

The time has come

Powell Says 'Time Has Come' for Fed to Cut Interest Rates

- Fed chief more confident inflation on sustainable path to 2%
- Says Fed doesn't seek, welcome further cooling in labor market

Why might the time have come? Because prices are back under control? No! because the labour market is not.

The Federal Reserve is not the same as the ECB. Its mandate is twin, prices and employment. I think this critical difference is going to come to the fore over the next few years as people increasingly struggle to find employment.

We view the Federal Reserve as the inflation fighting machine. The continual tension between the amount of money in circulation and the general price level. I think there is a chance now that it will be turned on its head. Getting a reasonably paid job is going to be harder because entry level anything will be done by machines. Worse than that, very high level abstraction work is even more suited to a machine.

Hospital Porter: Robot pushes trolley and carries things. Porter supervises three robots. Now there is one porter, not three.

Neurosurgeon: Machine has seen every brain scan ever; machine scans brain and makes prediction and diagnosis. How does the neurosurgeon compete? Relative salary goes down.

Over the duration of the next Presidency in the US the subtle shift will come. Jobs, jobs, jobs.

We are on course for AGI by 2027. These AI systems will basically be able to automate basically all cognitive jobs (think: all jobs that could be done remotely).

To me the issue is not rising prices, it is collapsing wages. The returns to labour are half what they were 10 years ago. Labour just has no leverage in most cases. Smart guy? 99.999997 in your HSC and Unit 27 maths. Whatever. The machine knows more and is going to get better than you at a much faster rate, so you better learn to use it.

We absolutely know too how the Federal Reserve will fight this. They will print money. Might we have Universal Basic Income by 2030? Yes, in fact we would probably already have it if the government allowed technology to progress at the rate it could.

So Powell "Doesn't seek further cooling in Labour market". He knows.

Somehow though, here in Australia, the government is asleep at the wheel. I went through the Australian Treasurer's statements of the last few months. Remarkably, the words jobs and employment *never appear* because it's not an issue right now.

[Australia can be an island of decency and opportunity in a violent and divided world](#) 20 July 2024 *The Guardian* - total mentions of jobs and employment zero

[Powering a Future Made in Australia](#) 4 July 2024 *AFR* - total mentions of jobs and employment, zero

[Labor's reforms to attract and de-risk more investment](#) 1 May 2024 *AFR* - total mentions of jobs and employment, zero.

[Budgeting for a bigger focus on economic security](#) 1 May 2024 *The Australian* - total mentions of jobs and employment, zero.

Jim Chalmers, with his gentle spread of opinion across all the major dailies each month, strikes me as a man running for office. He might succeed too, but it won't help the people at Centrelink.

Goxing Times

Of the major overhangs on the market, there were two. Firstly, Mount Gox. The liquidator of the original Bitcoin exchange is now 65% of the way through distributions (at least by our calculations, 96K out of a total 142K bitcoin). That's about half a year's worth of mining supply in the last 8 weeks.

It's a lot and it's good because it has dangled over the market for a decade. Now it's dealt with. Not without some pain, hence we are at \$60k and not \$80k, but it is dealt with. The balance of the coins will not be released for a while. Most likely they will be drip fed over the next two years. I would say then, that the worst of the impact is over because the people who took the early deal wanted their coins to sell them. Now they have.

The second issue is the US election. It's now too close to call with both candidates both even money. We still don't know much about Harris' position regarding our sector. Quite honestly, we don't know much about any of her positions. The strategy of winning by not saying much might work, but America is the kind of place you have to be willing to lose in order to win.

Anyway, there were two overhangs. Now there is one.

Telegram

Telegram has 1 billion global users. They send messages to each other. Some of those messages are inappropriate, exactly as inappropriate as humans are capable of being. So, the man that wrote the software has been arrested.

Of the many [charges](#) against the founder, Pavel Durov, this one for "importing a means of cryptography without declaring it" is fascinating. I wrote about it [here](#) years ago (October 2020 to be precise. Unrelatedly, that whole piece opens with price. We were stuck around \$13k and had been for a long time, a mirror image of where we are today almost four years on. Worth remembering).

Governments lost the battle against encryption some time ago. Until 1992 it was on the statute book in the US an auxiliary military weapon that could not be exported. They fought long and hard to protect it through the 70's and 80's because they knew full well how powerful the weapon was.

It seems I was wrong. The fight against encryption continues. This fight will be a classic one because the European governments involved will invoke all the horrors in this fight. Those crimes which people loathe the most, crimes against children, war crimes and sexual violence. Without getting too technical, it is even more bizarre because telegram is not really an encrypted platform. You're better off on Zuckerberg's Whatsapp if you want encryption.

Anyway, Durov, as well as being a citizen of France, holds a passport in the United Arab Emirates. They have now intervened and have allegedly suspended their purchase of French military equipment until the situation is resolved.



وزارة الخارجية MINISTRY OF FOREIGN AFFAIRS

ABU DHABI, 27th August, 2024 (WAM) -- The UAE is closely following the case of its citizen Pavel Durov, founder of Telegram, who was arrested by the French authorities in Paris-Le Bourget Airport, emphasising that the UAE has submitted a request to the Government of the French Republic to provide him with all the necessary consular services in an urgent manner.

In a statement, the Ministry of Foreign Affairs (MoFA) stressed that prioritising the welfare of UAE citizens, safeguarding their interests, and providing them with all aspects of support is a key priority for the UAE.

The mind boggles then. A Russian born, Italian raised, Frenchman, with a UAE Passport is arrested in France for amongst other things, exporting cryptography. The only government in the world that says “hold on a minute” is the United Arab Emirates. Has the world been turned on its head?

In the meantime, Durov has been released on license and cannot leave France. Otherwise known as ‘being French’.

In defense of the United Kingdom

It is 2.30pm on Sunday afternoon. Spring has sprung in Australia and I have decided to disembark for a cleansing ale at an Eastern Suburbs bowling club.

“Refreshing beverage please, bar lady”

“Have you signed in?”

“No”



“Please sign in over there”

So I scan my driving licence (which of course is embedded in my phone) into some random machine. The machine has not had a software update since Windows 95 and most likely shares my details with someone in Moscow. I smile at the camera and wave to Vladimir.



Crown Prosecution Service 
@CPSUK

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Think before you post!   Content that incites violence or hatred isn't just harmful - it can be illegal.

The CPS takes online violence seriously and will prosecute when the legal test is met. Remind those close to you to share responsibly or face the consequences.

Traversing the globe then, this post by the United Kingdom's government was at best unfortunate. Reminding citizens of their obligations to each other online. The rest of the world leapt on the opportunity to remind us all about their superior morals. Including Americans with their “First Amendment” rights. It's so much better here!

Is it?

Did you know that you can drive your car in the United Kingdom and not carry your driving licence? The reason? You are not obligated in the UK to immediately prove who you are and what you are doing. It is maximally inconvenient for everyone, but that is because you are free to do pretty much as you please. If you are stopped

by the police, you then have seven days to produce your driving licence, at a place of your choosing and a time of your convenience.

If you are not driving, and the police stop you for some reason. Again, you do not have to provide a physical ID. Verbal confirmation is sufficient. Incidentally, if you want to have a cool drink in the Spring, you don't need to produce ID either.



In 2006, under the Blair regime, the UK introduced optional identity cards. The government imagined that there would be a flurry of willing applications for this 'convenient way of proving who you are'. 15,000 cards were issued to a population of 65,000,000. (0.02% of the population opted in).

It was the ultimate vote on identity. With an overwhelming majority rejecting them out of hand. The scheme was scrapped in 2010 and the National ID Register was destroyed.

So is the UK bad? I don't think so. Its government might be increasingly tyrannical, but crucially the people that live there are not. That will ultimately be what matters. More than that, the UK governing structures are such that the government can pretty much do as they please but only up to a point. The police and the army operate under authority from the King, not the government.

So if things go awry, the government can find itself rather quickly isolated. Such things are of course unlikely but the system is subtly structured such that the vague threat of total isolation lingers. Sure enough, that alone ensures nothing happens. It's clever.

There are worse places. The UK government is failing the tests put before it, I doubt very much the people that live there will.

Euro-Trash



And just like that. She was back.

Three weeks off for Christine, well deserved too. Her first act of the Autumn season was to lament the departure of Mr Frank Smets. A man none of us has ever heard of. Frank, it turns out, was an economic adviser to the ECB Board.

In a rather unusual turn of events for a senior public official, Frank still has his own [website](#) (which will no doubt be hastily deleted soon). Amusingly, it includes this rather prescient snippet from 2021.

Interesting survey results from colleagues at the Bank of Finland on "[What academics think of central's inflation targets and other objectives](#)". Most academics surveyed prefer to keep the current inflation target of 2 percent, but would like to put equal weight on unemployment. 60 percent think, however, that the ECB will not reach its aim over the next three years.

European economists coalescing around the fact that the ECB would not successfully execute on the only objective they have. Guess what? They were 100% right and now Europeans are poorer and Frank has a big promotion.

Christine, despite the abject and total failure of the ECB, lauds the guy for his unending contribution "for the benefit of all Europeans". The alternative view was "the bloke was hopeless so we sent him back to the Bank for International Settlements". Perhaps unnecessary and benefits nobody, so I guess that's why she left it unsaid.