Daniel Lacalle: Is This The End Of The Monetary System As We Know It?

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Erik: Joining me now is Tressis chief economist and fund manager, Daniel Lacalle. Daniel, it's great to get you back on the show. I was particularly keen to get you on the show this year because one of my rules is that when you have a changing geopolitical landscape where the balance of relations between really strong allies like Western Europe and the United States, is starting to come under question now, I think it's really important for investors to reach out to their friends on the other side of that divide and get their perspective. So, let's start with the European asset managers perspective. Somehow, I'm guessing the media in your country is not telling, is not lauding JD Vance for coming and enlightening Europeans on the benefits of free speech. I'm guessing that the European perspective on the Trump tariffs might be a little bit different than the White House's perspective. Tell us what the international audience, Americans and everyone else, should understand, maybe about how European finance is changing its perspective on its relationship with the United States.

Daniel: I think you guessed correctly, Erik, thank you so much for inviting me. The media and the political narrative over here is very, very, I would say, one, biased and second, very one sided. You also have to remember, as you know very, very well, but for the people who are listening, that in Europe, we don't have any kind of political party that is in the mainstream parties. There is no one that is similar to the Republican Party. So, the exaggerations when there is a Republican president are enormous. So the position of most fund managers in Europe relative to the situation in the United States right now is a little bit more informed, I would say, than what the media is telling us. In general, there is a perception that there are some merits to the arguments of the United States relative to tariffs and relative to the trade barriers imposed by the partners of the United States. But certainly, there is, at the same time, a perception that the way in which those demands have been presented, and the not particularly diplomatic, one would say, and the extent of the damage created in the financial world are creating also quite a significant, let's say, concern that the approach to negotiations can be significantly more damaging than initially expected. I think that the average fund manager is more concerned about the next tweet or the next change in headlines than looking at the big picture and focusing on what this really is about and what can be improved, both for the European Union businesses and North American and US businesses.

Erik: So, let's talk about what that means, both for a balance of trade and particularly for the dollar-euro cross. Dollar’s already weakened considerably, which I think is part of President

Trump and Secretary Bessent's objective. So, it's no surprise when the head of a country wants to weaken their own currency, it's usually easy to do it. What kind of damage is that causing in Europe, and how are asset managers responding to it?

Daniel: Well, I think that, to start with, the European average asset manager was very, very long European banks and European industrials as some sort of recovery trade, particularly after the announcement of the European Union about some improvements, or at least some changes in the fiscal policy so that it could be a little bit more lax. So, the first impact, obviously, is very, very severe on the most cyclical sectors. And in general, I think that the general perception, I would say, a consensus perception, was that the euro would continue to weaken even below parity at some point throughout 2025, due to a very dovish position of the ECB and all these fiscal challenges that we mentioned. So, there's probably been some damage in the construction of portfolios that were probably more skewed toward having a long position on the US dollar rather than the than the euro. And it's quite puzzling, because for a lot of European managers, being long the euro relative the US dollar is super counter intuitive. It doesn't make sense, knowing how the economy is doing in Europe, and how the challenges of the ECB and the biggest nations, in terms of their fiscal and debt challenges are not only not getting any better, but getting quite worse now for decades.

Erik: Now, for decades, really, one of the big trades in Europe has been, for asset managers who have the mandate flexibility to do it, they want to be long US stocks. They want to be in the S&P and that's where a lot of alpha has come to managers in Europe whose mandate is broad enough to allow it, is they're doing a very simple trade. Just invest in the US, combination of dollar strength and the strength of the US economy gives, in euro terms, really terrific returns. I'm guessing that that's a little bit less popular right now than it used to be. Is that going to be a permanent change? What are the impacts of that going to be if we've gotten to a point where the TINA acronym, there is no alternative, to the US stock market is no longer applicable. Where's all this headed?

Daniel: I think that it's not permanent. Most of the fund managers I speak with see this as a volatility turmoil. I call it the tariff tantrum. That doesn't necessarily change the long term dynamic that supports US equities coming from buybacks, better margins, stronger companies and more dynamic businesses with a better percentage of technology and value added businesses relative to Europe that is mostly already developed, mostly banks, industrials, very, I would say, stable, but not necessarily growth companies. So, I don't think that that has changed significantly. I think that there's been an important shift coming from all these headlines that has basically made a lot of fund managers have to revert the trade very, very quickly. And that obviously has strengthened the euro rapidly, because they were very long the US dollar, has weakened some US stocks, or most US stocks, particularly the large components of the indices, because they were very exposed to those. And basically, the rebalancing has immediately meant a monetary and stock market impact that, interestingly enough, did not translate equally to the fixed income market, because fixed income investors were not as heavily exposed to the to the United States assets. But I think that once the tariff tantrum is at least clarified and the risks of inflation and stagflation, and people don't really know exactly what to expect. Yes, last

year, a lot of people were talking about a very, very rapid and consistent pace of rate cuts, and even quantitative easing was sort of talked about quite a bit in the financial circles. And where we're right now, is in a different place. So, all of that needs to clarify. It may take a few weeks, but then once that happens, I don't think that there's going to be a change in a structural position that would indicate that European fund managers are going to be more comfortable in the long term being long European banks, European industrials, or European telecommunication companies over technology, energy, or consumer staples companies in the United States.

Erik: Is this a setup for stagflation?

Daniel: I don't think you can have a situation of stagflation. The way that people are looking at it right now, the idea that tariffs are going to be fully absorbed in prices, and at the same time, consumers are going to buy the same number of goods and services at a much higher price, and reduce consumption, reduce investment, and therefore bring the economy to stagnation and inflation is very, very difficult. Once we understand the way that the monetary system has been set up in the past, particularly in the past 15 years, it is very difficult. It is very difficult to get to stagflation. It is very easy to get into recession with deflation risks or a level of growth that has uncomfortable inflation, because money supply growth and money velocity are moving in tandem, because they are driven by government spending. History of stagflation used to come from a period in which money velocity would rise and the level of prices would increase with higher money supply, but it wasn't driven by government spending. If we look at the past, particularly the past 15 years, the entire, let's say, leading factor in terms of inflationary pressures, has come from government spending leading to higher money supply growth, leading to higher money velocity growth. And it cannot happen in the opposite way and generate, let's say, divergent factors, in my view, because you would probably get, it's probably much easier that you get a risk of significant reduction in prices. I think that commodities are already showing that alarm bell all over the place, oil, aluminum, aluminum is down despite the fact that tariffs have been implemented on aluminum. So, I think that all those factors tell us that we might have the risk of a slowdown in prices, which I don't think is a risk, to be fairly honest, particularly after the enormous inflationary burst. So, a slowdown in prices and a slowdown in the economy, rather than the type of stagflation that we remember from the 70s.

Erik: Let's talk about the sustainability of US debt. Now, this is already, as you know, been a huge concern, even before this tension between the US and Europe. Now, it seems like maybe Europe, which has always been a big holder of US debt, may have a changing opinion, or at least that's what we're told. How does both the Europe but also the broader picture of US debt, look from your perspective?

Daniel: Obviously, the enormous challenges of the US financial position, public figures were completely unsustainable already in 2022, 2023. We all have to go back to 2023, when the Biden administration published a document showcasing the expectations of the fiscal situation of the United States for the following 10 years, in which without assuming any type of recession, and without assuming any type of employment contraction, they were already outlining an

increase of debt almost every year or of at least $1.5 to $2 trillion. That was insane, and that was completely, that was a path of destruction for the US dollar. The United States was already on the path of destroying the US dollar as the world reserve currency, and therefore, what needs to happen is that the government takes care of the fiscal deficit, but also of the trade deficit. The United States doesn't need to have a fiscal surplus or a trade surplus. It can have a small deficit. What it cannot have is an enormous deficit that ends up creating a larger problem. And this is the key thing, a lot of people in financial markets are complaining right now about the risks and the volatility created by this turmoil. However, think about what would have happened if nothing was implemented, if we waited and continued with this path of destruction for three, four more years, the risk is, would not be the one that of that of a recession, it would be the risk of a depression. So, I think that what needs to happen is to understand that developed economies, both the euro area and the United States, but also Japan and the UK, they've all exceeded the three limits that are already warning signs that we are in serious monetary and debt troubles.

The first one is obviously the economic limit. Governments spend a lot more, they enter into higher levels of debt. However, productivity growth, economic growth in the private sector, small businesses, families, all hurt at the same time. They're actually weakening. The second is the fiscal limit, is that despite tax increases, despite monetization of government spending, despite all of the different elements of GDP growth that bloat GDP, despite poor private sector developments, the level of cost of interest, interest expense of governments continues to rise and becomes not only a very large but one of the largest items in the budget of developed economies. And the third limit is the inflationary limit, is that we were told over and over again by Keynesian analysts that we would have no inflation from this monster monetary expansion and government expansion, etc. And for the past three years, we have seen not just persistent inflation, but three consecutive years of central banks that are loss making. And that is destroying the confidence in the US dollar, US debt, European debt as well, because central banks of the rest of the world are not taking sovereign debt as the asset that keeps their balance sheet, their central bank balance sheet, strong, and they're actually going for gold. So, all those elements were already in place prior to the tariff tantrum. Right now, it is about whether that is going to be at least partially sold, so that the inevitable outcome that was already in place, if we had followed the same policies, which would be the destruction of the US dollar as the world reserve currency, is actually going to be sold, or at least mitigated.

Erik: I want to go back to what you just alluded to, where you said they're going for gold. It seems to me, going back to the TINA acronym, that a lot of people have been very concerned about US debt sustainability for a very long time. But the issue has been that if you look at the prospects of a central banker, they look at the available alternatives, and they say, darn, as much as we're frustrated with the US fiscal situation, there simply is no alternative to the depth and liquidity of the US Treasury market as a deep and liquid place to park central bank sized asset flows. Central banks care most about what happens in an emergency where they might have to liquidate not hundreds of 1000s, but hundreds and hundreds of millions to 10s of billions in a day, and the US Treasury market has always been the only market where that's possible.

Are we reaching a tipping point where people say, well, yeah, that's true, but you know what? We've just had enough of this. We can't continue. We've got to find an alternative.

Daniel: I don't think that we've reached yet the tipping point, but ignoring the alarm bells is exceedingly dangerous. And I think that a lot of governments and a lot of central banks continue to believe that because nothing, allegedly, to according to them, has happened, then nothing will happen that is very, very dangerous. So obviously, it is very difficult to change the monetary system in its entirety, but you don't need to change the monetary system in its entirety. It's a typical fallacy of central planners that that say that you basically have to choose between one thing and nothing. The world has been splitting in two for a number of years already. And you and I have been seeing how the Central Bank of China, the Central Bank of India, Central Bank of Poland, Turkey, so many central banks all over the world are moving away from sovereign debt and moving into gold, back to a completely different system. So, it's not just about the United States providing ample and enough liquidity for the world to continue to function. The way that we look at it is that it needs to do it in the proper way. You know, I always say the following: you can drown from too much water. Water is essential for our bodies and for life, but you can drown. And we cannot drown, and it's the path at which the US economy was moving in the past, particularly in the past four years after COVID, all the alarm bells started to ring. That doesn't mean that everything happened or was created in 2021, but we must remember that a lot of people were already saying that it didn't make any sense, that the United States was constantly increasing the debt ceiling, that the United States was constantly increasing its deficit, and that in what was the logical outcome of COVID, which was to reduce the extraordinary government spending and bring down deficits quickly. What ended up happening was the opposite, and that in itself, started to show to people that things were not okay in the Western world. It was also a problem in France, it was also a problem in other economies. But the United States cannot afford to believe in the modern monetary theory, the MMT fallacy, and think that it can print its way out of every problem. It can to a certain extent, as long as the level of deficit spending and fiscal and trade deficit is in line with an economic growth that is higher, a level of productive economy that is improving faster, but it cannot do it just by bloating government spending and following the European disaster. Because if you follow Europe, you end up with the type of growth, the type of unemployment and the type of destruction of purchasing power, of salaries of Europeans.

Erik: Daniel, let's go back to this question of the US dollar and its sustainability as a reserve currency. You know, years ago, we used to ridicule the doomsday bloggers who said, one day, Sergei Glazyev is going to architect this de-dollarization campaign. We're all going to wake up, and all of a sudden, one day, the US Treasury yields are going to be out of sight to the upside. Treasury bonds are crashing in price because everybody has moved on and stopped using the dollar as the world's central bank reserve asset. Now, I don't think that's realistic. But if you stop and think about it, the reason that that there has been no alternative to US Treasury bonds as a central bank reserve asset, really is all about network effect. Everybody says, well, that the issue is that there is no other market that's as deep and liquid as the US Treasury market. Well, what makes the US Treasury market deep and liquid is that all the central banks have massive US Treasury holdings. If they didn't anymore, then all of a sudden, it wouldn't be so deep and

liquid. And I guess we don't have an alternative yet, but there's increasing motivation for somebody to create one, maybe somebody comes up with some digital currency alternative that really is super deep and liquid that could replace the US Treasury market. Do we have to worry about a scenario where maybe those doomsday bloggers scenario that we made fun of 10 or 15 years ago, actually starts to come true?

Daniel: I think that the reason why we made fun of those comments was because many of those bloggers were talking about a doomsday scenario of zero or one – i.e., either the entire world continues to use the US dollar as the world reserve currency, or not at all. And obviously the other side, the Keynesian money printing machine, said, look, this doesn't make any sense, obviously. So, the consensus continued to say, well, no, there's no problem. The United States can continue to increase its imbalances, and nothing will happen because the other argument makes no sense. However, it's not about zero or one. It's about the destruction of the confidence in the US dollar as the world reserve currency, exactly at the same time as the United States continues to increase its imbalances – i.e., everything is down to supply and demand, whether it's bonds or whether it's any other thing. So, the idea that supply is not a problem and will never be a problem, because there will always be demand, doesn't take into account the fact that that demand may be diminishing, not disappearing, but diminishing just at the same time as supply rises. So, the risk for the United States is that all the benefits of having the world reserve currency become enormous liabilities. Number one is that increasing supply of debt to the world is more challenging to park in other central banks and in other assets and in other portfolios of other investors. Number two is that even if you do, it's going to be at a much higher cost. Therefore, the burden on economic growth, the burden on taxpayers, the bear, the burden on US consumers, is higher. So, you get the negatives of having the enormous level of debt, the negatives of higher taxes, negatives of persistent inflation. And the challenge of a world that may not get rid entirely of the US dollar, but may reduce it by 20%, and reducing it by 20% is a ginormous impact on the US dollar. That is the problem, is that, because the views are so drastic in the camp of 'nothing happens if the government prints and borrows,' with the camp that says that 'everything happens if the government prints and borrows,' they don't seem to understand that there's something in the middle that basically it brings the United States to the place where the UK is right now, which is that you have a world reserve currency, but it is not the world reserve currency, and that your supply of new currency to the world is not demanded, no matter what you issue.

Erik: Let's move on to the economic condition of Europe now, because the perspective that we hear on the other side of the pond, and there's no shortage of propaganda inserted into this, is, well, you know what's happened is Europe has had it easy. Europe has been basically freeloading on the United States. The reason that Europeans are able to enjoy six weeks of paid vacation and shorter work weeks and early retirement ages and so forth, is all because the US has subsidized the defense costs of Europe. President Trump has been adamant in saying that's going to stop, Europe is going to have to pay its own way, either by paying the US for that defense service, or by getting their own, you know, 'solve your own problem, defend your own country, we're not going to do it for you anymore.' The way that that's presented, at least on the other side of the pond is that puts Europe into a dire situation where it will be impossible for

Europe to continue to provide its social safety network and so forth, that its populace is very much become entitled to, and feels that there's a moral obligation that they have that forever. People are saying that's going to be unaffordable, it's going to bankrupt Europe. It's doomsday for Europe. Clearly, there's at least a little bit of propaganda in that message. How do you see it? And how do other European asset managers see it on your side of the pond?

Daniel: I think that everybody understands that the European Union cannot just continue to rely on the United States 100% for its defense. That doesn't mean that we're going to stop being partners and that we're going to stop supporting each other. It means paying a little bit more of what the Western world requires in terms of defense. And I think that that is perfectly logical. Now, the problem of the European Union is that because for so many years, it grew accustomed to the idea that it did not have to spend on defense, and that it could spend on any and everything else, is that right now, there is no government that wants to administer and to prioritize expenditure. And that is a huge problem, because for so many years — and it doesn't matter what type of party or what type of government, what color the government was in — for so many years, the easy way out, when the European nation had fiscal challenges or had to reduce the deficit or found that the level of debt was rising too fast, the easy way out was always to cut defense spending. And the problem for European Union nations, particularly France, I would say — but it's very similar also for Germany, for Spain, for Italy, etc. — the problem is that the level of entitlement spending, the level of government spending is so enormous that, on the one hand, most governments cannot prioritize and say, well, we're going to cut in these unnecessary items and we're going to accommodate defense expenditure. And on the other hand, many of the political parties have lived a world in which they simply did not have to talk about defense. So, there's no way that they are going to defend having more expenditure in that area. So, it's very, very challenging. Is it going to bankrupt the European Union? No, but it is going to add just another nail to rapidly shutting down coffin of a system of alleged welfare state that had become not a welfare state, but a welfare of the state that became an enormous administrative and bureaucratic machine that does not want to cut spending on anything. It's ridiculous when you're living in Europe, and you read that the European Union has committed to an €800 billion defense expenditure program, and almost no media outlet or no newspaper saying, where's the money going to come from? So, that is another element that is important to take into account, is that it's going to make it very, very difficult for fund managers, for investors in Europe to look at that and to think that the euro is going to continue to strengthen, or that the European Union fiscal position is going to get any better. And right now, it seems unsurmountable. Unfortunately, what a lot of countries are doing is obscene, which is to try to disguise as defense spending, a lot of completely nonsensical expenditures that have absolutely nothing to do with defense. So, we're doing a very, a very significant disservice to our partners in NATO. But what I think is that, at some point, the European Union needs to wake up and think that defense is an integral part of having a strong European Union, as that is good to have a strong partner like the United States, it will continue to be a strong partner, but It cannot be basically just the concept of free loading that we have heard for so many months.

Erik: Okay, so you've already got a cost of defense risk that it doesn't necessarily threaten the existence of the European Union, but it's a big deal, and it's a big deal that the people of the EU are not used to having to pay for, they're not used to having it cut into the social programs that exist in Europe, which we don't have in North America. Okay, that's number one. But it seems to me like number two, that I want to make sure we don't forget about is, just a couple of years ago, Europe was facing a near existential energy crisis threat with tripling or quadrupling energy prices, electricity prices through the roof. And the salvation for that really was the US, kind of coming to the rescue with LNG exports. So natural gas export from the United States could replace a lot of the gas that was lost after, what was it, Russia blew up their own pipeline, is that how that event went down? Right? Yeah, something like that. But we were going to save the day, really, by the US building export terminals for LNG, which has now happened, being able to export all this LNG to supply Europe. Europe would have an energy source from the United States. It seems like now any LNG exports are going to at least come with the threat of a tariff if President Trump doesn't get his way. So how does the energy dimension of this, combined with the cost of defense, where does that leave Europe in terms of, I'll call it, its economic vulnerability?

Daniel: I think that, number one, Europe doesn't have any negotiation power relative to the United States in terms of the tariffs. Therefore, it can only negotiate to lift its trade barriers and lift its burdens to US businesses and US exporting businesses. Because the European Union cannot face the next winter without US LNG. We know that Qatar cannot supply the excess amount that is currently coming from Russia. In the latest figures for 2024, Norway is the largest supplier of natural gas to Europe. The second is Russia, at 18.8% followed by the United States. Now, we know that Ukraine has stopped any type of pipeline deliveries of natural gas to Europe. So, the only alternative for the European Union is the US natural gas. However, now is a very bad time to go to the United States and say, hey, please send us your LNG, because we don't want to develop our own natural resources, which is the reason why we're so dependent. And at the same time, we don't want to negotiate the tariffs and we don't want to negotiate on trade. So, if you look at all the angles, defense, the European Union needs to spend a lot more on defense but doesn't have the budget space. Number two, energy, the European Union prides on working to be energy independent, but shutting down nuclear plants and destroying the ability to develop its own natural resources, has become more dependent on Russia, and is now dependent also on the United States. And so the enormous trade barriers that the European Union has put on the United States, in agriculture, in industry, in farming, in machine, equipment, all those things, if you put all those things together, you basically have a European Union that has been sending a bill to the United States for a very long period of time, and needs to send another bill in terms of energy that is going to be very difficult to offset. And it's not going to be sold with solar and wind, because we already know – from the example of Spain, from the example of Italy, from the example of Portugal, from the example of Germany – that creating a more volatile and intermittent mix does not give you higher level of security. The European politicians tend to confuse installed capacity with available capacity, and that is not the same. So, one of the problems that, for example, Spain, has found is that it has a tremendous level of benefit from sun and from wind and tremendous renewable energy. However, it has multiplied its imports of Russian liquefied natural gas because it needs to offset the moments in which

demand is very, very strong, and at the same time, supply is limited. So, all those elements are coming together – defense budgetary problems and obviously, the energy problem added to the trade problem –
there's only one solution, to me, negotiate a much better trading relationship with the United States. What Elon Musk and even the German Chancellor is saying, which is that the European Union should actually have a no-trade barrier tariff and non-tariff with the United States in order to create the largest market in the world that also would have the most competitive, most productive and most innovative companies in the world. That would be hugely beneficial for the European Union and for the United States. Doesn't seem to me like that is what they're going to look for. It looks to me like the European Union leaders continue to think that at some point in time they're going to go back to 2001, and that's not happening.

Erik: Finally, let's talk about monetary policy in central bank collaboration. As long as I can remember – and as far as I know, probably going all the way back to Bretton Woods in the end of World War II – the Fed and the ECB have pretty much, well, I guess the ECB only goes back to the creation of the European Union, but even before the EU, Daniel, we had very close collaboration between the Fed and the various individual central banks in Europe, going back decades and decades. The very first thing that Bernanke did in the great financial crisis was pick up the phone and talk to Jean-Claude Trichet, and later to Mario Draghi. Are we in a situation where this has become so politicized? Certainly, the rhetoric I hear out of European policy makers is pretty darn strong. Are we going to get to a situation where the ECB is forced to divorce the Fed, if you will? And what would that mean in terms of monetary policy collaboration in the exact kind of crisis that you and I both see an elevated risk of?

Daniel: I think that it's very, very dangerous. The level of political interference on the ECB is enormous, and I think that there's a very significant risk when the ECB starts to believe its own hype, of thinking that it is like the Federal Reserve. Let's remember that the euro is not the dollar, and that the euro is the only reserve currency in the world that has redenomination risk. So, I find it exceedingly concerning to hear a rising level of comments from the ECB and from the European Union, basically assuming that the ECB can undertake a completely different path in terms of monetary policy to that of the Federal Reserve, because it can create the same problem that we were mentioned in prior, but accelerated. We can go back to a 2011-type of crisis in which the European Central Bank believes that the path of policy needs to be completely different. My biggest concern is that the European Central Bank has decided to accelerate the creation of the euro digital currency. And that is certainly a danger for the overall construction of a European system that is strong enough from a financial and from a monetary perspective, as it is to the risk of, obviously, social control and everything. So, I find it very, very worrying that the ECB is sort of believing its own hype, that it can be different than the Federal Reserve. It's something that the Bank of Japan thought as well, with atrocious results. So, I would pay a lot of attention to it, and this is another reason why European fund managers are not falling 100% into the trap of moving all of their exposure to the European Union.

Erik: That really brings up an interesting question in my mind, Daniel, because when you talk about the ECB potentially accelerating the pace of its version of Fed coin, a sovereign digital

currency, or a CBDC, I personally don't think that there's a trump card there, if you'll pardon the pun, where all of a sudden, the ECB could take over as the world's global reserve currency, displacing the dollar, and ha ha, we showed you President Trump. We displaced the dollar as the world's reserve currency because our digital euro was superior, and the whole world followed us into that, and now you're the one who's left in the dust. I don't think that's realistic. But do I think it's realistic for European policy makers to talk themselves into the idea that that's realistic? Oh, I could see that one in a heartbeat. What do you think?

Daniel: I completely agree with you. It is completely unrealistic, but it's very, very typical of the combination of arrogance and ignorance of politicians to believe their own hype and sell themselves that idea, isn't it? So, I do think that that is quite a risk. And actually, the music is already there when you listen to what politicians are saying about all these fiscal challenges coming from defense, from energy, from technology, from the tariff tantrum, etc., all the time, there is this sort of back ground noise in which they actually believe that all of this is going to be sold by a European Central Bank that prints its way out of trouble, and that is obviously not going to happen. And I completely agree with you that the European Union does not have a card to go to the United States and say, ha ha, we are going to overtake the US dollar as the world reserve currency. It's not going to happen. It may be the case that a lot of central banks globally are reducing their holdings of US treasuries in order to purchase gold, but not reducing their holdings of US treasuries in order to purchase Spanish debt.

Erik: If I put myself in Xi Jinping’s shoes, I don't believe that Europe could pull that off, either. But boy, what an opportunity to play that arrogance of European policy makers and say, hey, come over and help us with our de-dollarization campaign. Trust us. We're all going to put all the money into digital euros. We don't have aspirations of creating our own BRICS digital currency. Don't let that bother you. Trust us and work with us. I could easily see Europe being played by China, and potentially other actors, in this de-dollarization campaign. Is that a realistic risk?

Daniel: I think it's a realistic risk. And if you see, for example, the recent visit of the Prime Minister of Spain to China, it's so obvious that China is skillfully telling the European Union leaders, oh, we are your partner. We are the solution. Come to us. We will give you this enormous market that is China, if you give us your legal investor and monetary security. Of course, it's a perfect strategy. And if, and obviously if European politicians, just because they don't like the way that Trump works, or because they want to maintain their position in a completely unsustainable Europe that is fiscally and economically decadent, obviously, those politicians look at China as the solution. They will find the same problem that so many Latin American countries did. Is that yes, finance China is going to certainly, certainly show the path and open the door, but it's not going to give you a free lunch, and certainly, it's a great way of [unionizing] Europe, if that makes any sense.

Erik: Well, Daniel, on that note, I can't thank you enough for another terrific interview. I hope we haven't just made any profound predictions about the future of global monetary policy, I'm afraid we might have. And before I let you go, let's just touch on what you do at Tressis. You run

a fund there. So, for the benefit of our institutional and accredited investors who are able to invest in hedge funds, who do they contact to get a Tear Sheet? And for everyone else, how do they follow your work? What's your Twitter handle and so forth?

Daniel: I think it's very easy to find me, just put Daniel Lacalle, and my Twitter handle in English is @dlacalle_IA. My website is dlacalle.com, and all the information on how to contact me and how to purchase my books, etc., can be found on those. There's a YouTube channel as well, in English and in Spanish, and I hope you like it. I always say that it's easier to find me than to avoid me.

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