But the outlook for the future remains highly uncertain.

The economy is holding up better than expected. Right. “Holding up”. Better than who expects? Are expectations in Europe really that low? They lag their major competitors on growth rates, birth rates, innovation. Hey guys! We’re holding up. Go white beard guy. Go!

Consumers are becoming more confident

They are spending more, especially on services. Many people are in jobs. Overall, the economy should continue to improve.

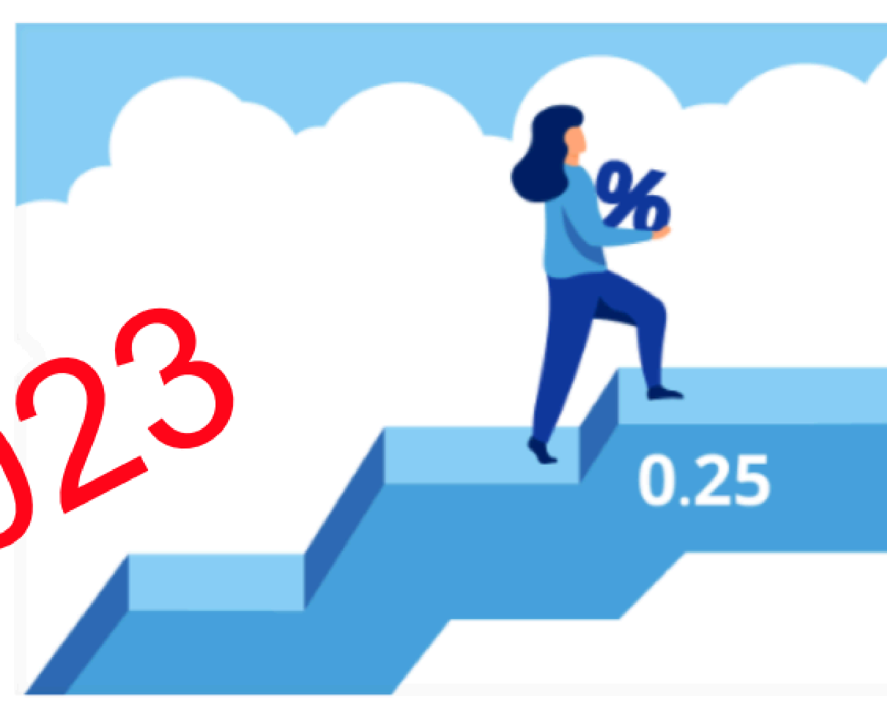
This actually made me laugh… “Many people are in jobs”. Can this bar actually get any lower? Turns out that yes, it can, because the economy will continue to ‘improve’. When? How long will this actually take?

Let's go back exactly three years. I think we looked at these at the time. September 2023 “At a glance”.

We raised our key interest rates by a further 0.25 percentage points

This will help to bring down inflation further. Our past interest rate hikes are already having an effect on the economy. Our future decisions will depend on how we see the economy and inflation developing.

2023



2023. 0.25% up….wait, what?

The jobs market is still strong

Although the economy is cooling, unemployment remains at a record low. Many people's wages are going up. But now fewer jobs are being created, even in services.

2023. Strong jobs! Even back then …wait, what?

Inflation is falling but is still too high

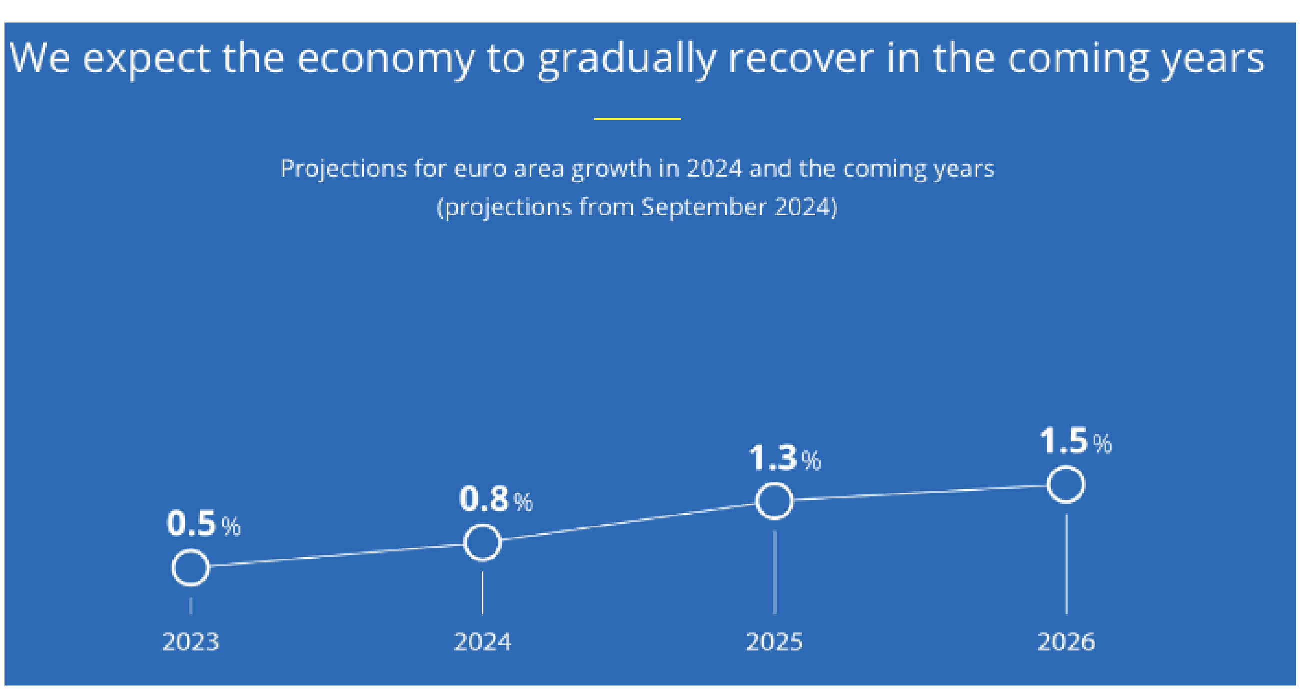
Food is still getting more expensive, even though prices are not rising as much as before. Prices for services, especially holidays and travel, are keeping inflation high. In the coming months, inflation should drop further.

2023. Inflation falling but still too high. Wait, what?

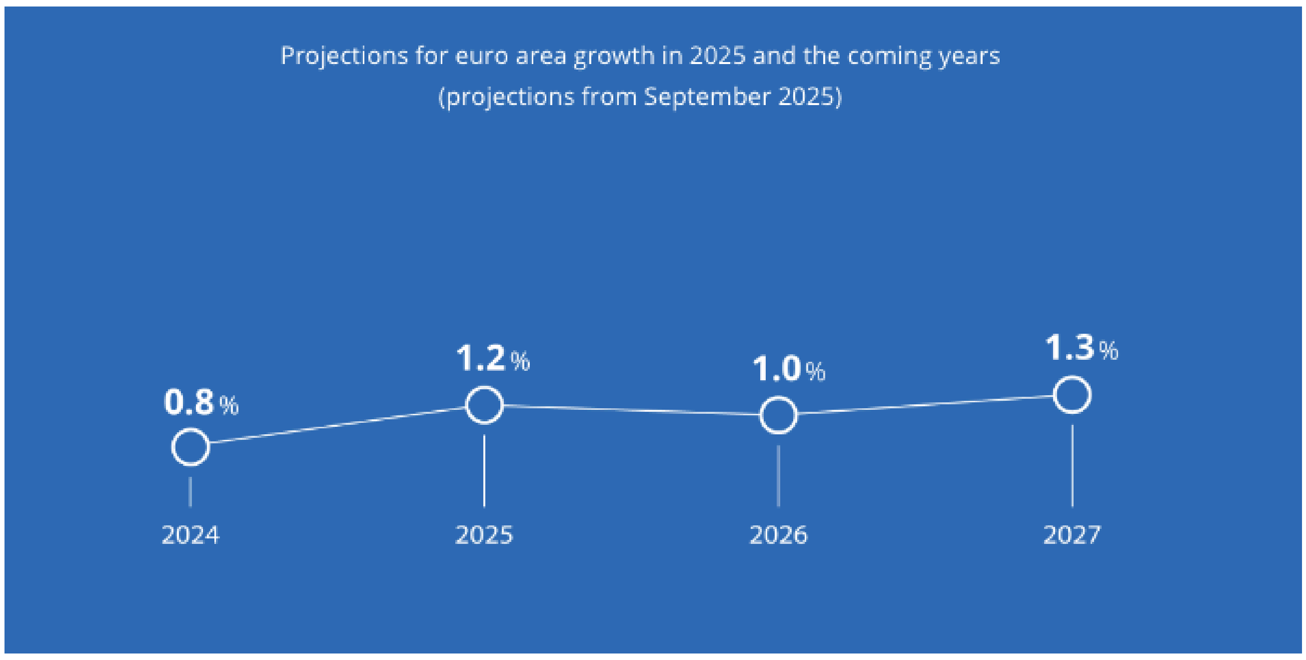
But you said, in 2023…. a few months. You have 5,000 staff, all 'nowcasting' with their innovative EU developed AI tools, Le Chat Jai Pai The.

What about the growth forecasts in the footnotes? What's happening there?

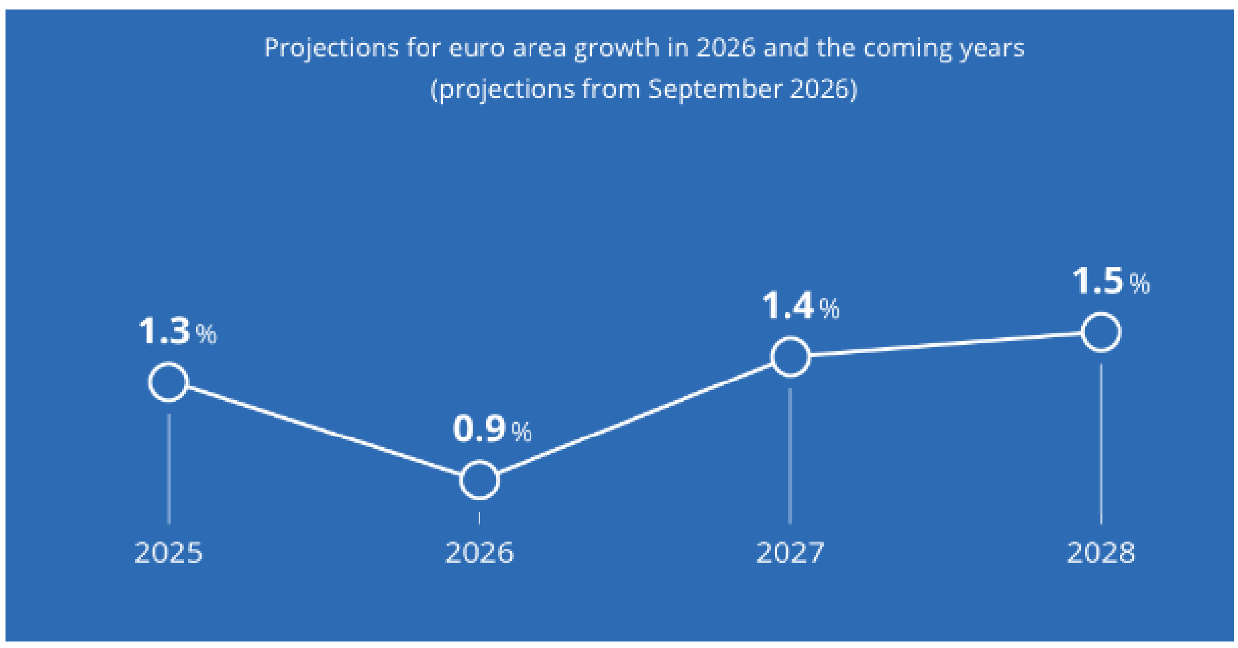
2024. Citizens! We will grow at 1.5% in 2026



2025. Citizens! We will grow at 1.0% in 2026



2026. Citizens! We will grow at 0.9% in 2026. Only 4 months to go until our Nowcast is wrong again.



To conclude then. Jobs are strong, confidence is growing, the economy is growing and inflation is falling.