



Jim Bianco: The Post Covid Economy

Erik: Joining me now is [Bianco research](#) founder Jim Bianco. Jim, congratulations on uh, being the first of the five finalists that we are interviewing in our countdown to episode 500. I wanna start by clearing the air because I get almost as much credit as you get for having called. The COVID pandemic back in January of 2020.

I got it from you. I, I do take credit for being very smart. What I did was I was smart enough to know better than to not take Jim Bianco seriously. That's pretty much where my, uh, my expertise started and ended. Tell us a little bit about how you got that call. So right back, uh, five years ago, since we're, we're starting with your track record here.

Jim: Thank you Eric, and I'm honored to be, uh, one of your five finalists. It was, it was back in January of 2020 when. I saw COVID and I got very worried that this was gonna be a real big problem when I saw what was happening in China. And that was in January. And then you'll remember the markets ran to a new high in February and for a while there it looked like it wasn't gonna work.

And then it all came crashing down. But I also remember, I think it was late January, early February, 2020, I was on a podcast with you and I think Ben Hunt. And, uh, the, I forgot which podcast it was, to be honest with you. And we were talking about it back then at the time, and we were very worried, uh, that it was going to become, um, a real problem.

So, uh, that's kind of where the or origins of that came from. And I might add, as we go through and talk about some of these topics one of the underlying themes I've been using is that event, the COVID shutdown and restart of the economy. Is the biggest economic event of our lifetime. It is bigger than the financial crisis nine 11, the inflation of the early eighties.

It is really the thing that you could really, as I like to say, we are in a post COVID economy and too many people like J Powell keep talking about the economy normalizing, uh, or going back to pan pre pandemic levels. It's not, that's an old cycle. We're in a new cycle altogether. So that was.

And continues to be a major event that people need to start thinking about that whether or not we're past the, the virus, which we are is, are we in a new kind of economy, a post COVID economy? And I think we are.

Erik: Jim, I couldn't agree more. So let's move forward into today's economy and talk about one of those examples of something where people might be expecting it to work one way, but it might actually work a different way. And that is the hottest topic going right now, which is the FED rate cut.

Everybody wants. Why does everybody want their rate cut? Well, obviously the expectation is you sure you, you cut short-term rates, that's gonna transmit into bringing down lower long-term yields, right? That's how it works, isn't it? Everybody knows that.

Jim: Except that's not the way it worked a year ago because when the Fed did cut rates a year ago, you did see that long-term yields went up.

Uh, you know, the fed cut a hundred basis points and long-term yields went up a hundred basis points. But you go, going back to the whole post COVID economy thing, if you listen to J Powell, if you listen to John Williams, the New York Federal Reserve President. They, in fact, John Williams gave a speech on this the week before we're recording, where he said it's very clear that he still thinks that the Fed's neutral rate is down around 3%.

And he said that's because nothing has changed, since COVID, that all of the metrics in all of the understandings of the economy are still the same. And J Powell seems to be saying that. A lot of people seem to be saying that. The sub 2% inflation world that we had for a decade plus before COVID is still in effect.

Even though we're now in month 54 of having inflation above 2%. Don't worry, we're still in a po. Uh, we're in a sub 2% world even though we're almost now five years into, before we've, the last time we've seen sub 2% inflation. So there is this. Resistance by a lot of people to say that the economy has changed.

Now I know why There's resistance. They, the reason that there's resistance is they'll scream at you, okay, how's it changed? You know, I need chapter and I need verse, and I need stanza, and I need to know

exactly how it's supposed to work. And the answer is unsatisfying. I don't know all of the answers. I just know that the old playbook you were using from 2019, that one isn't working.

The new playbook that we're gonna be using post 2020, we're still in the process of writing it. So I still don't know exactly how it's gonna work or what is gonna be the, uh, rules of the road. I just know the old ones are not.

Erik: I agree with you. The old ones are not. I just wanna confirm, so you're saying cutting rates looks like maybe the risk is cut, short-term rates, higher yields.

You're saying you don't really have a solid explanation for that other than the expectation that you cut short term yields to long-term, ain't gonna work or hasn't worked recently?

Jim: Well, yeah. Let me be specific. I ba I guess I must have, uh, not explained myself well enough. The reason that you see last year when the fed cut rates.

Higher long-term yields, and you see it with the ECB cutting rates and the Bank of England cutting rates higher. Long-term yields is the market I still think is worried that we're in a higher inflationary world, and if we're in a higher inflationary world, cutting rates is supposed to be stimulative.

And what the fear is, is that we'll just stimulate more inflation and we already have too much of it to begin with. That's what you're seeing with higher long-term yields. Compensating for that expectation of more inflation. Now I gotta be clear, we're talking about three-ish percent inflation to four-ish percent inflation.

Long-term. You know, it might be higher, some periods might be lower. Not sub two. And why does that matter? Because in a three to 4% world of inflation and core, CPI is 3.1. So we're getting to the bottom end of that range. Again, we've been slightly below it for a little bit while, is that what suggests that four-ish percent inflation, uh, four-ish percent interest rates is about neutral?

It's about where interest rates should be. Well, that's where we're at. We're at four and a quarter on the funds rate. If the FED is gonna ramp up and start cutting rates, they keep saying that we're mildly restrictive.

They're using their pre COVID models to make that statement. But if, if I'm right in this post COVID world and we're at neutral now, they're gonna go too easy and they're going to spark an inflation concern.

And that's what you've been seeing with long-term yields with all the central banks when they cut rates that long-term yields go up.

Erik: Okay, so the risk is that with an inflationary backdrop, that's where cutting short-term rates can result in higher long-term yields, potentially creating the reverse effect of the one that was intended.

So it's about the inflationary backdrop that really is driving it. Jim, it seems to me like the Trump administration does not share the view that inflation is a problem. Is this a setup for them to, uh, essentially shoot themselves in the foot by unleashing inflation? By pushing for this, uh, this cut.

Jim: Yeah, I think it is. You know, you're right. Trump has been very clear that there is no inflation. Inflation has been vanquished, and actually it hasn't been, like I mentioned earlier, we're at 3.1% core inflation. In 2019, 3.1% core inflation would've been absolutely unacceptable by any metric from the Federal Reserve or the federal government.

But today, now they're trying to tell me that 3.1% is no inflation. It's not. And again, why is that important? Because if it's 3% inflation plus some kind of premium on top of that, which the Fed calls our star, we don't have a lot of room to cut rates nor. Should we be cutting rates? But I also think the other problem is, and I'll, I'll tread very lightly here 'cause I don't wanna upset too many of my friends in the real estate business.

The absolute worst person to ask about interest rates is somebody who's in the real estate business because they would argue to you that the proper interest rate is zero and they should go to zero, and they should stay at zero all the time when you have an affordability crisis. We should have interest rates go to zero.

When you have falling prices on houses or real estate in general, that is alleviating your affordability crisis 'cause affordability. Crisis is home. Prices are too expensive. When they go down, interest rates should go to zero. When home prices are too expensive, interest rates should go to zero. That's the problem you have with somebody in the real estate

business telling you where interest rates should be, is that they always think that they should immediately be going down and they should be staying somewhere near zero all the time.

And I won't just indict Donald Trump. I'll also throw Bill Pulte, the head of the financial, the FHFA, the, uh, regulator for Fannie Mae and Freddie Mac. He's been echoing similar sentiments too that interest rates should be on their way to, you know, something approaching zero immediately.

Erik: Jim, we've got the jobs report coming out Friday. That'll be tomorrow on the day that this podcast drops on, uh, on Thursday. We recorded this interview just for our listeners edification back on Monday of this week. Tell me about the jobs report, what your expectations are, but particularly how does that relate to the border? Something that might not be obvious.

Jim: I think that what we need to understand about job growth in the United States or any developed country is you have to start with two major factors that give you job growth. One is productivity. How productive is your economy? If it's more productive, it has room to hire more people. And the second thing is, what is your population growth?

This is what the Fed refers to as the supply of labor. Now, what's happened in the last four months or so? Four months now, pushes this back to April or May. Is the border's been shut? Trump has been talking about, that there's no more immigration coming into the country through the border.

And as a matter of fact, with all of the arrests of undocumented workers by ICE, there has been New York Times highlighted this about a week ago. We might be seeing net negative immigration for the first time in a hundred years. Net negative means more people are leaving the country than are entering the country.

The last time that happened was in the, during the Great Depression, uh, when a lot of, uh, Mexican workers left the country because there was no more job opportunities. Now, if we're having net negative immigration, let me throw in one other statistic. The fertility rate United States is at an all time low and has been for decades.

So all of our population growth. Is really coming from immigration. Well, we don't have any more immigration. We don't have any more

population growth. So all you've got then is productivity to basically drive job growth. Now the American Enterprise Institute and Jed Kolko over at, uh, the Peterson Institute.

Uh, he's the former, Jed Kolko is the former head of, um, of Chief Economist at Indeed and Trulia. They've put pen to paper and have made the case that with this low level of immigration growth and with our kind of average to slightly below average productivity growth, that by the time you get to next year that the break even rate for jobs. This is a statistic we don't really talk a lot about because we've never had to. How many jobs does the US economy need to create? Well, the American Enterprise Institute is saved by 2026, which is only four months away. It could be as low as zero, or most likely could be 10,000 jobs that anybody, anything above 10,000 jobs a month is enough.

Now, the problem with 10,000 jobs a month is. President Trump just fired the head of the BLS accusing them of rigging the numbers for political purposes. I don't think they were doing that at all, but the premise there was 19,000, 14,000 jobs in May and June, 35,000 on a three month average was. Too low, unacceptably, too low.

And this is the hardest thing for people to understand is no, if we have no job, if we have no population growth, that's enough jobs. That's all we really need to be creating. And my fear is going back to the Fed, if they're still of the opinion. And I think Chris Waller, who's been one of the leading voices on the Fed, pushing for a rate cut, still thinks that this economy should be churning out a hundred plus jobs a month consistently.

Now you could do that. This month, you know, when we get the August numbers at the end of the week for a month or maybe two, but consistently without job growth, the only way you're gonna get that kind of job creation is if you take people that are not in the workforce and get them into the workforce.

Quick statistic, we always have this statistic called labor force participation rate. That is the percentage of the population between the ages of 16 and 64 that are, have a job. It's about 62%. The other 38% are either students, military, incarcerated, housewives. There's a reason they don't, they're not in the workforce.

They're disabled, uh, or they're independently wealthy. They don't wanna work well. They get those other 38% into the job market. You're gonna have to raise wages. That's wage inflation. That's just another level of inflation. So I think that the supply argument is, the problem with this is, and you'll hear this economist look at the numbers and go, 19,000 jobs a month, panic, the economy's going into recession, but they're not yet.

Really get their arms around the idea, what if the border's closed and we've got no population growth. Maybe that's enough. That's all we need. And if you're gonna try and stimulate this economy into 80,000 or a hundred thousand jobs a month consistently, you're just gonna wind up producing inflation.

Erik: Jim, you make excellent points, but hang on. President Trump's gonna go the opposite direction and say The fact that there's a low jobs report absolutely commands that we have to cut rates right now. Is that a setup for essentially unleashing inflation?

Jim: It could be it could be very much because he would be using that mentality that, 'cause let me back up.

Pre COVID, we never, ever talked about what is the potential number of jobs the economy needs to create. 'cause population growth was fairly stable, immigration was fairly stable. It was the same number, year in and year out, around 80,000, a hundred thousand jobs. And we just kind of got used to the whole idea that that's what the economy should do.

Well. 21 to 23 when we had millions of people coming into the country. There was an argument to be made that that number had ballooned up to 150 to 200,000 jobs a month. And that's why we weren't, even though we were printing 120,000 jobs at beginning of 24, we weren't creating enough jobs because of the ballooning population growth.

And that's why we saw the unemployment rate go up. That was last year when the Fed panicked about the unemployment rate was rising and that we need to do something and cut rates on that. Well, this year we got the opposite. Now that we've got no population growth, the unemployment rate is not rising.

It's the same level, 4.2% as it was exactly one year ago. That is a sign that labor demand is okay. It's just that the supply is weighed down.

There's also one other thing that Trump has been doing, which I think is uh. He has been criticizing the Fed. And about a month and a half ago he wrote on X, uh, or excuse me, on uh, Truth Social that was reposted on acts like a handwritten note to J Powell with all of the central bank rates.

And he circled on all the countries that have zero. And it was like Cambodia and Japan and some other countries that are very close to zero. And he said, we're the hottest. We're the best country. We should be here with these countries, not down here at 4% where we are. The error that he's making is he's thinking that the United States is like the mortgage on Trump Tower.

The lowest rate goes to the best mortgage. Why do you get a low mortgage rate on your, on your office building in Manhattan? 'cause you have high occupancy and you have a desire for people to wanna be in there. In other words, what I'm trying to argue is. You have very little credit risk. He's arguing that the US has very little credit risk.

I agree with him. It has practically no credit risk that the federal government is gonna default, especially as a reserve currency. We'll print the money to pay you back, but we're not gonna not pay you back. Where interest rates for sovereign yields are set is not on credit risk. It's set on growth, inflation expectations and supply, and those are the things that are holding our rates up to 4%.

So when he's trying to argue, we're the hottest country, everybody wants to be here, what he's trying to say is, we're good credit risk. So it's just like the mortgage on Trump Tower. It should be lower than the mortgage across the street because it's a more desirable property and therefore it's less risk.

That's not how you set sovereign yields and that's what he's gonna have to, resolve in this issue. And I think that the market, understands that. And that's why we're seeing long-term yields still stay in this mid to high forest area. 'cause it's not about us being the best credit risk.

It's not about whether or not we're bad creditors in the UK or the, or France, or Canada or Japan. Japan has, you know, got interest rates that are still with a one handle, one and a half percent, and it's all because of their growth and their inflation aspects and their supply

situation to suggests a much lower interest rate than the United States, not about credit or their ability to pay.

Erik: That's the basic theory, isn't it? Of, of macroeconomics is that, uh, on a relative basis, at least the performance of, of one country's economy versus the other, it's the strength of the economy that determines the relative interest rates. The higher interest rate goes to the stronger economy. No.

Jim: That is correct, and that is the way it works.

And that's why I use the word develop countries. Now, when you get into developing countries, that's what you know, then you can get into a situation where there can be a credit risk because there can be default. Venezuela famously is defaulted. Um, you know, some African countries have famously defaulted as well too.

So it is, it's a relative strength on your economy. So interestingly, when Trump says, we're the hottest economy in the world. I wanna say, you know what, you're probably right. And that's why interest rates should be going up, not going down. And Eric, there's another thing in, in, in this conversation that I should throw out there.

We've kind of gotten trapped into this mentality that interest rates lower, always good, higher, always bad. That is not the case when it comes to government yields. It's fair value is always good. When you deviate from it too low or too high, bad things happen. So the cost of money, which is what an interest rate is, it's to borrow money, you have to pay you have to pay for it to borrow money.

You wanna make sure that is at an appropriate level for your economy. If it's too high. You're paying too much. You're going to retard the amount of borrowing because that's the base level, the government yield and then you know, bank loans and corporate bonds are, have some other credit risk premium on top of that.

And then there's not gonna be enough borrowing in your economy and you're gonna slow it down. If it's too low, you're gonna overstimulate too much. Borrowing too much speculation, and you're gonna wind up with bubble markets and or inflation. So you wanna strive to be in that kind of middle. Fair value range.

So what I'm arguing here is down is not always good when it comes to interest rates. It's good if you make the case that we are fundamentally too high relative to the economics, and I don't think we are with a 3.1% core inflation rate. And that if you're going to force it down, I know everybody say, well, this is good.

Rates are going down. But it might not be because it could be too stimulative. Just like when rates go up, it might not be bad because maybe your economy's speeding up. You have a little bit more inflation, and they should be going up.

Erik: Jim, let's back out to the big picture of the Trump administration's policy goals and what they're trying to accomplish.

'cause let's face it, look at what happened with tariffs. They said there was gonna be some tariff action, and then we got shock and awe, one of the, the biggest tariff negotiation campaigns ever. Then they said they were gonna hold some of the previous administration, uh, officials to account for bad actions.

Now we've got what seems like a, a massive, uh, accountability, shock, and awe campaign. I think the next shock and awe campaign. Is yet to come, and I think it is one which will be under the command of financial Delta Force Commander, uh, Scott Bessent, who has already installed his spec ops commando Stephen Miran in the Fed to be the inside man there.

Don't forget, Stephen Miran is literally the guy who wrote the paper on the Mar-a-Lago Accord. And I think what they're doing, I'm not sure who they're gonna put into, uh, the Fed and other places, but I think what they're doing is they're installing the commandos that are going to do, uh, an assault or a take down on the global financial system and re-architect it.

To their own liking. And I think that's going to involve crypto integration, not central bank digital currency, but a stable coin based crypto integration. And I think it's probably gonna leave Don Jr. Doing pretty well in his crypto business. I know it sounds crazy. Is that nut case conspiracy stuff?

Jim: No, not really. I mean, there's a lot to what you just said, especially Scott Bessent played by Jason Statham in the next movie that they do

about this. Uh, but I don't, he'll, he'll really appreciate I said that. But, um. I do think that you're right. Stephen Marin is the author, the architect of the Mar-a-Lago Accord.

He wrote last November when he was at Hudson Capital which has been kind of like one of the papers that's been driving what the, the Trump administration is doing. And there is a desire to wanna try and re orient. The entire financial system in to be more aligned with the trading system that we have.

And there's no doubt that crypto is going to play a big role in that, which is why they've been pushing, you know, the passage of the Genius Act and they've been pushing the Clarity Act, which is supposed to clarify regulations. But I think where you're going with this is what are they gonna do with the Fed?

Because you know, what we've got is we've got. Michelle Bowman and Chris Waller. These are two Trump 1.0. Uh, appointees, which have been basically those are the two that dissented at the July meeting. Calling for a cut. Chris Waller has been leading the forefront at the Fed for a cut. Adriana Kugler left the FED early.

She wasn't supposed to leave till January. She left in August, presumably. The reason is is that she wanted to return to Georgetown to be so she didn't lose her tenureship as a professor there. She couldn't wait till January. She had to be there before the school year started. So that means that Stephen Marin goes in as a third fed governor and now they're trying to fire Lisa Cook for cause.

Assuming that they get that done, and I'll assume they will, that would give Trump four appointees of the seven on the Federal Reserve board. Now, why is that important? For a number of reasons and including one of them will eventually become the new chairman in May of next year when Paul's term is done.

But I think it also is, gives them the ability to. Shape the Fed the way they want. 'cause a lot of people don't realize this. And be honest with you, I had to be reminded of it, that every Federal Reserve bank president has a term that, uh, it runs five years, it ends at the end of February and years beginning in one in six.

So in February of 2026. All 12 Federal Reserve Bank presidents terms expire. Now, that's been a formality for a hundred years. Their boards would reappoint them, and then they have to be approved by the Board of Governors. They need at least four of the seven votes to approve them. And in the last a hundred years, there's never been a no vote of any bank president ever.

Well, now the theory is they're all going to expire. Their boards will all put them up for renomination. And if Trump has four of the seven governors, they could start saying no. And effectively firing some of the bank presidents, the more hawkish ones or the ones that are not aligned with their policy with, uh, their policy aims.

And they could then force those boards to go back and find somebody that would be acceptable. To get past the Board of Governors and that could help remake the Fed as well too. Now, let me be clear. This is a possibility when you have four governors. It's not a certainty that they're going to do this.

And again, I'll remember the reason you've never heard this before is that no fed governor is ever voted no on the reappointment of a FED president. Uh, but that is something that has been floated out there as well, so that they could be remaking the Federal Reserve. The most important of the central banks into the image that they want.

So this is why you hear people talking about a loss of independence. So why is the market so sanguine about this possibility? I think twofold. I think one, it's still all theory and we'll have to see if this is actually a little bit too you know, we're, we're a little bit too over our skis with these theories maybe that they're not that gonna be that aggressive.

Second of all, I do think that the central bank has not done itself any favors with the way that they've conducted their policies over the last many years, not the least, which was cutting rates last September, 50 basis points. That was the first time in. Decades that they changed policy before an after Labor day in an election year.

Let me be clear on what I just said, changed policy. If they were hiking, going into Labor Day in election year, they could keep hiking. If they were cutting, they keep cutting. If they were holding, which is what they were doing going into Labor Day, they would keep holding. No, they reversed and they cut and they cut by 50.

And so. When Trump yells at them that they were political trying to get his opponent to win, you could quibble whether they weren't or were doing it or weren't doing it, but if they wanted to do it, try and sink the election for 'em. That's exactly what they would've done is an aggressive rate cut right after Labor Day.

And so the timing of it doesn't, the optics of it doesn't look good at a minimum as well, so. They've not done themselves any favors. So when the fed, when economists and fed officials keep, were fretting about Central bank independence, and I've heard some of them say, and the market doesn't seem to be bothered by it.

I don't know why. And it's like, 'cause you've done a pretty good job of showing yourself is to maybe not being as independent as you'd think you are and the market is. Open to the idea that the Federal Reserve needs change. And so if there's some change at the Fed, it will embrace it. If there's too much change, meaning a loss of independence, that the president is gonna start running monetary policy, it might get worried about it, but it probably get worried about it later on.

So what I'm trying to say is. I kind of agree with you. It's a red flag that or maybe a red flag's a little strong. It's a yellow flag. It's a yellow flag right now that could become red as this situation unfolds. And so, no, I don't think it's, you know, outlandish what you just said.

Erik: Let's talk about the role of digital currency and how it's going to evolve.

We started with the Bitcoin community, hopeful that maybe someday Bitcoin would compete with government issued money and, and you know, compete with the US dollar for global reserve currency status. I took the, the uncommon view that that was not likely to happen. The Central Bank digital currency was more likely to be invented, which it was.

But what I didn't see coming and what I think is now happening is the realization by the Trump administration that they can basically replace the Petrodollar recycling system with a stable coin. Recycling system that ties everything into US treasury demand, but still uses the Bitcoin blockchain in order to tokenize those assets.

Is that where we're headed? And if so, what would that mean? Both for, uh, the people in the Trump administration and for the rest of us?

Jim: Yeah, I think, you know, that is a way that we're headed. If, if there was one quibble I would give with that, it would be, maybe not the block, the Bitcoin blockchain, but the Ethereum or the Tron blockchain.

That's why you've seen over the last two months. Bitcoin's unchanged, Ethereum is up 70%. Now what they're attempting to do is with a stable coin, and the Genius Act also had another provision in it that really relaxed the regulations for building payment systems. So. The analogy I've heard is the stable coin is the rails.

We're going to build rails, we're gonna build railroad tracks. And after those railroad tracks are built, we'll come to trains and the cars that will follow it. So if we're gonna build these payment system, these payment rails in order to, um, effectuate change, um, payments that then everything else will follow.

And the, the thing about the payment system, what they're hoping for is. That, uh, you know, let me give a another statistic here. 80% of the world has a mobile phone, 80% even in the least developed countries in the, on the planet, the majority of the population has a mobile phone. Why is that important?

Because everybody has access to an electronic wallet, even in poor countries. So what they're offering is, here's a stable coin. It's tied one for one to the US dollar. It's a digital representation of the dollar. You are in a country where you've got shaky banking systems. You've got currencies that are constantly devalued.

We're going to give you this tool that you can use that's on a decentralized platform and is permissionless so no one can take it away from you. No one can hack it or anything. You could store your wealth on that system, and we're hoping. That this will attract a lot of money that people will wanna, you know, instead of using the bank account, whatever bank, whatever country they're in, they will use this a stable coin, which will then be backed by a one for one by a treasury security, and then we'll create extra demand for treasuries.

Now I got two small quibbles with it. Understand argument well.

That's not gonna be the case for American investors and European investors or developed world investors. If Americans like you and me and everybody that, most everybody that's listening to this podcast, or even if you're European, you say, yes, I wanna keep my money in a stable coin. Well, where was it already?

It was already in a regulated bank that was backed by something. Like a US treasury. So you're just, you're just substituting it to another treasury backed security or treasury backed instrument. So there's no new net demand. So in the developed world, there's not gonna be a whole lot of new net demand in the developing world.

I could see that de that demand coming, but is there trillions of dollars? Of wealth that is being sitting around in Africa and Asia and in Southern Africa, Southern Asia, and Latin America. That's looking for a more stable banking system to park it in. I don't think there is that much money out there.

There was, they wouldn't be developing countries. So I think that the amount that they could very well get is going to be much smaller than they think. But let me also throw out something else about this whole idea about. Building rails that you know, payment rails that you will use a stable coin then to, um, be the medium of exchange on that payment rail.

We are living in a digital world and we have an analog banking system, and let me explain where we should be if we were, think of email and texts. You can send as many emails as you want and a lot of us do send bulk emails to lists or texts, and they're free. The marginal cost to send one is free and they arrive instantaneously.

Why isn't our payment system like that? Why can't I send money to everybody instantaneously and for free? And let me go you one step further. Why is it that if I agree on my paycheck, a certain amount of money per month, why am I paid lumpy once a month? Why am I not paid in real time? All the way through the month.

Every second, every microsecond, every minute I get money goes into my account for the amount that we agreed on that you're gonna pay me per month. Furthermore, my rent. My mortgage every second, every minute money goes out of my account for the agreed upon amount for rent. Now, why am I arguing that?

That's the kind of payment system we have, which we don't have with ACH, the Automatic Clearing House, or the Swift system, or this new FED NOW, we can't handle anything like this because ultimately, why do we all pay monthly service? Why do we all pay monthly fees to Netflix or to whatever else that you wanna pay?

Because that's the only thing our banking system can handle. We should, ideally, I'll use streaming services as my example there. You should have no account on a streaming service. You should connect your wallet. You should then watch something and every minute. Uh, you know, it takes a penny or two out of your account or a sub penny if it's a, if it's a lesser popular show, even a less than a sub penny.

And as long as you're connected to watching it, you pay. The minute you stop watching it, you stop paying. You go to the New York Times and you wanna read a story, oh, that looks interesting. Click on it. 3 cents comes out of your account. Or 5 cents or 10 if it's a more popular story, but you don't have any monthly fees.

That's the way we should be paying it. What I've tried to describe is a payment system similar to the way we send texts and the way we send emails. We could send an unlimited number of them is whenever we want. They arrive instantaneously and there's no marginal cost. So if I wanna get paid every second, and if I wanna pay every second, I should be able to I could send a text every second if I want to.

Why can't I get paid every second or send a payment every second without it incurring an economic cost. And that is the type of system that I think the digital economy wants. So I'm all for, what we're trying to do with this system now is the Trump administration, you know, trying to get in there with their world, the, you know, financial coin and everything else.

Sure they are. And the day we're recording, though. Wall Street Journal is saying that they've amassed \$5 billion in wealth because of it. And yes, that makes me a little bit uncomfortable that they're doing that, but that doesn't detract from the idea that what they're trying to do is a worthwhile effort.

And it's so much of what Trump does is like this. The idea behind it is a very good one, the way he goes about doing it. Makes me wanna question it, you know, and stuff. Firing the BLS chief, I think the BLS has

got some problems and if you wanna fire the BLS chief, I don't have a problem with it. But then accusing them of being political and partisan and trying to make them look bad and everything, that's when I start having par problems.

And then you're gonna replace them with a partisan who's just gonna basically monkey with the numbers so that they make them look good, as opposed to saying that there's been some real problems at the BLS with the way that they do this data and maybe we ought to fix it. So the intention, the idea there, you kind of agree with then it's the execution of the way they wanna go about it.

That makes me really question it.

Erik: Jim, final question. Think about the way they've taken this shock and awe approach to other policy objectives such as tariffs. What do you think the next shock and awe things might be? What are, what are the things we might be shocked with as they move forward on this agenda of doing something to reshape the global financial system?

Jim: Well, let's not forget immigration too, that they've done, you know, shock and awe on immigration as well. But I do think that the next shock and awe, if I had to guess, would be in the realm of taxes. Trump has talked about tariffs are gonna be this new thing called the External Revenue Service. He believes that they're gonna raise trillions of dollars in tariffs.

All right. Maybe they do, maybe they don't. I don't know if they are, but his, ultimately, what he's been arguing is that he wants to go to this idea where we could get rid of the Internal Revenue Service and replace it within an external revenue service, and therefore we don't have to ever pay taxes again.

I don't see us raising that. That's \$4 trillion a year that the Internal Revenue Service, uh, raises. Could there be a reduction in taxes because of, of tariffs? Sure. But an elimination, that's a little bit too much for me to see, um, as well. And finally, as long as I'm on tariffs real quick I still have a question about how.

Successful this is gonna be is, I've joked, I've joked a lot about that. If Trump could find a way, all tax policies, always. We need to get some other rich person, not you to pay for our taxes. We're taking it to the

ultimate extreme now. The other rich person, not you, to pay our taxes now as a foreign.

Through the form of tariffs. And furthermore, Trump wants me to believe that we're gonna get a lot of it from China so that they, they could take all that tariff money they got from China to buy weapon systems to protect us from China. And I said, you know, if he could pull that off and eliminate the external revenue service.

The Internal Revenue Service with the External Revenue Service, then let's just put him on Mount Rushmore right now. But I say that sarcastically thinking that, that it's, it's not gonna be the as big as it is. So while they got all these big plans on taxes, alright, I don't think they're gonna go all the way to no income tax, but I would not be surprised if you are going to see before the end of Trump's second term, some radical restructuring of the current tax law.

Based on the idea that we are getting some tariff revenue and that they could start making changes.

Erik: Well, Jim, I can't thank you enough for another terrific interview and for all of the previous terrific interviews you've given us over the years, making you one of our top five all time macro voices.

Guests, before I let you go, please tell our listeners a little bit more about what you do at [Bianco Research](#), how people can follow your work, and what services are on offer for our institutional investors.

Jim: So two things. Um, my, my original job was I am a macro researcher at [biancoresearch.com](#). You could follow me at [Bianco Research on YouTube](#), on [X Twitter](#), and at Jim Bianco on [LinkedIn](#).

We do offer an institutional product. If you wanted to request a free trial, you could go to [biancoresearch.com](#) and take a look at it. Uh, if you're not a research, if you're not an institutional service. I do try to post a lot on, um, social media. The second thing we do, uh, is we do manage an index called the Bianco Research total return index. It's a fixed income total return index. [Biancoadvisors.com](#). You find out more about the index. It's designed to maximize fixed income returns because that's ultimately where I start and still believe I still am as a bond guy. And there's an ETF that tracks our index. It's the Wisdom Tree Bianco Fund, WTBN is its ticker symbol

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