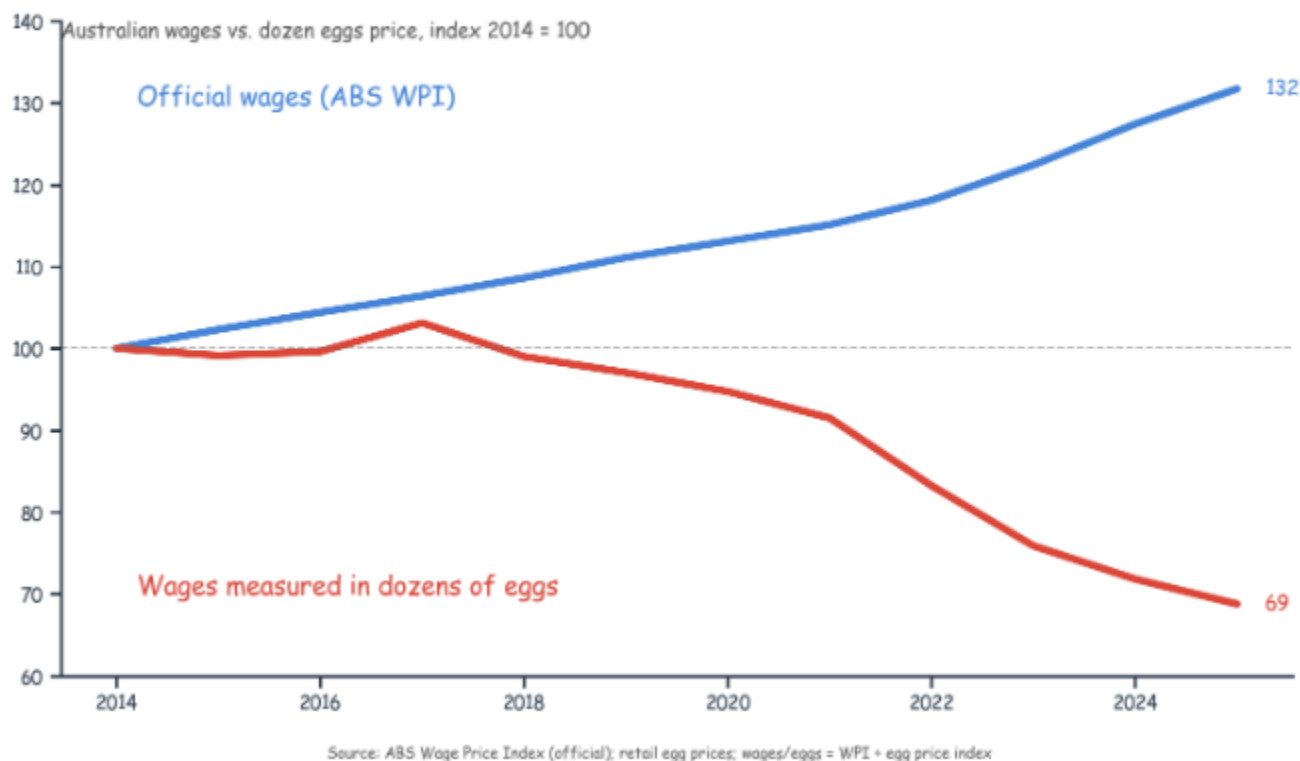

LISTED RESERVE

MoneyBits

Direction of travel

Wages are up 32%, but they buy 31% fewer eggs



This is why people don't feel like the economy is growing. Every year, things just get better. Real wages rise! Yet nobody feels like that is true. Everything is more expensive, which they aren't. It's simply that wages are falling fast, really fast. The game is very beautiful. All the numbers go up, including the ones that are really going down (as things get cheaper). You feel good-ish, because your numbers are going up but not at the rate some other things are. People are very bad at rates of change which is why you hate calculus, you are confused. The opacity is the beauty. You see? No? Then it worked, didn't it?

I like to use eggs to explain, for reasons I have explained before, but pick whatever you like.

This trend of collapsing wages (while pretending it isn't happening) is going to accelerate. I estimate now that 50% of our administrative load could be given to AI. For example, while it doesn't write this column, it did the chart (which we used to pay someone for) and it schedules the email (which we used to pay someone for) and posts the whole thing on the website (which was a massive pain). It does all that after it has shrunk the images to acceptable size, checked they still work, added new subscribers and acted as the editor. It doesn't sound *that* complicated but you did need to be reasonably competent to do it. Excellent WordPress skills, as editor you need to be able to concentrate for 10 minutes (rare now) and be rather good at English. Shrinking the images is easy but a faff and you need to know how to do it. Positioning them on the page, shrinking the hero image to a thumbnail. It's just really fiddly and time consuming.

It's not that the AI can do all those things, it's that it's just trivial for it. Probably three hours of 'work' is now three minutes. More complicated tasks? It can do those too. It's a matter of asking it in a secure way, which is probably what holds most businesses back. So in the annual conversation of 'let's recruit some interns to do the things I don't like doing' it's more a case of 'let's not'. Far better to spend a day scheduling AI to do those tasks, which it will then repeatedly do into infinity until you ask it to stop.

To the direction of travel then. The thing that is generating returns in the economy is increasingly not going to be labour. It's shifting to capital. So tax will have to shift to capital and away from wages.

Several examples this week. First Microsoft no less. 60,000 have been offered an early 'buy-out'. That is not a mistake. Sixty thousand people. Of course it is though, their whole business is simply the maintenance of legacy software which people built 15 years ago. Until recently those people would have been at Microsoft their whole lives, but now it is trivial for the AI to do the work. Microsoft is absolutely at the forefront too because they do have the foundational models and they really, really know what they are doing.

Union seeks brake on robotaxis and ‘human driver guarantee’

And Australia’s unions see it coming too. Driverless cars are here and, since it’s Australia, we have to do everything possible to stop it.

The real issue is that the key drivers of production behind the robotaxis and the AI everything are going to be the datacentres, the chips and the energy. Labour will be less of a factor. Not that you won’t have a job, just that most of the returns will go to the capital you deploy in your job (the AI), not to you. Governments have to control those factors of production to be able to tax them. Most countries are scaring those factors away. Australia is scoring a massive own goal by insisting data centres must ‘bring their own power’.

The biggest taxpayers in 10 years time will probably be those datacentres. Roll out the red carpet. Give them whatever they want because a data centre, once built, can’t really move that easily and then you can tax it.

The extent to which the machines can now do complex white collar work is extraordinary and is starting to impact people directly. Check out the new self help group for professional mathematicians, the [AHM](#) (The Association for Human Mathematics). AHM members promise not to publish AI generated maths papers, and refuse to work with frontier labs. Many refuse to use AI at all. I wish them well in their endeavours, I suspect it will be rather hard to compete with a 180 IQ machine that never sleeps. Or indeed, 10,000 of them.

Personally, I am very disappointed in the Institute of Chartered Accountants. Why aren’t they demanding that nobody use AI to post journals? Or check payments. Where is my white collar cartel when I need it?

UK

Before diving into the UK budget this week, here’s an [article](#) from the Institute of Economic Affairs. Worth a read since it points out that Britain's net tax contributor count has fallen from 43% in 1997 to 27% now. Make of it what you will because, rather unfairly, it counts public servants as net recipients, not contributors. The paediatric neurosurgeons of Great Ormond Street might have a different view but it does illustrate public service bloat.

I was surprised by the budget though, because pretty much nothing happened. He gave everyone £100 towards their energy bills and kicked the can down the road. The implied cuts to public services at next year's spending review are [enormous](#). Real terms cuts of 2-3%, which almost certainly won’t happen but this was clearly a budget for the bond market and the IMF.

Some of it was funny too because the chancellor took issue with those that say “Britain isn’t growing”. GDP he told us will grow at 1.2% this year, not 1.1%; 10% higher than forecast! Growth will then *fall* to 1% next year and after that will settle around 1.6%. Against an inflation backdrop of 3% - 4% I would think measuring growth at those levels disappears into rounding error territory.

By contrast the US published growth of 3.4% on Thursday. For context, the growth alone is over 20% of the UK economy. America is adding a UK economy every four years at that rate (slightly less than four years in fact).

In Australia the 3.4% represents 50% of our economy. Currently, America is adding an economic equivalent of Australia every 1.8 years. I’m not surprised though, so far this morning I’ve used Google, Microsoft, Claude, ChatGPT, WhatsApp, an iPhone and a Mac.

PHP

A huge week for hacking. The PHP vulnerability was pretty much a zero day for the entire internet. We’re all pretty much over it though aren’t we? Who cares?

The vulnerabilities were so significant though that a lot of the hacks will most likely not be revealed for months because for those successful enough to get into high value systems, I’d say they are keeping pretty quiet about it. Please do keep sending in your KYC to everyone who asks for it, it’s already all over the internet.

If you are interested, 70% roughly of websites on the internet have some sort of involvement with PHP. The vulnerabilities potentially allow remote code execution on vulnerable servers, and in some cases can lead to a complete compromise. It’s complicated to do and so you would need to be a sophisticated user to do it and, of course, it’s a criminal offence too. I guess if you’re having a tough time in northern Siberia you aren’t that worried about that.

The “this is what we warned you about” crowd were out and about too calling for an AI slowdown. Why? We discovered that humans write really bad vulnerable code that has had holes in it for 20 years and we didn’t even notice. Now the internet is better, materially, not worse.

If you are worried you can check the Australian CyberSecurity website for [details](#). Their services were temporarily unavailable last week though...during the largest cyber security incident ever. I understand why but I sort of have it in my head that these guys would get a heads-up on this sort of thing. Apparently not.

Gold



Marathon Fusion 
@MarathonFusion

In 2025, we published a bold proposal to use fusion reactors for gold production.

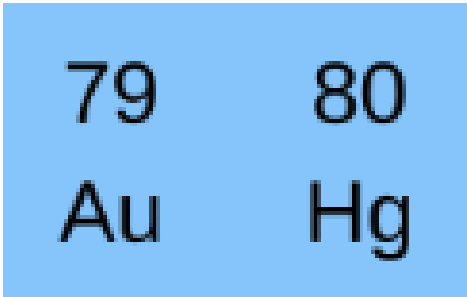
And now we've done it: Mercury transmuted into stable gold, using fusion neutrons, at 10x the record set by CERN in 2025.

We've reduced alchemy to a series of difficult but tractable engineering problems.

History is littered with alchemic failures. People have claimed for centuries that they will manufacture gold. First up, was John de Walden. Commissioned by King Edward III of England to manufacture gold for the royal treasury. He failed and the King had him thrown in prison and he then disappeared from the archives, presumably not to a happy retirement.

The same fate awaited Johann Böttger, who was hired by King Augustus II of Saxony. He also failed, was held under house arrest for over a decade during which time he did discover the formula for the manufacture of porcelain. The list goes on and on.

Now, it's Marathon Fusion's turn. Not only do they claim they can do it, they claim they have. The problem of alchemy is at least physically understood and so to the extent that the laws of physics allow it (which they do), then it is clearly not impossible. Not to diminish the effort here but it's as simple as Mercury and Gold being next to each other on the periodic table. Remove one proton and one electron and you've got gold. Easy.



It really isn't easy though and their full story is [here](#). I would disbelieve their efforts if it were not for the fact that the gold they are producing is just a side-effect of their fusion reactor, their ultimate goal. Seems quite a pleasing business model actually to be throwing off the yellow metal as your waste product.

Surprisingly, gold reacted to the news dropping 5% on the week. There is no software upgrade available to gold as science advances. If what Marathon says is true, it's going the way of [diamonds](#), which now grow on trees.

Euro-Trash

Back in February, I suggested Christine Lagarde would resign early to enable President Macron to weigh in on her successor before he leaves. I am here to report to you that she has.



Christine Lagarde 
@Lagarde

I will be leaving the [@ECB](#) in February 2027 because I want to have the freedom of speech, the freedom of expression, and the freedom to engage on matters that are not monetary policy matters.

Christine made clear her reason for leaving early was "freedom of speech". Certainly not to circumvent the democratic influence of European voters on her successor.

All the talk is she will take up a position as the head of the World Economic Forum. You literally could not make this up, it was either there or the International Olympic Committee.

Anyway we have a few months yet to summarise her achievements prior to her final farewell. I will make a further prediction, she will do something egregiously biased towards France before she leaves. Some mega French bond market intervention or something. Three months to go.