

Erik: Joining me now is [Bianco research](#) founder Jim Bianco. Jim, no shortage of things to talk about this week. Let's discuss the Iran conflict, what it means, what comes next? How are you looking at this.

Jim: Being that we are financially oriented and that's our real interest is we have to look at this from a financial standpoint.

What does that mean for financial markets and potentially the economy, global economy written in general? And obviously the answer is. What does it mean for the price of crude oil? And in the immediate short term, we've got a problem in that the crude oil is not moving. Crude oil is like the circulatory system of the world.

It, it gets pumped, it gets put in the storage, it gets put on the tankers, it gets sent to refineries and the system. Constantly has to be moving. Right now we have a big blockage and that blockage is in the strait of Hormuz. Now, the good news is we have not really done any damage to the system.

Not that I've seen in terms of stories. We haven't blown up a bunch of infrastructure or pipelines or wells or ports or anything that would cause an extended period of time to repair it. We've got a bunch of ships sitting around waiting. For the ability to go through the straight and keep that circulatory system moving.

So the hope is that this is a short term problem. Short term being two to three months, a couple of weeks to get this resolved, and then six weeks to two months to maybe get that circulatory system moving. The concern is the longer this goes. The more we keep lobbing missiles at them and they keep lobbing missiles at us or their neighbors, the higher the probability that they're going to break something that will take a significant period of time to fix.

And that will create a bigger problem for the energy markets. So for right now, the hope in the energy markets, and I share that hope for right now, is. All we're doing is we're waiting for the Strait to get hope in so we could start moving that the moving the crude oil again we haven't sunk any of these ships or anything, but the concern is the longer this goes in the middle of a kinetic war, the longer it goes, the higher the risk is we break something

Erik: Let's talk about what the impacts are. If something does get broken and it delays the ability to deliver crude oil, it seems to me like obviously there's a cost to the economy, which is the most immediate effect of all a sudden energy costs much more, and it's crippling on the productive economy, but I think there's a

lot of knock on effects. The first and biggest one in my mind is the inflation wave that creates. Inflation tends to be self-reinforcing, so you get the potential that you've started a fire you can't put out. And then there's probably several other feedback loops.

So when you think about what if they do break something that results in even after the the piece has been made. It's gonna take a long time to fix those broken things before we get the oil delivery system back to normal. What are the knock on effects that you see financially?

Jim: So first of all I'll measure the knock on effects in a very market oriented way.

If you look at the forward curve in the credit oil futures market, it is in record backwardation by Sunday night. On March 8th, it hit minus 25%, meaning that the six month out the September futures for WTI was 25% lower in price than the April futures, which is the current contract. And that is the most extreme that it's ever been right now.

So one way you can look at that is that the market is still pricing and hoping that this is gonna be a short term thing. If we break something of significance, how do we know it? I think you would see that backwardation start to narrow a lot because those deferred contracts would start to rally to meet where the spot contract is.

But you're right, if that were to happen, you're probably going to see. More inflation now. All things being equal, we've been doing a little back of the envelope calculation with the price of gasoline in the United States in the last eight days. The war, the day we're recording March 10th is the 10th day.

So we've got nine days worth of data. Price of gasoline is up 18% or 55 cents. All things being equal, that's probably is gonna give you a March CPI report of around six tenths or seven tenths. That is probably gonna push year over year inflation over 3%. For March. Now, every economist will say, oh, but that's temporary, that's just an inflation thing.

Correct. Unless of course those deferred contracts and rally the backwardation narrows, and then you could start talking about April being elevated. You could start talking about May being elevated. As well. I don't think this is gonna produce big inflation like. Seven, eight, 9% inflation.

But what it can do, at least in the very short term of the next three to six months, if not longer, is keep the inflation rate around 3%, if not above 3% higher if the crude oil situation worsens. I've been arguing that the Fed cannot. Cut rates, if that's the inflation rate. We have gotten used to, and we are still used to that 2010 to 2020 period, where no matter what the Fed did, they couldn't get, or no matter what the economic circumstances were, the inflation rate never got above 2%.

In fact, it averaged around 1.6 during the 2010 to 2020 period. So at any wobble in the economy, print money cut rates to zero, print more money. And that mantra remains to this day that whenever markets or economies wobble print, you can't do that if we've got inflation. Because if you print.

What you're trying to say is the economy's wobbling financial markets are under stress. We need to create easier financial conditions by cutting interest rates or expanding the Fed's balance sheet. But in this environment, if you do that, then you're saying the bond traders. We don't care about your real returns.

You have a fixed income investment and we're willing to risk inflation going up. Even though your investment's fixed income, you should sell bonds right now. And so if they were to try and be easy in this type of environment, you could wind up with higher interest rates and actually making things worse, making it actually tighter.

So one of the things about the higher inflation. Is it takes the fed off the table, even if we get worsening employment numbers, even if markets start to wobble a lot more, because the reaction would be, oh, markets are in trouble, or the economies just weakening. We have to cut. Yes. And then if 10 year note traders run away from the 10 year note and those rates start soaring.

You've made things worse. They're gonna want some assurances that they're not gonna lose money because inflation's gonna go up. So that's where I think the nuance is gonna come in. This is not the 2010 to 2020 period, and if we have enough inflation now because of the rising crude oil that we've seen in the rising gasoline, we've seen now to keep the inflation rate above three.

The fed is just off the table. They just cannot step in and start cutting rates under that environment.

Erik: Jim, at the risk of nitpicking semantics, I wanna come back to your language around saying the Fed cannot cut rates. I think you just made an extremely good argument for why they should not cut rates.

Are you really convinced that they won't?

Jim: Oh, yeah. I guess you're right that in a semantic argument I would argue they should not, because the risk is they make it worse. That's what I meant by cannot, is that. They need to be very careful. Now, obviously, if things were to deteriorate to the point where you would argue that they would overwhelm whatever higher inflation you would get, that the economy would be so weak that even with higher energy prices, it would offset that, that you could then see the fed cutting rates but.

We're talking about like a, almost like a rerun of 2008 or 2020 in that type of scenario. And as we're talking now, the stock market isn't even 5% off of, its all time high. So we're nowhere near that type of scenario. But you're right, I should have said they really should not, because the risk is that in the attempt to try and make easier financial conditions by cutting rates, they spook bond traders.

They're not acting in their best interest. They sell rates go up and you actually wind up making tighter financial conditions and you wind up making it worse.

Erik: Jim, let's take that a little bit further and talk about the next step with Warsh. Taking office as Fed chair, you'll have to refresh our memory on exactly what date that becomes effective.

It seems like we don't have a really clear signal. A lot of people thought he was more hawkish, but then again, it seems like he's extremely loyal to Trump. He's gonna give Trump whatever he needs. I agree with you and what you said about the reasons the Fed should not cut here. I don't think President Trump got the memo on that and if Warsh is gonna do whatever Trump wants. And I'm not sure if that's the case. It seems like there's a potential that the Fed does cut. Am I missing something?

Jim: No, you're not missing anything at all. Just as a quick aside I'll remind everybody that, donald Trump is a real estate guy, and I've yet to meet a real estate guy who has not met an interest rate that he doesn't think should go lower.

So I'm not surprised that at every turn he just keeps demanding lower and lower interest rates. 'cause every real estate guy does that. Now, as far as Kevin Warsh goes, you're right, the problem. We face right now is we're all saying he's hawkish, and why do we say he's hawkish? Because we're going back and looking at what he was saying in writing.

Back when he was a Federal Reserve governor during the financial crisis. I hate to date us all, but that was 20 years ago, 19 years ago. At this point, and we don't really know where his thinking is currently, because in the last eight months he's only given two public appearances and he was vague on where he stands on this now, hopefully.

When they do get his confirmation hearing scheduled, he'll have an opportunity to explain his thinking a little bit more fully. And as far as the date goes it's May 15th is the last day. For Jay Powell. So all things being equal, Kevin Warsh would be the chairman at the June meeting. So that would mean the next two meetings, the March 18th meeting and the early May meeting will be Jay Powell will preside over those.

So he's got two meetings left and then we'll have Kevin Warsh, unless there's a snag in his confirmation hearings in any way. The bigger issue I think he's gonna face other than, he will articulate a comment or a view, I assume, that will say that we should be cutting interest rates, is that the Federal Reserve has been changing its stripes.

The individual members of the Fed have been really talking a lot more independent than they've ever been, and they've really been acting more independent. We've seen. Way more dissents in the last three or four meetings than we probably saw in the last five years combined. And I don't think that's a fluke, and I think that's gonna continue so much that I've argued that Fed watching is no longer about parsing the individual words of what the chairman says, but it's really about listening to all the voters and putting them in the cut hold or hike column and asking the question.

Which one has seven votes and whichever one has seven votes, that's what the fed's gonna do. And as of right now, as I look at the Fed's speech broken down, of the 12 voters, fully 10 of them have made hawkish comments. Basically Stephen Marin has made he's still pretty dovish. And you might argue Chris Waller is on the fence, but the rest of them are pretty hawkish. So given all of that, if we had a Kevin Washer Fed chairman right now and he said, look, we have to cut rates. I would just turn around and say, where are the other six votes you're gonna get to approve that rate cut? 'cause if they're gonna vote the way they're talking, and I assume they will.

I don't see where those votes are coming from, so I think that's gonna be the next big thing we're gonna see when we get this new Fed chairman is how much of it is really gonna be about parsing his words and how much of it's gonna be

really just about vote tallying and just trying to figure out where all the votes are coming from.

Erik: Let's talk about the broader economy and where the market was headed before this whole oil shock happened. Even before the decision was made to go ahead and have an attack on Iran, it felt like the market was rolling over and, maybe we're heading into a soft patch here. We've just tested the 200 day moving average at least very briefly in the overnight session on the S&P.

Is it over? Is it at all clear or are we really just back to where we were of wondering if it's time for this market to run outta steam?

Jim: I think you, when it comes to the economy, that there's really an issue that is difficult for a lot of economists and a lot of other people to really get their head around.

And that continues to be the story about labor supply. We got the February employment report back, last week, the week before we're recording, and it came in at a stunning number of minus 90,000 jobs. And yet the reaction in the market was very muted. You would've thought, you would've saw interest rates, plunge, and you would've thought, you would've saw maybe the stock market, take it poorly.

And it largely didn't. Now, part of that might be because it was still wrapped up in paying attention to oil, but I do think that it really comes down to the other issue, and that is what is the biggest driver of labor? Because labor is the most important aspect of any economy. How many people have jobs?

How many people are gonna be able to get a job and. The biggest aspect of labor I think comes to population growth. And we have no population growth because of the slow of what's happening at the border. And there's arguments to be made that the number of jobs that the US economy needs to create is somewhere around zero to 50,000.

Probably with an average closer to 15 to 25,000 jobs a month, that's all the US economy needs to create. Right now, it's not 150,000 like it used to be a couple years ago. And again, that's because if you don't have population growth driven by immigration, the number of 15 to 64 year olds, or 16 to 64 year olds, excuse me, that's the working age population isn't growing.

And if that's not growing, you don't need to create a number of jobs. That's why I think we also have this other instance where if you go back to the summer of

2024, the US economy on a 12 month average basis was creating about 150,000 jobs a month in the year ending July, 2024. In the year ending in February of 2026, that fallen from 150 to 9,000, but the unemployment rate hardly moved.

It was a 4.2% in July of 2024. It's 4.4% in February Of 2026 up two 10th while we lost all that job growth. Now why isn't it higher? 'cause we don't need that many jobs, is really where I think it is. And that really gets to the other issue too, is that. If we don't need that many jobs and none other than Jay Powell talked about this at his last press conference, maybe at these very low numbers that we're seeing with employment, we are still in balance and if we are still in balance, the risk you face is that if you overreact to these supposedly weak numbers and cut rates too much, again, that could be perceived as overstimulating when the economy.

Doesn't need it. So I do think that when you look at the market, I don't think it's necessarily looking like it's gonna roll over on the idea that the economy's weakening, because I think that the numbers have so fundamentally changed here right now, and it's a, admittedly, it's a hard thing to get your head around because, when you say that the population growth is down, then people ask, can you be more precise? And the answer is not really, because demographers have never been structured to give us high frequency updates in the population of the United States. 'cause they've never had to. And so what about, labor force participation, those numbers are constantly revised. But we do know that the population growth has come from immigration 'cause of the low fertility rate, and we do know that immigration is most likely negative right now. More people leaving the country than entering the country.

Erik: As we're recording on Tuesday afternoon, we're looking at about 5,200 on the gold price. Something I reported last week on Macro Voices is, feels like there's been a change in the reaction of gold to geopolitics. We had last Monday we had a situation where. Bombs are dropping, oil is going straight up, and gold was down literally \$400 over the course of just 10 hours.

We saw the same thing on the Sunday futures open, where it was just a moonshot on on oil prices, in reaction to escalation over the weekend in the straight of Hormuz and so forth. And obviously oil is the direct affected commodity. But you didn't see the expected gold up with oil.

It was actually gold down. Feels like somebody is either selling gold to raise money to cover their losses on something else, or selling into strength or something. It feels like there's been a disturbance in the forest with respect to precious metals. What do you think is going on?

Jim: Sometimes the easiest answer might be the best answer is that first of all, gold and silver, as we know from early February, had that massive reversal and while they haven't followed through on the downside, their up their upward momentum is stalled.

So you've got a lot of people that have a lot of unrealized gains in those. And when you look at markets wobbling and you wonder that if people need to sell something, there's the old adage on Wall Street, you sell what you can. Now what you want and what you can sell is the thing that has big unrealized gains and no momentum.

So whether it's to meet a margin call or a perceived margin call, like Sunday night when futures S&P futures were down two and a half percent at their worst point, or in oil because of the big whipsaws we've seen in it. So somebody's gonna get hit with a margin call. Where are they gonna get the money from?

They've got this other thing here. We assume that they're holding, that they've got a big unrealized gain and they can sell it. So I think that there might be some of that going on with gold because you're right. Normally speaking, all things being equal. If you've got geopolitical stress, the textbooks say gold and silver or precious metals are the place to go.

But they have definitely not been the place to go since February 28th because they have not been responding to this.

Erik: Jim, that, as you said, was the the old school adages precious metals. Of course, the new age version of that would be cryptocurrency. How has that fared since February 28th?

Jim: It's been more of the same.

It's really struggled to do anything right now. Now it's very volatile. You could say it's up five or 6%, but in Bitcoin, five or 6% is an average day. So it hasn't really done anything to establish any kind of an uptrend as well. But I also think that they're also stuck in a.

Different type of cycle as well too. Bitcoin peaked at the end of October, \$126,000 at its lows. In February, it was down 50% from that high. So it is definitely broken momentum as well. And I think the narrative. Behind Bitcoin has been changing. Right now. The narrative used to be that institutions, retail investors through wealth managers, and everybody's gonna buy it through these new products like the ETFs and.

They're all gonna say the old gold story. Remember, if all, if only anybody, everybody owned the old, 5% of their portfolio in gold, it would go to the moon. That was the argument that they were using with Bitcoin, was that everybody just bought three or 5% of their portfolio in Bitcoin.

It would go to the moon. I think that narrative is over with right now. Now the potential for a new narrative is out there, and I think the new narrative. If that old narrative was permission that the regulators were giving you permission with it, that Wall Street was creating products to give you permission to own it.

The new narrative for it might be replacement instead of saying, 'cause I've seen on social media a lot of bitcoin enthusiasts saying don't worry. Larry Fink and BlackRock are talking about tokenizing every asset in the world and that'll be bullish for Bitcoin. I was like. Why are you waiting for Larry Fink to do it?

Why doesn't the Bitcoin development community do it instead of him? So maybe the next narrative will be replacement instead of waiting for regulators to approve it, waiting for Wall Street to create products for regular people to trade on it. Why don't you create an alternative system and say, this is better than the old system.

Let's go play on that game and let's play it in this way.

Erik: Jim, you told me off the air that you heard my interview recently with Michael Every about stable coin statecraft. And that comes to mind with what you just said because talk about an asset to tokenize that's already been tokenized. It's the US dollar.

What if Trump and Bessant were to say to the whole world, look don't worry about what your government is telling you. The rules are in your country. Don't worry about what your banking system says in your country. You can skirt the whole system and just buy us. Dollar stable coins on your cell phone regardless of what your country's rules are, and you're backed by the US government that could potentially replace the petrodollar system with the stable coin system and shore up the US treasury market.

Do you think that's a realistic scenario and would it play into what you just said about, the market, creating those tokenized assets without waiting for anybody?

Jim: I think that in that case, that is a realistic scenario. And in fact you could argue that has already started to happen. If you look at countries like Venezuela, Afghanistan, even Iran, and other hotspots around the world. I'll take Venezuela

as my example. If you wanted to go and find out what is the black market rate for the Venezuelan Bolivar, their currency, the most credible source that I have found is ance, giving you a tether to Bolivar rate rate. In other words, a stable coin. A stable coin is really where they, where that they operate.

And when you dig deeper into it, you'll find out that in countries like if Afghanistan and Iran to some degree, and Venezuela, definitely those are dollarized economies, they are now trading in commerce in dollars, but it's not. Stacks of a hundred dollars bills. It's on their electronic wallets.

They're owning the dollar stable coin, and they're trading it back and forth. So in the respect that the dollar is going to get a leg up on remaining to be the reserve currency in that, it's going to have a digital version of it in the crypto universe in a stable coin. I think that's already happened now.

It's gonna be a while before we see that. Come to say Europe or the United States because. Our financial system is more stable. We don't go to bed every night worrying that our banks are gonna fail and we don't go to bed every night worrying. I'm talking about Europe, the United States, Japan, that our currencies are gonna get seriously devalued.

At least we don't yet. Or maybe I should say we don't now. But. So we don't really need it, but in a lot of places around the world they do. So I agree that's coming and I agree that to some degree it's already here. Now the second part of that is what Scott Bessent is trying to argue is this will be hugely beneficial for lowering interest rates in the US because as trillions of dollars of stable coins are created.

They're gonna have to be backed by US treasuries, and that's gonna create a demand for them. The problem I have with that argument is. Where is that money coming from right now? That money that would go into a stable, into a dollar based stable coin was probably already into some degree in the financial system to begin with, and it was already backed by a dollar.

So if the argument is we need to pass the Genius Act, and once we get the Genius Act passed, that Americans are gonna start opening up electronic wallets and they're gonna be buying hundreds of billions of dollars worth of stable coins. I understand that argument. I just don't know whether or not a stable coin will be more attractive than a current bank account is, at least not now.

But even if that were to happen and they start buying hundreds of billions of dollars worth of stable coins, where's that? Hundreds of billions of dollars

coming from. It's gonna be coming out of the banking system that's already backed by a treasury security. It's gonna go into a new secure, a new instrument, a stable coin that's backed by treasury security.

So it's purely a substitution effect is what you're gonna get. You're not gonna get any really big net buying. Now, you might get net buying out of places like Venezuela, Afghanistan, Iran, because they're not backed by dollars and they put their money into a stable coin. But, They're not gonna be enough to move the needle when you have a \$40 trillion deficit.

It's really gonna be the developed world that's gonna be able to move the needle, but I just don't see where you're gonna get that net new money. But let's go back to the first part, the fact that everybody is now using stable coins and they're using them through electronic wallets and they're using them.

In order to affect trade, the dollar is maintaining its dominance as the reserve currency. It's just that if you're looking at the traditional numbers of currency and circulation and how much trade is going on, how much are being held by the banks in reserves you're not gonna see it.

You're gonna start, you're, but you're seeing it at the margins where they need it the most in the countries that are most vulnerable. And that's what people are doing is because remember that in, even in the poorest countries in the world. Cell phone penetration. Smartphone penetration is still 80%. Even in, you could pick the poorest countries in Africa, 80% of the people have a cell phone and they could download an electronic wallet and they can hold a stable coin and add electronic wallet and they could transfer it to another phone, and that's how commerce is being done, and it's all backed by dollars.

Erik: What do you think about the statecraft argument of it where scent and trump intentionally basically tell the rest of the world? Look, the model that we used to have where you guys thought your central bank was in charge of things like managing your own currency, now we're in charge. Now we're going to just tell the entire world that the settlement.

Currency for all international transactions is US dollar stable coins, and we're gonna bypass any monetary policy that other countries try to implement because we're calling the shots. Is that scenario something they would do intentionally?

Jim: I think in a fact that is the scenario that we're having now.

Whether they're trying to intentionally do it, it's very possible. But, the idea is they are giving you a frictionless version of the dollar that everybody can own. And more importantly, unlike the old system that you're, that cannot be regulated by a different country. So if you're in Iran and they wanna say that you can't use dollars because the government will punish you if you use dollars.

In the old system, yes, it was hard to do that you couldn't hold it in a regulated bank account in that country, if you wanted to use dollars, you had to physically carry around money with you, a sack of a hundred dollars bills, and you were subject to crime, somebody trying to steal from you. But now you just walk around with a phone like every other person, and they have no way to know whether or not you own that.

So they are providing. A global standard to the rest of the world, and they're saying to other countries, if you run your financial system poorly. Or you try to devalue your currency a lot. We don't have to say a word. Your population is gonna migrate to our currency, the dollar through a stable coin, and the Federal Reserve will become the World Central Bank by default, whereas your central bank will then start to lose influence.

So I definitely think that's effectively what's happening. I'll assume that's what they. Don't mind happening, but they haven't said it directly, but that's in reality what we're getting.

Erik: There's another topic where it feels to me like the winds are changing, Jim, and that's artificial intelligence.

I don't mean recent developments in ai, although there have certainly been some of those. What I'm talking about is the public sentiment and reaction to it until very recently was, oh boy, this is just the coolest thing ever. It's gonna, enable so many things, it's gonna be great. I'm hearing a lot more of the fears of, it's taking our jobs, it's putting us out of business.

We're going to end up losing a lot of industries, losing tens of thousands of jobs, and it's going to make our electric bills triple because we're competing with AI data centers for electricity and there's not a lot electricity to go around. So you've got the public sentiment seems to be changing. And meanwhile, the military sentiment toward the AI developers, if you look at the pissing contest that Anthropic just had with or is still having with the US State Department.

It seems like we're getting to a showdown where the US government is saying, no, look, we're gonna tell you what to do. You don't get to decide what your

technology gets used for or what you wanna sell it for. You're gonna sell it to us on our terms, whether you like it or not. It seems like things are heating up on, on both fronts.

Where do you see this going?

Jim: Yeah, you're right. There was a recent poll done that was put out in the last week or so asking people their favorability, unfavorability of of certain topics and. AI scored near the bottom of the list. The very bottom of the list, by the way, was people's opinion about Iran.

So at least people like AI more than Iran, that's all they've got really going for them at this point, but not much more. And of course, as you pointed out, the real reason that AI is look down so much is we've been told by the media it's a threat. It's either a threat for our job. Or it's a threat for our electric bill that we're, that our our local utility is going to be, we're gonna be competing with the data center in order to pay for, putting the lights on in our house.

Right now. And bear in mind that in some places, and I'll give you the state of Wisconsin for, as a matter of fact, state of Wisconsin has a lot of data centers in it. Very popular place to put those. The electrical consumption of data centers in the state of Wisconsin is larger than the 6 million people.

Residents of Wisconsin. Now, to keep this number in perspective, about 60 or 70% of all electrical usage in the United States is commercial and industrial and data centers are part of commercial and industrial, but they're larger than residential UDI usage right now. So that's part of the thing that gives people a lot of pause about AI Now.

I have a little bit different view on it. And, just by background I've said this before. I subscribe to the pro version of every data, of every AI right now. I use all of them and I'm learning that they're not all the same. It's not like switching from Coke to Pepsi. If you go from open AI to Claude with this Anthropic they all have their strengths and they all have their weaknesses depending on which one you wanna use.

But what has changed in the last 90 days that has really brought this on forward is what's called agentic AI. In other words, we're all familiar with when Chat GPT, went to its free service in late 2022, it's called generative AI. That's prompt and response. Ask it a question, get an answer. It's Google search on steroids.

But what Agentic AI or AI agents is. Give the AI control of your computer. Tell it. It has the ability to read your files, change your files. Execute commands without you doing it. So don't tell me how to do it. Just go do it. And that has been the thing that has really opened up people's eyes why the software stocks have been struggling because the most obvious application is as in coding and in development right now, that people have been using AI to basically.

As an assistant as opposed to just something you ask questions for, and I do think that is going to be transformational. Now, as far as jobs go, I have a different view on it, not necessarily a unique view but what is a job? A job is a series of tasks. You do a number of things and put 'em together, and that's your job. Now...

Some of those tasks tend to be boring and tend to be repetitive, and you don't wanna do them. They're usually around compliance, accounting, answering emails, putting together slide decks, updating Excel spreadsheets. I'm speaking from a financial point of view filling out expense reports and all that.

AI can be very helpful in all of that stuff, in streamlining or automating a lot of those processes in order so that you don't have to do 'em. Now, that's gonna free me up or anybody else up that uses AI to do more of the higher end stuff. Collaboration, creativity communication. These are things that humans are clearly better at than AI.

If your argument is. Oh, if AI's gonna do all this other stuff, answer some of my emails, help me, take the one hour process of putting together my slide deck and make it five minutes, filling out my expense reports automatically. I could go home every day at one o'clock 'cause I don't have to spend the other three hours at work doing that other stuff.

Then your job's in trouble. But if you say, no, I have three more hours to do more higher end stuff at my job, then your job necessarily won't be as much in trouble. But, so I'm not of the opinion that it's necessarily something we should be afraid of, but I understand why everybody is because they're only told you're gonna lose your job and you're gonna pay more in your electric bill.

And most people haven't yet fully recognized that this Agentic AI is here. And they're saying, for what? For a Google search, why am I gonna lose my job over a Google search? Why am I gonna have to pay more in electrical bills over a Google search? And so I do think that this industry is moving so fast.

I'll give you one fun anecdote and somebody told me to do this with Claude. On on Claude. If you asked AI. Right now, how do I use you? How do I use AI? It'll give you instructions on how to use it, which are three months old, which is not even the latest version, so it's moving so fast, it can't keep up with itself right now.

Erik: I couldn't agree more with that. I use Claude and chat, GPT both extensively. I agree with you that they're completely different in their, I hate to say the word personality, but I don't know how else to describe it. They're completely different tools with different characteristics.

There's something that nobody's talking about though, which I think they should be, which is, we've heard one side of this argument, which you just articulated perfectly, and that is. The argument in favor of AI is that it enables humans to do much more than they ever could have done before. It means our economy could be much more productive because you can literally write and publish a book in a week or two using Claude that just.

Wasn't possible previously. You can do a lot of things. The thing is the energy consumption side of it, and it seems to me that the solution to this is if you change the rules and you told the tech companies, look, you guys are really good at innovating and doing things more quickly than a lot of other industries are.

The new rules are we're gonna open a whole bunch of doors for you. We're gonna take a lot of barriers outta your way, so you can have the growth in everything you want, but it's a two for one. Not only do you have to build your own energy to support your data center, but you have to build double the amount of energy that your data center needs and sell it back to the grid so that.

In the course of getting your AI running and doing everything you're doing, you're supplying more energy to the rest of society, not consuming net energy that we can't afford to spare if we un. Regulated a bunch of things so that Google was allowed to build power plants all over the countryside and could do things like work with, acquiring an advanced nuclear company, investing.

We just talked to AALO last week about mass produced entire nuclear power plants. If the hyperscalers. Could buy into something like that and start building nuclear faster than electric utilities can do it because frankly the tech companies are pretty good at innovating technology and deploying it quickly.

I think you could see the AI industry supplying net energy to the rest of the world. Problem is, there's protections in place that only utilities are allowed to build power plants and so forth. I think we should re-architect this and open the door for high tech to build more than enough energy to, than it consumes.

What do you think of that idea?

Jim: I think not only do I agree with it, I think that most of the high tech is on board with that idea full scale, that they would be more than happy to

They're trying to do

Jim: it right,

but the rules don't really

Jim: allow it. And the biggest problem with the rules is that you now run into the environmental lobby and the environmental lobby is full sail against a lot of these rules.

Because one of the things, as you mentioned. They're saying, yes, I'm ready to do that. Yes. We actually will build up energy sources to not only power our data centers, but overpower our data centers so we can sell back to the grid and they'll go You one step further. The energy sources that we have don't produce any pollution.

You go okay, what is that energy source, small nuclear reactors? And that's when the, the environmental groups then throw up the wall and go, hold on a minute, hold on a minute. We're not building more nuclear reactors. And they're like, oh, yes, that is the answer. These small nuclear reactors, they're the size of a two car garage and they will produce tremendous amounts of energy and they exist.

Their safety record is very good. They'll try and demagogue them by that. This is the environmental groups and saying that they're dangerous and that we shouldn't be using them, but they, but there's no reason to think that they are dangerous right now. It would just be demagoguery that we would say it, but, so that's really where the blockage blockages.

Now maybe there is a sign that this is coming because in the last week. The Trump administration has given at least Department of Energy approval, if I've got it right for a new nuclear power plant to be built in the United States. The

first one in 50 years that's gotten approval doesn't mean it's gonna, it's not done with all the approvals, but we are moving in that direction.

So I do think you're right. If you allow the tech companies to, build your power, build your data center, bring your all, and then construct the power to build it, they're all for it. You've gotta let them do it. And you can't say we're gonna do it, but then we're gonna go through the same rigamarole that we have right now.

You wanna build some power plant to, to palm fund it first we have to have 10 years worth of studies done. Then we have to have five years worth of public hearings, and then maybe we could build it, if you're still interested in doing it at that point, cannot have that game being played anymore with this.

So that's really where the fight is gonna be is really with whether or not the environmental lobby will allow this to happen.

Erik: Yeah, that announcement that you're talking about was terror power and their sodium cooled nuclear reactor. It's the first time in the 52 year history of the Nuclear regulatory Commission that they have ever approved a civilian power reactor that was cooled by something other than water.

They're finally moving off of 1952 technology to something more modern, and the NRC is not in the way as they've been in the past. So I think that's a breakthrough, and I hope that we see more of it.

Jim: I agree, and I really do hope so too because we need it for a lot of other reasons too. Because as AI comes not only.

There's a thing called Jevons Paradox, that when the cost of something goes down, you get a lot more of it. So if the cost of creating software and the cost of using a computer becomes easier, and I'm talking about a. My personal cost. Your personal cost that we're just at the point where you just talk to your computer and it does things for you, or it runs things for you automatically.

You're gonna have more of these and you're gonna demand more of it. And we're gonna have more power demands for us, not just for data centers, but even for our personal use too. So as you make the cost of things go down, you get more of it. And we're gonna need more power in order to meet those demands.

Erik: Jim, it seems like you and I agree on a lot of the Jevons paradox example, as well as just the big picture of AI as a good thing, not a bad thing, but I think

there is an angle we haven't acknowledged yet, and that is we already see a lot of divisiveness in the US and in the western world in general.

Let's talk about what AI really does. It enables smart people to be a hell of a lot more productive, but it also does, I think, legitimately eliminate a lot of jobs for dumb people. The office worker that had to do the grunt work, the. Because the smart executive, needs that assistance.

Yeah. Smart executive can pretty much be self-sufficient with AI and doesn't need the grunt workers anymore. Does this create a further worsening of the K shaped economy where the people who are well educated, intelligent enough to know how to leverage AI and use it to their benefit, start to really do well?

The guy who's not smart enough to figure out what it is really in trouble.

Jim: Oh yeah. You can even think about I read this a couple years ago, and I assume it's still true, that the IRS puts out these lists of whenever you fill out your tax returns, they ask you what your occupation is and you write it down.

And they did a study of that. And the biggest occupation listed in the United States is the word has the word driver in it. Taxi driver, truck driver, forklift driver, bus driver, fill in, whatever. But the word driver, like millions and millions of jobs all autonomous driving is coming and AI is gonna power that.

AI is going to power 50% of all. Of minimum wage jobs have the word cashier in them. That's gonna be done by AI as well. So you're gonna see a lot of these lower end jobs that can be automated away. Now the funny thing about AI is the more science fiction side, you could argue that AI can help scientists cure cancer.

But if you asked AI to power a robot to fold laundry, it's still struggling to do that part of it as well. So there's gonna be other roles that are gonna be, that it can't really do right now, but the concern that I have with it is, and we saw this during the Industrial Revolution, that as we first get this new technology, industrial Revolution, AI, it automated away a lot of jobs.

200 years ago it was, farming jobs and the like, and all you saw was job loss first. And then the job creation came second because keep in mind what we're talking about. If you automate, I'll use my example of driver. If you automate driver and all, and the world is reduced to 50 million or 75 million autonomous taxis that run 24/7, 365 in autonomous delivery trucks.

The price of transportation is going to plummet and it's gonna cost you practically nothing to ship either yourself to the airport or a product somewhere else. That is going to make business models that are not economic now. And we don't even think about 'em 'cause they aren't. Will be economic in the future if you want a near term example of that.

The Apple I store opened up business models such as Uber, Airbnb to be able to compete with taxi drivers and hotels. Because they had this new technology that you could now put an app out and people could use the app to book somebody's room in their house or book a private car to take you from A to B.

And so it created a lot more jobs. So I do think that. What technology has always done, and I do believe is a net creator of jobs. So ultimately, yes, we might lose that driver job. We might lose that cashier job, but we're gonna create whole new industries and we're gonna need those people in other industries, the concern is the jobs get lost first.

The new jobs get created later, and in that gap. People get angry. All they wind up seeing is job loss. All they wind up seeing is what they perceive. Is it making things worse? and in The 18th century when we had the industrial revolution, we got a pushback. The pushback was Frederick Engels and Karl Marx writing the Communist Manifesto and pushing back against the capitalist system.

We might get a pushback against this now. It won't be communism. That was a pushback to a different era, but it'll be some kind of collective socialistic type of argument to put up a barrier from putting this together. So I hope that the AI industry, and I hope that the AI proponents understand that if all we're going to do is say, great, we can automate this and fire all these people and everything is better, it won't be better in the long run.

It might be better for the very short term, but if it's gonna be, we're gonna create new opportunities at the same time. You lose your job here, but there's gonna be this new industry here begging for people to help doing whole new things that we haven't figured out yet because of that new technology. I think that transition will be much softer, but that is a real risk right now.

Erik: Jim, I can't thank you enough for a terrific interview. As always, before I let you go tell our listeners who are not familiar with what you do at Bianco research a little bit more about what you're up to. You've got WisdomTree now following your work with an ETF that basically follows a fixed income index that you created.

Tell us more about that, how people can invest in it, as well as your Twitter handle and all that stuff to follow your work.

Jim: We put out Bianco Research, which is an institutional research product at biancoresearch.com.

If you're interested, you can sign up for a free trial there. Otherwise, I'm very active on social media, under my business name [Bianco research on Twitter X](#), on [YouTube](#), on [LinkedIn](#). And also we started a couple of years ago an in fixed income total return index, which has its own website, Bianco advisors.

It's a Managed index to try and beat the benchmarks in the bond market. And we have an ETF with our partners as WisdomTree as you mentioned, WTBN, WisdomTree Bianco, Nancy as its ticker symbol that tracks our index as well too. So you can find out more about it by looking up more about WTBN or looking at biancoadvisors.com.

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