



MACRO Voices

with hosts Erik Townsend and Patrick Ceresna

Izabella Kaminska: On Why Markets Aren't Getting The Signal

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Erik: Joining me now is Izabella Kaminska, who is the editor and publisher of [The Blind Spot](#). Most of you know her back from her FT Alphaville days when Izzy used to do, boy, just some of the best writing. Izzy, I think, in the industry, at least in terms of journalists, a lot of what you wrote, I thought, was much more on par with what I would expect in the quarterly letter from, let's say, a world class hedge fund manager, because you were really deep into the trades at a level that most financial journalists don't really ever go to. Then something happened. I'm not sure what, you defected to the dark side of the force and became a political journalist. You're running The Blind Spot. Now you're also the senior financial editor for Politico. Tell us a little bit about how you got there, but particularly, I really think it's timely, this is part of why I wanted to get you on the show this week. I think you've made this journey for whatever reasons of your own, into political reporting, but I think that finance is being carried much more into politics. If you want to understand macro investing, you better understand politics pretty darn well, at least that's my thought in this environment. Is that what led you to this? Or what's going on? And what do investors need to know about the increasing politicization of finance?

Izabella: It's a great question, because the truth is that most of my life, I've tried to dodge politics. I've always found it incredibly insufferable. Hence, I ended up doing finance, because markets don't lie and I love that you get that sort of immediate feedback, and there isn't any, you know, it's honest. So, I kind of avoided politics. It wasn't something I was very interested in, but increasingly I was being pulled in that direction, because obviously, everything, money and power, all goes together. I left the FT mainly because I felt there was a big transition coming in terms of how mainstream media operates, and I wanted to be part of the sort of independent media, I was always a contrarian at the FT, and I just found towards the end of my time that it was getting harder to be a contrarian, whereas before, that market attitude of like, we must explore all sides of any story, that was being constrained a little bit at the FT, I felt that certainly there wasn't as much tolerance for contrarianism as there used to be. So, I left to start, effectively, a contrarian independent newsletter called The Blind Spot. And whilst I was doing that, I was very happy doing that, I got a call from Politico, from another former FT editor over there, asking me to join Politico because he felt that finance was being politicized now, and he wanted me to come and help Politico tell that story to the finance community, because politics is notoriously, sort of, bubbly. Everything happens on a very bubble level. Then we had the Liz Truss fiasco, and politics merged with finance and in ways that hadn't since the 1980s, really, or 2008, and I agreed. When he pointed it out, I really agreed with that assessment. I was like,

wow, that's so true. The era of financialization is now giving way to politicization, and I wanted to be part of that story, so I was persuaded. And luckily, Politico were very nice and allowed me to maintain my little Blind Spot operation. So, I still do that. The day job is Politico, with the newsletter on the side. So that is where I am now. And I think the more I've got to understand how politics works, especially in Europe and in Brussels, I've become utterly persuaded that the financial community is missing a trick, in terms of not knowing or understanding how politics and what's going on at the policy level, and now is the time that you can't afford to miss out on policy developments, because the age of dirigisme is back in Europe, at least, and if you're not paying attention, you won't make money. I certainly also echo the sort of thoughts of Russell Napier, another very well-known investment advisor, that this is going to be coupled with an age of financial repression in the West. So that's the overview I would say.

Erik: Well, let's talk about what the big theme is. Because, frankly, I've been going back and forth. There's part of me that says, okay, it seems like we're seeing this great reform cycle across the entire world. It seems to be a breakout of populism that starts with Trump in the United States. Looks like Nigel Farage is gaining a lot of strength with his independence. I forget what the party is called now, what used to be Independence Party in the UK, you've got the AfD in Germany suddenly gaining ground. It seems like the establishment that you know, the Thierry Breton crowd of Eurocrats, seem to be under existential threat, and it feels almost like we're about to have this populist led revolution across the West. And then I kind of think to myself, well, wait a minute, maybe that's just wishful thinking on some people's parts. And what we're really about to see is what Chuck Schumer predicted and told Rachel Maddow about, which is, as soon as Trump gets into office and tries to do any of the things that he's trying to do or says, as soon as anyone tries to take on the establishment in the EU, they're just going to get hit in the face with a baseball bat and reset, and taught that you can't do things that way. What's happening here? Is there a great reform cycle, and where is it headed?

Izabella: This is the question. Now, personally, I think we are in a reform cycle. And ironically, Nigel Farage's Party is called Reform, and I think quite consciously, because I think they were inspired by the Canadian political situation for their name, amongst others, the Great Reform cycle. So my assessment, and it has been this for a while, is that the West is sort of sinking in stagnation, and has been for a while, and we haven't necessarily recognized this because of all the sort of interventions that we've seen since 2008. 2008 was the big breaking point, and we didn't really repair the underlying economic foundations the way we should have done back then. We doubled down, we threw money at the problem, and now, chickens are coming home to roost, and in the interim, we've seen inequality obviously expand, and the populist movement started. But before that, in 2016 and I think bear a function of the variables that we had to adopt to basically paper over the cracks that we weren't able to paper over with QE, which is obviously amongst others, there was the big dependence on migration to allow for this sort of 'ponzinomics' system that we created to keep going, which depends on ever more greater numbers of serfs, I mean, to put it bluntly. So I think that's where we were, and now we've maximized how much productivity we can squeeze out of that, and then, coupled with COVID and the Russian war, we can no longer disguise that the system across the board in the West is stagnating. And that counts also for America, which I appreciate, has outperformed on the

growth side relative to Europe. I think we can discuss this later as to why there is that exception for now. But I don't think it's a long-term exception. I think it's an interim exception. I'm not necessarily convinced Bidenomics was as successful as people have been saying. So, the situation now is very similar to the situation in the 1980s in the Soviet Union, where we can no longer deny that the system is broken, stagnating, and it needs radical reform. And the sort of reform it needs is less government intervention, more free market forces, and a distancing from the sort of quota based planning mentality that leads to often very perverse and unexpected scenarios that you wouldn't necessarily imagine. I believe, in the Soviet Union, there are all these anecdotes about how producers were making ridiculously long couches because the quota system was encouraging it, and they nobody really needed them, stuff like that.

And the other element, I think that is equivalent to what was happening back there, is the sort of creeping corruption across the system that is harder to address or cope with by institutions, because it means actually admitting that your systems are corrupt, and nobody wants to admit that. So, that in itself then creates an environment for factional disputes. And so, I think you've seen it across the war politically, where in the UK, a lot of our main parties have fragmented, so there isn't necessarily the same united forces within the Conservatives or within Labour, you have, just like in the Soviet Union, you had the hardliners and you had the progressives or the moderates. And I think it's quite similar in America, where you have, on both sides, the moderates and the hardliners, so the big fight isn't necessarily between the two parties, but between the moderates and the extremes. And I think that's a pattern that's repeating across most of Europe. So, that's how I frame things.

And the other big aspect of that is, just like in the Soviet Union, eventually, the sort of the institutional inclination to cover up the corruption and a lot of the stuff that maybe you don't want the public to know about what you've been doing to maintain an edge. Perhaps some of it is not honorable as you would like it to be, that encourages institutional level of lies. And therefore, Gorbachev himself realized that if you are going to have reforms, you're going to have Perestroika, you have to do it at the same time as encouraging transparency, because without transparency, you inevitably allow all those crazy behaviors that have come about, because of maintaining those lies to continue on. So, you have to coincide. It has to coincide with a period of glasnost and openness. And I think that's where we are now, but we are aided in that glasnost process by AI and also by the Internet, which has allowed for other perspectives to resonate out there, and in a way, break down the barriers with the institutions that still want to hold information back. But of course, just like in the Soviet Union times, that becomes a very charged and sort of politically sensitive situation. So, you're either amongst those who believe the core system is fine, and if it needs reform, it just needs a little tweaking, or you're amongst a sort of revolutionary element that just wants to bring it down. And I think that is the difference in terms of how the reform is going down in Europe relative to America. So, I think in America, with Trump's win, we've certainly seen the rise of the revolutionary element. I don't know what you think, Erik, but it seems to me that Trump is pretty prepared to tear the old guard down this time around. And as you said, some people think he won't be able to do it, but I think this time is different, because, my suspicion is that he's not even the one in charge anymore. The difference between Trump 2.0 and Trump 1.0 is that he has this sort of technocratic oligarchy

supporting him this time, and a lot of the push for privatization and limited government is coming from them, not just from Trump. And I think that's very different to, say, Europe, where there is a spirit of reform and deregulation, it's focused more on encouraging more centralization and more capacity for the government to intervene where it needs to, especially in terms of maintaining competitiveness in the market. So, there are two types of reform going on, and the UK is its own story.

Erik: Okay, you mentioned some skepticism of Bidenomics. I'm going to come back to that with a question about that in a minute. But first, I want to go a little bit deeper on what's going on here, because in addition to what you've said, a couple of things that have happened in the last week or so, Peter Thiel published an Op-Ed in the Financial Times that's been getting a huge amount of attention, seems to say some of these same things about an apocalypse. He's actually calling it the Old Guard losing ground. Your friend Michael Schellenberger was recently complimented by Tucker Carlson, who called Schellenberger, I think he said, the most competent reporter now working. And of course, Schellenberger is a relatively less known independent journalist like yourself, and you know he's done a lot of work in the last week to really debunk some of the claims being made about the LA wildfires. And Schellenberger is very directly accusing Gavin Newsom, both the Governor and the Mayor of really direct accountability that they should be taking in terms of their failure to be prepared for this event, which he says was entirely preventable. So, it seems like we're seeing a change in the direction of media, but that change in the direction of media is very much from what used to be, you know, the bottom rungs, the independent journalists nobody has heard of, seem to be trumping the major networks. And at the same time, you've got a guy like Peter Thiel, who's not very popular with the mainstream, being featured in the Financial Times, and that goes viral on the internet, seems to me like something is afoot here. So, when you said that you think that the finance community is missing a trick, what's the trick that they're missing? Exactly what do they need to pay closer attention to? And what do all these trends mean?

Izabella: So, I think there is this paradigm shift and the fact that the Thiel Op-Ed was featured in the FT in the first place is symptomatic of that paradigm shift, although, I would say it was featured, but if you look at the comments, there's 1000s of comments. I mean, I've never seen an article that's been more commented in many respects, I think currently, 1,2000 comments on it. A lot of it goes over the head of FT readers who, I think the reaction from some of my former colleagues was that he's mad, what is he talking about? Because he's advocating for transparency, for some of the kind of very old school scandals, everything from JFK to Epstein and I think COVID, and his idea is that we need to acknowledge that these things happened and what happened, and go through a sort of cathartic episode where we deal with it on a public level and then can move on. I mean, I would equate that to what the Russians had to go through in terms of acknowledging the sins of Stalin, like these were repressed for many years, decades, and it was only when Gorbachev recognized that those atrocities had to be acknowledged for the system to move on. Because you cannot encourage growth and productivity when you are continuously having to tell yourself lies about your past, because the system just doesn't square up. If there are massive lies like that that have to be dealt with, it hinders productivity. And the same thing, in some respects, Germans had to go through that

with the public reckoning, they had to deal with the Nazi phenomenon, right? So, I also think, and this is important, in terms of what the UK is going through, that whole episode, it's very painful for us, for a society to go through these days, because of the nature of the internet, because of how fragmented it is, it can take a very long time to acknowledge any sort of public scandal. So, at the moment, in the UK, we're going through a reckoning with the grooming gang scandals, and Elon Musk has been drawing a lot of attention to it recently, and it's very divisive, but at the same, it's a very historic scandal. It's been going on for decades, but we as a nation never really acknowledged it, and that's not because the information wasn't in the public domain. And this is the markets relevant thing, a lot of this information was in the public domain. It's just never got headlined in a uniform way. It was coming out in bits and pieces, here and there. And when the media wants to make a scandal out of something, you know, because you turn on the TV, and the same story is absolutely everywhere. But with a lot of these stories, that the distribution of the story is scattered, and that's largely because there are complications in terms of, I think, with the grooming scandal, some of that is actually connected to the difficulties in the UK of reporting on court related stories generally, and our approach to legal reporting is very different to the US. So, you can be held in contempt for court if you start reporting on, even the outcome of a specific trial, if related parties are still being tried. So that deters that sort of opportunity for a massive, singular reaction, and as a result, the average man on the street or your mom doesn't know the story. And that feels like a shortcoming in some ways, and it needs to be overcome now that foreigners have noticed what's been going on, now suddenly it's on everybody's radar and become an embarrassment. And I think we're having the reckoning with that story we never had.

Now, the other story that we had a similar reckoning with, just last year, was the postmaster scandal, where a bunch of post office managers, a lot of them went to prison for supposed fraud, and turned out it was not their fault, it was the IT systems that the post office forced them to use that input all sorts of errors, and many of these people were accused of being fraudsters. They were totally honest. And whilst that case has been going on for years and years, and many of the outcomes were in the public domain, it wasn't until our broadcaster, ITV, did a drama series, a completely fictionalized account of the story. Not fiction based on truth, but fictional that it became a top tier, front page story and a national scandal. So, this is what I'm trying to explain, is that these days, because of the fragmentation of the news on the Internet, you need more than just public domain distribution of information, you need a sort of collective episode where people all take notice at the same time and acknowledge this story is important. And so, we had it with postmasters. We're having it now with the grooming scandal. But I still think something like COVID, now COVID stuff is just coming out, it's trickling out. It's all in the public domain, all these amazing acknowledgements of what was happening with gain of function and Wuhan, and how culpable certain scientists were, and all this stuff is now public domain, and yet there hasn't been any reaction in terms of outrage, because we haven't given it top billing. And I think part of that is because we still have trauma associated with COVID, and it's going to be a while before we are prepared to acknowledge that truth. But, also because, until there is some sort of third party or some external force forcing it to the top of agenda, it just feels like post traumatic therapy, like you're in denial because you don't want to acknowledge the potential mistake you did, right? So, I think that's where we are with COVID, and that is what

Peter Thiel is kind of calling for in this Op-Ed is saying that inevitably, this is all going to come out, and we're going to have to have a reckoning, and that reckoning is important. But for markets, sorry, it's a very long winded way to get to the markets, the point is that markets are based on this idea of information efficiency, and if it's in the public domain, it should be priced in. And yet it isn't, because it isn't enough for the information just to be out there, it has to elevate to a certain level of political importance before change can be associated with a particular piece of information that is scandalous, right? And that's where I think markets are missing a trick, because it's not just about processing the information. It's trying to understand when you will get that tidal wave reaction that leads to policy intervention and government reaction, and that is less knowable because it really depends on the public mood and when it's ready to resonate with the people who were in denial about it.

Erik: Okay, I'm going to summarize to make sure I understood this and got it straight. You're saying that overall, the trend seems to be the dirt is coming out on a lot of things, whether it be Fauci's involvement in funding gain of function, or going back way back to the Kennedy assassinations, or to any of the other things around the LA fires, much more recently, that are coming out and exposing government incompetence. It seems like the trend is, yeah, the information is coming out, but the mainstream press are not really popularizing it. They're not emphasizing it. And what you're saying the trick that financial markets are missing is, it's not efficient markets hypothesis that as soon as information is known, it gets discounted by markets. It's almost when it becomes accepted and when the mainstream press starts covering it, not just the independent Michael Shellenberger types that are covering it, that's when it starts to get discounted by markets. Is that what you're saying?

Izabella: Yeah, so I'm kind of saying, obviously, you can be ahead of the curve by watching, processing the information that is in the public domain, because you will have an advanced clue as to what's coming your way. But it's the timing that you can't predict, because you would think, if x is known, it'll lead to y, and that will lead to z. But at the moment, x can be known for a very long time, but it isn't until it is accepted, it's sort of absorbed by the body politic, that it can lead to the natural reactions you would assume it would have in the market, whether that's moratoriums in terms of gain of function, whether it's legislation that encourages whistle blowing, whatever it is, or investment in X, Y or Z, or whatever practical market related reactions you would expect. That is where the bottleneck is. So, the mainstream is prevented from jumping on these stories the way they would usually do, that's the question, why are they not doing it? Why does it take third parties, or the sort of samizdat network of the internet, before they can put it at the top of their agenda, that is the big question. That is, what markets have to answer, I think, because if you get that timing right, then you can make money from it, to be brutal.

But I think there's another element in terms of the info apocalypse, as I call it, which is the AI is playing another role in all this, because AI provides the tools with which contradictions can be highlighted. So, AIs are ultimately logic machines, and I think because they're scaling, because their capacity to absorb so much information, eventually we will be able to find and locate, from a journalistic perspective, it's potentially massive. If you can trust these AIs to be truthful, then I

think you will have the capacity to highlight buried stories that no human journalist could unearth by themselves without those tools, because they have this capacity to cross reference huge amounts of facts, and in theory, show up any contradictions. And where there are contradictions, there's obviously something going on, right? Because it's always the lies you tell on top of the lies that show you up. And whether that's exposing frauds, whether that's exposing a secret slush funds, god knows what, it will eventually come out as a result of us engaging and utilizing those tools. And I think it's already doing so. I think a lot of the new, a lot of this information, like with the fires, or whatever it is, I haven't been paying attention to the fires, so I wouldn't want to comment on that specifically, but I think the reason we're able to isolate counter narratives more quickly is precisely because people, especially on the internet and the citizen journalists, especially, because they are tapping these tools in innovative ways. And the mainstream, ironically, I don't think are as engaged with these tools as the citizen journalists. That's my impression.

Erik: Certainly, is the case that the citizen journalists are exposing a lot of what's going on. You mentioned all the recent coverage about gain of function. Now, in May of 2020, that's five years ago almost, Dr. Chris Martenson, very clearly, made a video saying, look, position, I think it's 568 in the sequence of the COVID thing, there's an insert, P, R, R, A. There's no possible way that could get there unless it happened in a laboratory. Attention journalists, here's the exact list of questions to ask in order to box any expert into a corner where they won't be able to deny that this came from a lab. Martenson laid out those instructions for what questions journalists need to ask five years ago. And five years later, I think Rand Paul is still considered a nut case by most people for questioning whether perhaps the gain of function research that Fauci clearly funded had something to do with creating this virus. So, it seems like there is a movement among the popular mainstream media to protect government from culpability at all costs. And it seems to me that it's working, and maybe it's starting to fall down. But for the most part, people think, you know, Martenson is a nut case. They think that this is crazy talk, despite the fact that the facts are all coming out saying it's true.

Izabella: This is what I find infuriating, frankly, is that, you see all these stories slowly confirming all these educated theories back in 2020, and yet there's no popular reaction. There's no outrage, because it just comes out, and it's like, oh yeah, well, and the people who were denying it at the time pretend they never denied it, and it's kind of infuriating. Or like they were on the story all along, and they weren't. They weren't. I find it absolutely infuriating, so I totally get it. There was a fascinating story in December in the Wall Street Journal, actually, about, you might recall when Biden called for intelligence assessment of whether COVID was lab leak generated or zoonotic. And only one agency, I think, had a sort of moderate assessment saying it could be a lab leak. And now this Wall Street Journal story unearths that actually, there were other agencies that also thought it was possible, but they were encouraged not to come out with that opinion, and there were all sorts of underhanded suppression going on. And you think, wow, this would, in any other circumstances, this would be a national crisis and a scandal. And yet it hasn't. It hasn't resonated at all. And again, I think part of that is because there's just so much information out there, so unless you're looking for it, you're not going to see it. So, part of it is that, and the other part is just this reluctance to look, if you were

part of the, maybe not a very diplomatic way to say it, but if you were part of the problem, you're not going to want to look for stories that confirm you were wrong. You're going to block them out because it's traumatic. You've got cognitive dissonance otherwise, right? So, this is what is happening. And since the mainstream media, I think, were much more on that side of the equation than the other side, they were much more close-minded institutionally, they have a block in terms of elevating those stories to the top of the agenda. That's how I view it.

Erik: You've written a lot recently about the future of journalism and where it's headed. Let's talk about that and try to keep it tied into the financial markets context. Where is this headed? Because, as you say, the mainstream media are not really exposing the truth. It's coming from independent media, and as far as I can see, at least, especially in Europe, they're getting a lot of public support. I look at something like Thierry Breton being in the news in the last few days saying very publicly, look, if the AfD, this radical party, at least they're being portrayed as a radical party in Germany, were to be democratically elected by the Germans, don't worry, we have mechanisms to overrule that election. We did it in Romania. We could do it for Germany. We won't let the AfD in. To say something like that publicly and not be held to account for it and almost to be cheered for doing that. It seems like the institutionalization of media around supporting the sitting government, no matter what, is holding particularly strong in the EU where they still have bans on Rumble. And in Russian state media and so forth, where censorship, as far as I can tell, is not really being questioned by the public, and even in the US, it's only barely being questioned. So, do you really think that this is changing? And I guess I want to bring it back to, you said the finance community is missing a trick. What is it that asset managers need to know about what seems like inherently a political conversation here? What do they need to know in order to manage money?

Izabella: So, I think they just have to acknowledge that information is warped at the moment and everything is politicized. So, if you are a purist, a market purist, you have to be as dispassionate as possible when you assess the news. That is what you have to do, because there isn't neutral coverage, it's very hard to get neutral coverage, and if you distance your own personal political opinions or inclinations, then you are going to be a much better trader, because you can't risk falling for the accepted narrative. The accepted narrative has now been proven wrong so many times, it's lost credibility. And in the UK, a great example again, I was tweeting about this the other day, it's with Liz Truss. Now, I say this not as a fan of the Tories. I am politically agnostic, and I want to emphasize that I think all the political parties have issues. But the Liz Truss debacle is a great example of this in play, because at the time, it was just not the done thing to defend Truss. The accepted opinion was that she broke the economy because she passed unfunded tax cuts, and that's that, and anyone arguing to defend her was immediately bucketed as either like some nutter Tory or extremist, because she's deemed like, now post facto, she's deemed even more extremist. You were sort of put into this camp of defending the undefendable. I defended her, not because I have any particular like of her, but because I could see that the UK was merely a canary in the coal mine in terms of what was happening on a fiscal basis for the rest of Europe. And frankly, I didn't think her idea was any worse than anybody else's idea. And I don't think anyone else could come up with any alternative options that would really generate growth in any better way. Now, we see Rachel

Reeves finally, like finally, it's becoming clear that this was the case, it wasn't because Liz Truss was wrong, it's because the underlying economic situation calls for a massive reform, a reform of levels that we haven't seen for decades. And what Rachel Reeves has tried to do is essentially just lean into the old assumptions about austerity, but at the same time get away with more spending and upping taxes. Doing the same old we've been doing for years and years, but she tried to package it as if it was something new. She completely broke promises to the electorate. And it's not only backfiring, it's quite clear, because now you see gilt yields at the same levels, if not higher, than with Truss. That this wasn't a question of politics, the market story was pure, like it was a question of, we have got to a point where we need to completely reform the system. And maybe that that sort of Hollywood maneuver, we don't know if it will work, but it's our only last hope. The Truss option, which was unfunded tax cuts, maybe that would have been better than the alternative. It was crazy, deemed crazy by many people, but in the relative with hindsight, we know it's no more crazy than anything else we've seen. And so, she was blamed, also politically, for what was, ultimately, I would say a Bank of England issue, because it was the Bank of England that failed to regulate the situation with the LDIs and the insurance and pension funds that essentially, they were the ones that were overexposed to gilt collateral and had to do cash calls. They couldn't fund very easily because they couldn't liquidate. So I don't think it was necessarily her fault, and only now this is becoming apparently true. Now, if you'd been a market purist at the time and not been influenced by the politics, you would have been able to navigate that story, and you would have been able, also, ironically, to benefit from what was post facto, a very good period for Sterling. Because if you'd read the FT, you would have sold all equity, all Sterling assets, because they were positioning the UK as a total basket case. Actually, once the Bank of England intervened, and once Rishi Sunak came back in, it wasn't so much because he instituted different policies. It's because the story that the UK was somehow a uniquely terrible basket case was wrong. UK was no worse than most of Europe, and this is now becoming apparent, and so now when Rachel Reeves is blowing up the gilt market, you see the narrative coming out, but it's not really about the UK, it's about Europe. So suddenly, the same story that I think applied back then with Liz Truss is being used and wheeled out to justify the terrible performance of Reeves. I don't think that's very fair, because I don't think it was very different back then.

Erik: Izzy, I love your takes on Europe in general. You've mentioned Rachel Reeves in the UK. Let's expand this and also cover the incoming budget crisis in France, and, of course, the energy crisis and now the popularism of the AfD movement in Germany. France and Germany, what should we be thinking as investors about those countries and where they're headed?

Izabella: So, I think you have to look at it in the broader context of what's happening in Europe generally. So Europe, I think, it's having an economic reckoning. Mario Draghi, previously the head of the ECB, but also former Italy statesman, he spent a year working on this report that he was commissioned to do by Commission President Ursula van der Leyen, and looking at how to increase Europe's competitiveness, because it's become abundantly clear that Europe is just stagnating. It has no growth, and it has no chance of being autonomous, which is a big thing for Europe. It doesn't want to be under the thumb of anybody. It wants to be autonomous. And he spent a year on this report, and he came out with, effectively, recommendations to centralize

European functionality, especially market functionality. So, things like the capital markets union, and all sorts of measures to enhance cross border trading and anything to create national champions on a European level, rather than on a state level. So, this is a big idea, and also investing in tech, where we can, like Europe, can still compete where China doesn't have the edge. Amongst his other observations, was in areas where China already out competes us, and perhaps we shouldn't bother trying to beat them anymore. We just give those markets to China, because there might not be any point in wasting resources, chasing those potentially huge markets for Europe. So, one of the big ones is EVs and cars. Now, think of what that does to Germany. If you're saying officially at the central, kind of Brussels levels, we're not going to do anything to support the car industry, because, frankly, that boat has sailed, and we're just going to give that market to China. That is absolutely just throwing Germany under the bus. And then there's also the issue of energy, and how does Germany function without access to cheap energy? Because it is the manufacturing hub of the EU. So, under this new framework, Draghi foresees a sort of total restructuring of the EU, which hasn't been done really since the 70s, because with the UK leaving, there was all sorts of industry specialization that had to be reconsidered, because back in the day, there was sort of loose compartmentalization, where, Germany was the manufacturing hub, France had like agriculture and consumer goods. Italy was fine products and luxury goods. The UK had financial services, Spain had tourism. So, there was this sort of general division of labor within the EU. But once the UK left, they had to rethink all this, plus, you've got potentially Ukraine coming in, challenging France and its agricultural standing. So that is what the Draghi report came out with. And of course, it is advocating for more centralization and becoming more like China, rather than what we're seeing in America, which is about liberating the markets and liberating the entrepreneur.

So, I think there's a more and more streamlined approach in Europe, albeit at the same time, they're recognizing that red tape and regulation has completely stifled the economy. And they want to, they both want to release some of those forces, deregulation forces, but at the same time, Turkey's don't vote For Christmas. And the EU is, essentially, its *raison d'être* is making regulations. So it is stuck in a between a rock and a hard place, where, at the moment, they're coming up with all these fascinating euphemisms for deregulation, which is simplification or competitiveness, rather than saying what it is. But in part, where does this lead? Where does this ultimately lead us? It leads us into a situation that Russell Napier has often articulated very well, which is, where, the very thing that makes Europe distinct and valuable, which is its cultural diversity, has to be slowly eliminated. Because that efficiency cannot come when you have preference for, you know, German sausages in Germany and a preference for French sausages in France. To get those national champions, you have to effectively harmonize entire markets and standardize them in ways that effectively force everybody to be on the same page. And in Europe, that undermines the very thing it means to be European. And there is no allowance in that market or in that framework for, what I call, inefficiency as a service, which is actually what Europe is very good at. If you look at the companies that are number one in Europe, they're companies like LVMH, which specialize in luxury goods. So those are companies that are essentially selling inefficiency as a service. And also, just think of the cultural wealth within Europe, and this idea of what it means to preserve it. At the moment, the way we're going, undermines all the sort of traditional processes that are attractive to tourism,

that are attractive to people who want to come and invest in Europe. There's no way you're going to maintain like Italian nonnas making meatballs very inefficiently in Italy and the related sort of tourist culture that is associated with that slow moving Mediterranean attitude, if you want to make it hyper efficient. It contradicts itself, and it annihilates what it means to be European. And I don't think Draghi has really been able to reconcile those two facts. And unfortunately, and this is a long winded way to get to your point about the AfD and all these populist parties that are emerging, there's a lot of people who don't want to let go of those old ways, and for whom culture means more than efficiency. And they're basically saying, I don't care if I'm going to be a bit poorer, I want to preserve our cultural norms and this is what the AfD, I think, is all about. I think that same thing is happening in France with Le Pen, and same thing is happening in Italy with Meloni, and in the UK with Reform. You know, the population at heart wants to preserve cultural distinction, and under the framework of the Draghi plan, that's going to be very hard to do.

Erik: Final question, you mentioned some concern or some skepticism about Bidenomics earlier. What's on your mind?

Izabella: Well, it's more of a question I have. Bidenomics was really the catalyst, I think, for a lot of this obsession with competitiveness in Europe. So, they were very slow to recognize, for example, that they had to compete with China on this basis, because everyone, for years, just took it for granted that China could undercut everybody's industry. And it was all fine. It was all okay because we got cheap goods as a result of that, right? But it was when Biden came along and started doing very China style things that suddenly, Europe awakened and said, wow, we either do the same thing or we're going to completely lose ground, and our markets are going to be sabotaged entirely. And so, the European response has been more subsidization, more centralization, trying to emulate, but they don't have the firepower of America, so it's been a bit of a damp squib in comparison, and it's also been delayed. But Bidenomics, obviously, it did deliver. I mean, there's no denying that it has helped to boost American growth. So then the question is, maybe it's the right pathway. Maybe there is something to emulating this Chinese model. Maybe the Chinese are getting it right. Maybe if we all do it, we can magic growth from anywhere, and perhaps more state intervention and industrial policy is the way forward. I'm kind of suspicious about this being true. I'm not convinced it is the case. I think that if America has grown on the back of those policies, it's mainly because it's been able to do it in a way where it grabs territory and ground from China, but doesn't necessarily create an overall positive sum situation for the world. It's more of a mercantilistic approach, where, okay, you've been doing this to us for years, so we're going to do it to you. And so, the gains are perhaps a little bit temporary. That's my hunch, but I could be wrong. There are many people, many economists, who seem to think, actually, this proves that the model works, and maybe everyone should be doing it. And this is essentially why Europeans are going that way. In the UK, also, Rachel Reeves, when she came into power, she declared this idea of securonomics, and that was also about grabbing market share back from China, and by doing very much what China did. The irony is, literally, this weekend, she's gone to China, cap in hand, asking for Chinese investment and has sort of completely U-turned on this idea of creating independence for the UK and

weaning itself off China. So, there is a contradiction there. Perhaps it hasn't been as easy to do as possible, as she thought.

So, the question, really, for America, I think is similar, is that, will this eventually lead to autonomy, doing this emulation of China, or is it a race to the bottom? Now, if you look at what's going on in China, this is the thing, they are not doing that well, there is a massive deflation facing China right now, and it looks very much like the economy there is also stagnating. They're going to have to do massive amounts of public spending or stimulus to try and create the consumption they need to get out the deflation. The problem for China, and I'm not a China expert, but my reading of it is, there is a natural conflict in doing that sort of stimulus, because the only way China can get out of its problem is by liberating the middle classes and allowing for wealth creation on a multi-generational basis. And that is something that undermines the control and power of the CCP, which is why China doesn't have really an interest, I don't think, in stimulating consumption domestically. It cannot do it without unlocking all sorts of political instability for itself. So that is the big challenge. And also, if you liberate China, and you open China up, because essentially, if you go down that consumption pathway, you get to this weird situation where China has to, like, market forces are forcing it to open up and float the yuan and become more and more open to investment. Just at the same time as America, if it follows the course of Bidenomics, which you now know it won't, but had it followed the course of Bidenomics, would be closing up as well as Europe. So, it would have been a really interesting role reversal. So again, is it just the case that Bidenomics was an anomaly? Is it the case that it was the right pathway, that we could win out versus China by becoming the closed system when they become the open system? Or is it a mirage? I kind of think it's a mirage, and that's why the Trump appointment is so concerning to almost everybody. It's because Trump is coming in and sort of saying, well, we're going to put in tariffs, and we'll maintain that protectionist sort of element that Biden had introduced. But we are also going to open up, we're going to limit government, we're going to privatize a lot of stuff that was previously happening on a state supported level. We're going to unleash the entrepreneur, we're going to take on Bitcoin. We're going to do all these things that are very anti-Bidenomics. So it's almost like they're opening up internally and encouraging competition on the internal basis, with the moat up through tariffs, but they're prepared to take the moat down on the basis that you conform to those same laissez faire rules that they are wanting to reintroduce into the system, which is the restructuring that they want to do. And the question is, will that work? Or will it completely collapse the growth that we've seen from Bidenomics? It's a very interesting time. I don't know the answer, but I suspect now is the big pivot point between, you know, are we going to continue on with this more planning attitude, or are we going to go laissez-faire and across the board, in terms of Europe and the UK. The irony is that in Europe, they're closing up just as America seems to be opening up, so I don't know.

Erik: Izzy, I can't thank you enough for a terrific interview. Before I let you go, tell our listeners what is [The Blind Spot](#), your website? What can people expect to find when they go there? And how should people follow your work more generally?

Izabella: So The Blind Spot is on, the-blindspot.com and you have different options for different packages, but essentially, it's a weekly newsletter plus additional sort of spotlight features that I do when I can. And it's mainly me and my colleague, Dario Garcia Giner, who are working away on that for the last two, three years, and we will continue doing that for as long as we can. This week's column was all about, essentially, what we've just been discussing, the glasnost, the return of market forces and laissez-faire in America. And also, just to tease it, this idea of America falling towards a technocratic model under the auspices of Elon Musk. So, I did a little bit about how his grandfather was a big technocrat. And there is a question about whether or not some of the stuff coming out of the Trump administration is wittingly or unwittingly emulating the thoughts of the technocracy movement of the 1930s.

Erik: Patrick Ceresna and I will be back as MacroVoices continues right here at macrovoices.com.