



MACRO Voices

with hosts Erik Townsend and Patrick Ceresna

Dr. Pippa Malmgren: Bessent, Stablecoin & JFK

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Erik: Joining me now is Dr. Pippa Malmgren, best-selling author of several books as well as [Pippa's Pen and Podcast](#), which, of course, is Pippa's Substack. Pippa, it's great to get you back on the show. I want to start, I know you've been writing a whole bunch of exciting stuff. We've got a link in our Research Roundup email to a piece you just wrote called, [O Shocks](#). It's a lot of great content in that one. I want to talk specifically, though, about Bitcoin and cryptocurrency, and stablecoins in particular, because when I first assessed this thing, I said to myself, governments are eventually going to wake up and recognize that cryptocurrency poses an existential threat to their government or their monopoly over the issuance of money. What I never saw coming was the President of the United States would correctly recognize that, cheer it, and say, yes, let's take away the control of the issuance of money and take away that government monopoly and not let the government have it. Never saw it coming. It seems to me like that changes quite a few things. What are your thoughts on how do stable coins play in?

Pippa: First of all, it's great to be back on with you, and it's always so much fun just to review where we are in the world with you. I've had a very strong view on the stablecoins, that's been quite out of the market, which is what they're basically doing, is trying to rebalance the entire balance sheet of the nation. Now, that means they got to clean up the debt and the problems of the past, but they also have to build an economy of tomorrow. Now, one of the pieces of the stablecoin puzzle, the Bitcoin puzzle, is that it's a new way of financing tomorrow's ventures, the new Apples, the new Teslas. So, it breaks the lock that Wall Street has had on who gets money. Because normally when you start a venture, you got to go to the venture capital guys, or Wall Street or Silicon Valley, and they give money to almost no one, and you have to be a unicorn, a company that looks like it's going to be worth a billion dollars in short order, which means your regular grocery store chain has zero chance, and most startups have zero chance. So, you can only grow so quickly if you use the traditional equity, venture capital, IPO model, even though it's the American Dream for entrepreneurs, the reality is that it hasn't been a dream for many people. So, Scott Bessent, the Secretary of the Treasury, I think, is one of the greatest minds on national balance sheets alive today. I think he understands sovereign balance sheets better than anybody. And I think, look, he's been running money for a long time. He is the guy behind George Soros who broke the Bank of England. And he looked at this and went, we've got to make it easier for the next Tesla, for the next Apple, for the next grocery store chain that needs funding. So stablecoins being interchangeable with US dollars suddenly allows that to happen, and you can see that the new ventures are not going to go to the equity markets as much as go to the stablecoin markets. So, this is one piece of that.

The second thing is, what is it collateralized with? And the answer is, US Treasuries. So, if you actually create an interchangeable stablecoin with US dollars, you're actually doing a number of things. You're, one, you're creating demand for US Treasuries. So now it's easier to fund the US deficit, the current account deficit through Treasuries than before. And not only that, but you effectively dollarize the whole world economy this way, right? Everybody will need to own dollars if they're going to be in stablecoin markets. So weirdly, it's a backdoor way of financing the United States. So, the way I've been putting it is defi becomes refi. In other words, what you thought was decentralized finance, which was for many people, a way of exiting the fiat financial system actually becomes the mechanism by which you fund the fiat financial system. But there are other features too, and one of them, I think, is really important, is the traditional American government has all these holes on their balance sheet, right? Nobody can explain where all the money is going. And as we saw with Elon Musk going into government with the DOGE process, they found that there were all these payments going out from the US Treasury with no name, just a bank account with no explanation of what is it for. And so now he's mapped all that, there's a much clearer understanding of where the money is flowing. And the answer is, it's not flowing to where it should be flowing. And a lot of it has now been shut down. For example, the whole story with USAID, which isn't really about giving money for aid, it's really about financing all sorts of things that may not be what any given president has approved. And basically, if you are up against what Trump would call the deep state, this is a very easy way to end those cash flows and to demand that in future, they're on much more transparent, digital, blockchain based balance sheets. In other words, in the past, you could make payments and not have to explain where they went. But going forward, everything is going to be tracked and logged and tagged, and you won't be able to say, sorry, George retired, we're not sure where the money went, or we don't have the receipts, or the systems don't talk to each other. No, you're going to see right away where is the money going. So, it's a way of defanging the deep state structure that opposes Trump. So, there are a lot of features to stablecoins, but I think it's a revolution in finance. And I think it's akin to what the British did when they moved from using tally sticks for 1000 years before 1834, and then they decided as a central system of money and accounting, and then they needed to inflate because of war debts, and they shifted to a new technology called paper money. And that shift created the foundation for the financing of the Industrial Revolution. And I think we are on the brink of a similar moment where this new methodology is going to allow us to fund tomorrow's economy much more easily. So, I think it's really a very exciting time.

Erik: Pippa, I just realized that we should define stablecoins for any of our listeners who are not familiar with them. When you buy a unit of cryptocurrency like Bitcoin, when you buy a Bitcoin, you're buying a digital token which represents an ownership claim of one unit of digital currency system called Bitcoin. Its value comes from its marketing and its uniqueness or its scarcity, and it's the fixed money supply that's limited that gives it its value. When we talk about a stablecoin, what we're talking about is the same kind of digital token that works on a blockchain, but now it's giving you ownership of one share of something which is actually backed by US dollars. Hang on a second, Pippa, how well developed is the infrastructure behind these stablecoins? How well regulated, and how certain are we that there really are US dollars backing the stable coins, and it's not a scam?

Pippa: These are all excellent questions. First, I think a way to think about it is effectively what the new legislation Congress has just passed calls for is for private institutions to issue their own stablecoins. So, imagine if a Citigroup or a Wells Fargo, or even in Costco, that they will send you stable coins, and then they'll be in your digital wallet. They'll just appear in the middle of the night, in an email, or you'll get some notification. The key thing is that we don't know what the value is going to be. We know that they'll be convertible on some basis, into US dollars. They may have more features of special deals you can do with that company by owning them, but the most important thing for me is that when banks issue them, it turns you as a depositor in a bank, from being a person at the bottom of the credit totem pole to one at the top. Now, why do you care about that? If a bank goes bust, currently, as a depositor, you're the last to get paid, and that's why we set up the FDIC, in order to protect the depositors up to \$200,000 per account. But I think that, so Trump and Bessent think that there's still a lot of bad banks and bad debts, zombie assets left over from the financial crisis that only exist because of all the liquidity that got thrown into the markets. And if we could get rid of those, the economy would function better.

So, how are you going to get rid of those? One way is, you convert the depositors into senior creditors, and it's via those stablecoins that you acquire the right to be at the top of that credit pole. So, if something happens to the bank that you're a depositor with, you are protected without having to turn to the FDIC. And so, what this tells us is that, part of the stablecoin strategy is to do what I call a controlled demolition of the old rotten assets that are weighing down bank and institutional balance sheets, and free them up to do more productive things with that capital. And so, to finish on this, I fear this may be a little bit like what happened when the Soviet Union fell apart and they created the new Russia, and they distributed pieces of paper to every citizen, saying, you now own part of the electricity company and part of the water company. And people didn't understand what these little pieces of paper really were. And so, a bunch of smart people got together and went around door to door, saying, hey, I'll buy your pieces of paper for \$1,000. And \$1,000 was a lot, so lots of people sold those pieces of paper, and then it turned out they were really valuable, and that's how the oligarchs in Russia came into being. They just spotted that the public was ignorant of the true value of these pieces of paper the government had issued. This time, it won't be pieces of paper, it'll be digital tokens, but I think it might be the same as, we don't know yet how valuable these will be with one firm or one bank versus another. So, when you get them, you should just hang on to them. And I'm not sure it's smart for everybody to start trying to trade in this stuff. The first thing is, let the market be established, and then we'll begin to see what's really going on. But when you're given these assets, the key point is, don't give them away.

Erik: Pippa, something that I have learned from you over the years is you're very good at seeing the bigger picture, stepping back and just seeing how things fit together. Help me understand more about Scott Bessent, this guy, I was not familiar with his background. I didn't know how well connected he was to the Soros organization and so forth. I mean, he's a really, really seasoned guy. He seems to be almost like the Henry Kissinger of this administration, the guy who's got the financial plan that almost nobody else understands. Is that right? And if so, where is it all headed?

Pippa: Look, Scott Bessent has an outstanding reputation for being an absolute genius and a very straight arrow, and also, as we have seen, very calm under pressure. He's hugely respected, very close with people like Stanley Druckenmiller, connected into all of the players in financial markets that we know and respect. He started his own fund, I think it's called KEY Square Capital, did incredibly well. So, the important thing here is we basically have not just a trader, but someone we might have called a bond market vigilante in the old days. In other words, someone who is trying to protect the debt position of the United States from a disaster. And I know from personal experience living in Washington, DC, that there's still in Washington a view that there's no problem with the debt. And anybody who says there is a problem is an alarmist, and we just have to grow our way out of this thing. It's all going to be fine. But that's not Scott Bessent's view. He thinks that we already are in a very serious predicament, given that the United States completely depends on foreigners to fund the gap between our savings and our current account deficit. And so, he is saying, we got to fix this right now. We are not going to wait. And there are many different ways that he's now doing that. So, some of it is, let's cut some costs, but there's a limit to what you can do without enraging the public and getting thrown out of office, becoming incredibly unpopular, but some of that is happening. Some of it is about explaining how the US is going to generate revenue from unusual sources.

So, this gets us into the tariff issue. And just to be clear, I wrote my PhD on trade policy at the London School of Economics. My father was the principal negotiator for the United States on trade policy, and basically did all the big free trade deals through the mid 60s through to the '74 Trade Act, and he consulted on them to many governments after that. So, I come from a free trade background. And so it's very common right now for everybody to criticize the tariffs, but if you just step back for a moment, the tariffs were a negotiating tool used to make a threat, because most countries desperately need access to the US consumer. And so, when confronted by a huge tariff, they all went, oh, okay, I dropped my tariffs to zero. So, for example, Vietnam did that. They went, okay, okay, uncle, I give up. I'll go to zero. And we went, great, we'll join you just about there. We basically now have a free trade zone with Vietnam, and a lot of the economic activity in Asia is now funneling through Vietnam to their great advantage, and this strategy means that the Treasury is now generating revenue from tariffs. And \$50 billion is the most recent number, which is not insignificant. Now, here's the deal. Before 1913-1914, all of the revenue to the US Treasury came from tariffs because we didn't have income tax. It's only after income tax and the Federal Reserve were introduced that revenue started to come from that source. So, part of what Bessent and Trump are doing is saying, wait a minute, the terms and conditions of accessing the US consumer need to change in favor of the US consumer and the US worker. And one way to do this is you get the foreigners to agree to overall lower tariffs, but pay more than they did before. And now we go back to the American taxpayer and say, by the way, we can cut your taxes, because we're generating revenue from this other overseas force, and that, I think people have not yet understood that this is part of the strategy. And I'll give you one more piece of this puzzle, which, again, Bessent has thought through very clearly, which is, this is an attack not on foreign governments, but on US and Western corporations. Now, I'm going to use a European example for the moment, but it applies to US companies. Basically, all these big corporates moved all the jobs to China because it was cheaper, but they

then didn't pay the Chinese workers anything. They had them on terrible wages, and they also sold those products to us in America and the European consumers for a fortune, while leaving all their profits offshore so they couldn't be taxed. So Bessent is like, yeah, no, this is not going to work. Guys, like, you can't move all the jobs and pay the Chinese nothing and pay the American workers nothing, and pay no taxes and charge us all a fortune for the product. So, the tariffs were a way of breaking that cycle. And you notice it was so fascinating on Instagram, watching all these Chinese workers that were making the handbags for big European luxury goods companies. They suddenly were jumping up and down saying, hey, I make those handbags, not the people in Italy, not the people in France. And why don't you guys just buy from me direct, because I'm a way cheaper. And by the way, I have my own design ideas, which you might find interesting. The consumers jumped and went, I would love to buy from these guys. They're so much more fun. It's more interesting. So, the corporations that were taking the middle and taking all the money, basically no one is crying for them, right? Like, really nobody's upset if their margin gets hurt. And this is also a way of them making it clear through market signals that actually manufacturing something in the US makes sense.

So again, one more piece of this is look at both Toyota and higher. So, Toyota moved their manufacturing to the US near around 2000, maybe a bit earlier. And again, it was so interesting because my dad knew Mr. Toyoda, and was asked to advise on that decision. And they had this fascinating conversation about whether the Japanese should start making cars in the US because they were coming under a huge pressure to either face tariffs or penalties for selling too many cars in the US, which was making it hard for US auto manufacturers. And so, they agreed, actually, the right solution is start making cars in the US. Now that was at a time when everybody was moving auto production offshore, so that sounded crazy, but Toyoda's son said, wait a minute, I'd like to make them in a part of America where there's a sense of community, not where we usually see cars made in America, where it's heavily unionized. And the reason is because Toyota's manufacturing line is not unionized, and so everybody can do everybody else's job, but in the US, it's like, you either do the tires or you do the steering wheel or you do the paint, but you don't do all of them. So, my dad had said you guys should look at the south then, because that's a part of the country where if your house burns down, all the neighbors come out and help you build a new house. And Toyota was like, that's it. That's it. That's great. McKinsey is telling me to make it in the traditional places, but this is a better idea, and that's how they chose Lexington, Kentucky. Now, that plant is now the most profitable Toyota plant in the world, more than Japan, and it has higher US auto content than any manufacturer, including all the American ones. And then there's Haier, the Chinese white goods company, who have a similarly wonderful story. They, too, started making white goods, meaning refrigerators and things like that, small household appliances in the US at about the same time. And everyone said, you guys are crazy. Why are you making refrigerators in the US? It's cheaper in China. And their CEO said, oh, we need to do it in the US, because the US consumer is the most important and the most discerning. We have to learn how to work with them. We have to learn quality control. And he famously smashed 75 refrigerators on an assembly line because they all had scratch on them, which was at the time, like an incredible amount of capital that he destroyed. But it was to send the message we are selling to Americans, they cannot handle a scratch, so we got to lift our quality control game. And they did. And Americans loved their

refrigerators. They bought them en masse. And they finally ended up buying the white goods division of General Electric for, I think it was \$5.4 billion, and they still run it now. So, the idea that the Chinese cannot sell directly to Americans, they cannot manufacture in the United States, is just not true. And so, what Bessent is thinking through is, how do we create the conditions for this to happen? And I think it is happening.

Erik: Well, I agree with you, Pippa, and I just want to put this in perspective. It sounds like you and I agree that Scott Bessent didn't come take the Treasury Secretary job just so he could oversee the issuance of operations of currency during the course of his time in office. He came to do this, as far as I can tell, for the purpose of re-architecting the global monetary system and rethinking the way the capital formation process delivers capital to formative new businesses. That's really big. Is that an exaggeration for me to say that's what this guy is up to?

Pippa: No, no, that is exactly what he is doing. He is re-architecting the global financial system in a way.

Erik: And the capital formation process for private capital calmly and quietly whilst hoping nobody notices from the looks of things.

Pippa: Yeah, not just for the US, as well, also for China. So, for example, I think there's something going on that's really important in China right now, which is a split between the CCP, the Communist Party, and Xi, the Premier. And what's going on is the Communist Party is looking at this saying, look, what Trump and Bessent are offering China is a road into the future. Unlike the previous administration that was saying, just cancel China, right? Just block them, but you can't block what, 1.7 billion people, they're not just going to go quietly into poverty. You have to make a way for them to have hope in the future, and that is what is being offered by this new arrangement. And interestingly, the Communist Party has been clearly having internal conversations going, wait, why are we talking about going to war with the Americans? Because we don't have the demographics for that. The economy is in no shape for that. And in fact, Trump is saying he's willing to negotiate over Taiwan. So, we don't need to have a fight about that, but what we do need is to build revenue, income, higher standards of living, cash flow for workers. And actually, this road that Scott Bessent is showing us would provide that hope for a better future. And so slowly, you start to hear about strategies and positions that are not what we were hearing from Xi Jinping. So, they're even succeeding in shifting the domestic policy position in a place like China.

Erik: Pippa, you've written about a Sixth Party system giving way to a Seventh Party system. What the heck are you talking about?

Pippa: Okay, so all you have to do is go to Wikipedia and write in Sixth Party system, and you're going to get the explanation. But in short, we Americans don't have a long memory. We forget that we are not on the first system of parties in the United States, right? We used to have the Federalists and we had the Whigs, and where the heck did they all go? The answer is, we have had five different party systems since the foundation of the Republic. Today we're on

what's called the Sixth, the Sixth Party system involves two main parties, Republicans and Democrats. But I think that this current party system is failing on both sides, and we're leaning into what will become known as the Seventh Party system. Now, we could go into, what do I mean by why are they failing, and what does the Seventh Party system look like? But I'm just making the point that we have done this five times before, so it's not new. It's just, people don't remember that we used to have other parties in the past that also disappeared and reformed into something more modern and more useful.

Erik: Pippa, let's jump into something that's been in the news in a big way, which is Jeffrey Epstein. Frankly, I don't want to talk on MacroVoices about all the sex scandal stuff and sex trafficking, certainly with respect to the victims. It's a horrible thing, but it has nothing to do with macroeconomics. You're the only person I've ever heard say, hey, everybody, stop paying attention to the sex scandal and look at what else Jeffrey Epstein was into. Tell us more.

Pippa: I think this is the key. He was clearly deeply involved in financing deals between mega investors and leading scientists, leading technologists, and it appears more and more that these were deals that the intelligence community was also involved in. And it's complex, because one position is he didn't work for the intelligence agencies, but that overlooks the problem that intelligence agencies also have people working with them, not just for them. Technically, he wasn't an asset, but he was a kind of friend. He was a liaison. He was a person who navigated complicated deals that governments didn't necessarily want their fingerprints on. And there are lots of people in history like this. Mark Rich was famous for being like this, who was a metals trader. There are a number of characters in history that played this role. Ironically, one of them was the father of Epstein's partner, Ghislane Maxwell. And the father, Maxwell was also very renowned for being deeply involved in the science and technology community through his publishing business, which basically pretty much invented the whole peer review system, which was a way of making sure that certain scientists and certain science and certain technology would be promoted, and others would not. It was the creation of a club. So, the question is, what were these deals? Why was, for example, in 2004, why was Epstein holding a conference on gravity with Sir Stephen Hawking and many of the great physicists of that time? What the heck was he doing on that subject? Or in other areas of science, like genetics, where he was clearly working with Harvard and the Gates Foundation. And how did that happen? And I just wonder whether actually, this was the sort of person who was useful for governments to use in managing the evolution of very cutting edge technologies. For example, Eric Weinstein, who's one of the most prominent physicists today, he says Epstein was involved with Harvard when Weinstein was still a student there, and Epstein knew a ton about his work in cutting edge mathematics. And Weinstein today is like, I want to know why the heck was this guy involved with Harvard, and how did he know so much about what I was doing in mathematics? So, these are, they're also connected to other weird elements of this like, it's super bizarre that Epstein was hired to teach at a very prestigious Math and Science High School in New York City by a guy called Donald Barr, whose son Bill Barr was the attendant attorney general that initially had Epstein arrested and oversaw the case when Epstein supposedly committed suicide. What? And it turns out that Donald Barr's other son is a very prominent nuclear physicist who works on things like non gravitational forces and the process by which matter came to dominate over anti

matter in the universe, like the overlap. But Epstein's life and science and physics is just quite profound. Again, this is at the heart of the question is, it may be what we're looking at is, it's not about Epstein, the person, in that sense, the President may be absolutely right. He is not very interesting, but the system he represents is very interesting and very important for us to understand, if we're going to make sense of how the US economy and the world economy actually work.

So, one other thing to understand as well is that, whenever you have really terrible scandals, when things have gone really wrong, it's actually quite typical in history to just disappeared. It just, I what? I don't know anything about this. I know that sounds crazy, but for example, this is what happened at the end of World War II, when a number of very prominent Nazis suddenly were pretty much exonerated. There was a guy called Otto Skorzeny who had been Hitler's personal bodyguard. He had been the head of the Waffen-SS, he was considered the most dangerous man in Europe. He was basically Hitler's head of Special Operations, right? Special ops guy. And next thing you know, he's led off by the Hague, and he ends up living in a very nice house in the west of Ireland, until, I think it was in the 60s, the neighbors figured out who he was. He gets moved to Marbella in Spain, which is a very beautiful, elegant, sunny place. And wait, how is this even possible? Like, why didn't any Nazi hunters go after him? And you realize, because he was working with all the intelligence services, like all of them. Why? Because he was so skilled at what he did, they needed him. And so, when you get to the end of a really terrible episode, it is not uncommon to say and it's gone, just like in that South Park episode, and it's gone. And this is kind of what we're seeing with this particular case. And I was just in Berlin last weekend at this extraordinary site called Teufelsberg, which is this massive, physical listening station that was originally, it's in the middle of a forest in Berlin, overlooking the city. And originally, the Nazis created it to house their super, high tech, super secret technology center. And then it just got abandoned. And then the American NSA took it over and put in these huge domes to listen to the city, right? It was a very cold war kind of phenomena. And I think, 1961 they went in. And today, you go there, and it's clear that everybody just walked away one day, it just was totally abandoned. So now it's covered in graffiti, and the domes are all disintegrating, and nobody's ever refurbished this place. And you're like, what the heck? How is this even possible? And the answer is, if the scandal is too large, you just walk away and it's gone. And I think that's part of the kind of, it's like an ontological shock. I call it an O shock. It's a wait, wait, but this can't be right. But you're busy doing other things, and the hope is you'll just forget about it. You'll forget and that was the bet with JFK assassination. And I think it's very interesting that Tulsie Gabbard is releasing all these background documents on all these various scandals, the Martin Luther King files, the John F. Kennedy files, now the files on what happened with Russiagate and the investigation into it, which was called, oh, what was it called? Hurricane? I'm just flaking.

Erik: Crossfire hurricane.

Pippa: Yeah, that's it. Thank you. Crossfire hurricane. And suddenly, all of these documents being released all at once, revealing little hints and drips and drabs that maybe what happened is not the official story of what happened, and leaving it to us, the public, to start connecting the

dots and figure out how much does the public want to get into this and seek justice, seek reform, seek repair? And how much does the public, like whatever, moving right along? It's an open question.

Erik: It seems to me that this is an incredibly important crossroad or moment in political history, from the standpoint that Tulsi Gabbard, in her official capacity, just accused a former president of the United States of essentially high treason. I don't know if they've ascribed that particular crime to it, but she's basically said that President Obama intentionally manipulated the elections while pretending that Russia was doing, that the real manipulator of the 2016 election was Barack Obama, not Vladimir Putin. According to Tulsi Gabbard, that's a just damning allegation for someone in an official capacity to make that level of allegation against a former president is probably historic by itself, and if true, it's absolutely staggering. Are we seeing the, what are we seeing? Are we seeing the unmasking of the US government, where the American people finally realize that it's always been little more corrupt than they thought, or are we seeing the beginning of a really big change where things fall apart, or both?

Pippa: I think this is why she also released all the supporting documentation, including, amazingly, portions of the President's daily briefing, which is unheard of, and she's releasing the notes, the handwritten notes by various parties involved. And that, to be clear, she's not only aiming the criticism and the allegation at former President Obama. She's also aiming at the head of the former head of the CIA, former officials that were all involved in what seems to be a very deliberate effort to say the intelligence services said they did the report. They said we see no evidence that the Russians interfered with the election, and we don't even think they're capable of it, and a decision was taken to chuck that and write a report saying that they were. And so, this is something extraordinary, the fabrication of evidence, not just saying an interpretation, but the fabrication of evidence. So, this is a massive allegation, and it will necessarily involve getting deep into stuff that's traditionally always been super secret, super classified, and I think that's part of what Gabbard and Trump are trying to do is open the visibility to the American public, because otherwise it's all hidden. And they're saying, okay, let's bring it into the public domain, where the public can look at it themselves. Now, whether that actually means that their interpretation is correct, I don't know, but we have a massive scandal here, and this is already a much bigger deal than Watergate, partly too, because what the allegation is that maybe every President has been maneuvered, manipulated, dictated to, there's still a possibility that Obama's name may be on this, but it's not voluntary. Maybe he got railroaded into having to do this as well. That's a possibility is that he didn't direct it. And he was directed to do this. So basically, Trump and Gabbard are opening up the whole question of, what is the relationship between the civil service and the intelligence services and any sitting president, not just one, but any of them.

Erik: Well, Pippa, this is a perfect segue to something I've wanted to ask you about, because I'm very concerned about the way the news doesn't get processed. We're talking here about the Director of National Intelligence. That's the person who's overseeing the intelligence agencies of the United States of America, making a formal announcement in her capacity, in that official role, saying essentially that the intelligence agencies of the United States of America are

untrustworthy and should not be trusted at their word. Is there any example or precedent in American history, Pippa, where the incoming political administration basically announced that the government was corrupt in the previous administration and that the public should not trust their government?

Pippa: Well, let me phrase it a little differently. Have we had presidents who came in and didn't trust their intelligence community or feared them? Yeah, we've seen that a lot, and that was exactly John F. Kennedy's position, and he was in battle with both his intelligence community and the military, and had huge fights with them. And no, Eisenhower when he left office, and he basically said the military industrial complex, by which he meant the military and intelligence communities, are not to be trusted like it's not a new position, but proving it is the thing. And again, what this administration seems willing to do is to say all those things that are classified. Yeah, forget it. If it's really to do with, say, nuclear secrets, okay, we won't declassify it, but if it's anything else, we're declassifying it, and suddenly that whole community is like, naked. How do you explain stuff that you thought would never see light of day, memos and notes and official comment. It's unimaginable to the intelligence community that any President would expose them, but that is what's happening. The fight that Kennedy had at the time was not so different, I think, than the one we're seeing now, but he was not in a position to reveal to the public the things that were classified. But Trump, he's like, unless it's seriously needing to be classified, forget it.

Erik: Well, Pippa, this is something that I know hits very close to home for you, because your dad, Dr. Harold Malmgren, was an advisor to President Kennedy. He worked directly in the Kennedy administration. He was actually an advisor to four different US presidents during his career, very successful, very respected man. Just before his death, he basically went whistleblower and felt that he had to divulge some of the things that he knew made some absolutely shocking revelations that were completely ignored. And what is really striking to me, Pippa, is, if this was some blogger, conspiracy theorist guy someplace, okay, fine, maybe he's got a theory about something, nobody takes it seriously, whatever. This is a guy who worked in the White House for the President of the United States, and he's saying that there was an incredible degree of corruption and evil, frankly, in the 1950s and 60s in the United States government. He's alleged that that General Curtis LeMay was behind a master plan where the United States would initiate a first strike that would essentially be about 500 to 1000 Nazi genocide style genocides, all at once, on top of each other, killing a billion human beings around the world. Curtis LeMay was going to go do that, according to your dad. Your dad makes that allegation, and it's not that your dad got debunked as being wrong or accused of being a conspiracy theorist, he was completely ignored. So when I went to debunk that, I went and checked it out, and I found out, wait a minute, no, actually, there was a book written by Daniel Ellsberg back in 2017, basically revealing most of that, that the US planned an initial nuclear first strike that would have been a genocide against about a third of the planet's population, and that bit of history has just been erased and forgotten. Your dad tried to bring it to light just before he died, and it was completely ignored. Your dad also brought to light that he had personal knowledge of the US covering up it's being in possession of crashed alien spacecraft. Talk about a conspiracy theory. I want to see if a guy at the level of your dad's experience in

government makes allegations like that. I think they should either be debunked or a subject of great concern. It seems like we've transitioned to where, if the government doesn't tell the media that something's part of the important narrative, it's just not in the news.

Pippa: It's so interesting. He did do this long interview, and there have been people that are trying to debunk him. It's been fascinating to watch. Now, I've got his papers, and it's very clear that on this issue of the US military having a much more aggressive position than we might have realized. My dad wrote a paper for the Institute for Defense analysis during the period of the Cuban Missile Crisis on protracted nuclear war. And the issue really was that Daniel Ellsberg and my dad had been good friends since they both worked for Tom Schelling as research assistants at Harvard, and Daniel Ellsberg is famous for the Pentagon Papers, right? He's the guy who released the papers that said the Pentagon's lying about Vietnam. We're not winning, we're losing, and they're just lying to the President. They're lying to the public. So that became a massive scandal. But this is a good, more than a decade before that, and JFK asks Ellsberg, a former Marine, to go out to Asia and meet with the individual American pilots who have nuclear weapons, and ask them, under what circumstances would you launch? Because Kennedy is being told that he has the nuclear football and he controls the ultimate decision of when to launch nuclear weapons. But he doubts that he's being told the truth. So, he asks Ellsberg, can you go out there quietly and just tell me what you think. Ellsberg writes this book about how he went and visited these guys, and they also, you know, if I get the order, I'm going to get the plane in the air and I'm going to head to whatever's closest, Russia or China. And Ellsberg says, but you need presidential confirmation. Are you going to wait for that? And they said, in theory, yeah, the power goes out like three times a day so, if we didn't get it, we probably would just go ahead. And Ellsberg goes, well, wait a minute, why would you drop it on China if Russia was the problem? And they said, oh, but that's just the plan. We just hit them all. That's our orders. So, he comes back to tell Kennedy this, and Kennedy's horrified, right? And he goes to the military and says, you're not telling me the truth about your actual battle plan. And they say, no, no, we are. We are. And Ellsberg says, no, you're not. And he gets a copy of the Official Plan and gives it to Kennedy, and Kennedy now can see that they're trying to run circles around him.

Anyway, the key here is that the assessment at the time was that, and remember, LeMay is the guy who fire bombed Tokyo. He's the guy who dropped the nuclear weapons on the Japanese. He later wanted to drop nuclear weapons on the Vietnamese. He's the guy that Dr. Strangelove is modeled after, right? The guy who wants to just nuke everything. And so, he and the whole Joint Chiefs team that were also of this way of thinking, they were in a mode to do this, to basically finish the argument with the communist world by eliminating it. And so, my dad is like this young, 27-year old who is asked to be a liaison between the Joint Chiefs and the White House, and he's told, look, just we got to do everything possible to slow these people down, to buy time for diplomacy. And that is what happened in the end, is that Kennedy did get time for diplomacy. He did reach out to Khrushchev, and he did make a number of offers. One was, we need to reduce the number of nuclear weapons. We need to do space together. We need to work together to prevent the any situation that might end in a catastrophe for Earth. And the estimate that that they had at the time, Ellsberg, my dad, the team at RAND that they were part of, that were working on all this, was basically \$1 billion debt, \$1 billion. And so, you can

imagine the stakes were so high, and we ended up without \$1 billion debt. And by the way, as a backstory, it's super interesting that one of the things that provoked the crisis was the United States put Jupiter nuclear missiles into Italy and Turkey around 1960. And it happens, my dad was in Turkey in 1958 and I was like, wait, dad, what were you doing in Turkey in 1958? And in the past, when I was a kid, he'd always said, oh, we were there because I was working for the government. Then more recently, I'm like, wait, there was a coup in Turkey at that time. Is this a situation where the US backed a coup and managed to get nuclear weapons into Turkey? Which, of course, was a dagger at the heart of the then Soviet Union, and explains why Khrushchev then sent the ships into Cuba. It was in response, and we ended up removing those nuclear weapons, and that was part of a deal that they also removed their ships from Cuba, and it was agreed that that would remain a state secret for 25 years, and the American public would not know that the US had played any part in provoking the confrontation to begin with.

So, look, the point is, these stories are very complex. Most Americans today, it's too old, it's too far out of their memory. But the reality is that, for people paying attention, these stories of, wait, what actually happened? What has our true history been? They do matter. And I was recently in a dialogue with a journalist who said something along the lines of, well, history is already adjudicated. And I'm like, no, it's not, actually and especially now that we have artificial intelligence and we have supercomputing, and we have the capacity to go back and look at documents that have never really been reviewed to make sure, is the story that officially exists really commensurate with the truth? Or is there something else that we need to understand. By the way, I was very interested when we had Watergate and Bob Woodward from the Washington Post, Carl Bernstein from the Washington Post broke open that case, which led to President Nixon having to resign. And later, Carl Bernstein wrote a really interesting article, I think it was in Vanity Fair in 1974, where he said, I've discovered that some of my colleagues at the Washington Post are actually working for the intelligence agencies. And in fact, I estimate that 400 of the top journalists in Washington DC are actually intelligence assets. Now, the question is, did that ever end? And that's one of the issues today, is wait, where is the line between what is independent news and what is the state trying to manage the official narrative? And of course, we all know, especially during the COVID period, there was this whole new reach by government into Silicon Valley, into the news media. It's famously referred to as weapons of mass deletion, cancel culture, shadow banning anybody who said something that wasn't part of the accepted narrative kind of got annihilated. Why? Was it random? Or was it official government position? We know it was official government position. Now, dressing these things is really part of the fundamental democratic process. I'm not raising them to be awkward and obnoxious to the intelligence community. The fact is, we need an intelligence community. We need a strong one, and these things are interrupting public confidence in that community. And so, it's important that we understand what's really driving presidential decision making. Who's making the decisions? That's why I say it's an ontological issue. Is the President really in charge like you assume? Yeah, but maybe not. Maybe lots of things happen that are beyond the President's control, and these are things for us to think about.

Erik: Pippa, I can't thank you enough for a terrific interview. But before I let you go, tell me a little bit more about [Pippa's Pen and Podcast](#), we've got the link in the Research Roundup email

to the latest post, which is called [O Shocks](#), and tell us a little bit about what people can find there too.

Pippa: Sure. So, what I'm doing with that column is focusing on the nexus between geopolitics, tech innovation, markets and strategic security. It's where these things all meet, trying to help us navigate into what is coming in the future. And most of my stuff is, I have to say, I'm very ruthlessly optimistic about what the future is bringing us, things like, you know, as Silicon Valley are telling us all the time that the cost of compute is falling to practically nothing, the cost of energy, the cost of delivery, and therefore we should be planning accordingly for an abundance in the future, not scarcity. So, I approach this from lots of different angles, but I'm trying to give people a different way of thinking about what's coming on the landscape of the world economy that's important for anyone, whether you're an investor or you're just a regular person, what is the future starting to look like, and how to help you see it sooner than you might otherwise.

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