

Peterson Institute for International Economics

Adam Posen on the economy one year after the US election

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[00:00:13.24] - Anjali V. Bhatt

Hi and welcome to PIIE Insider Live. I'm Anjali Bhatt, Communications Manager and Research Fellow here at the Peterson Institute for International Economics. I often say that one of the best parts of my job is that I can just walk into the offices of some of the world's top economics experts and ask them anything. And they answer. So with PIIE Insider Live, you're coming with me to ask those questions and get those answers that you won't hear anywhere else. Today is a special episode. This marks 1 year since, uh, the US presidential election and also 1 year since we launched PIIE Insider Live with Peterson Institute President Adam Posen. So on the 1-year anniversary of the podcast and of the election, we're bringing Adam back to take stock of what's been happening since then. Uh, before we start, if you're watching on Zoom, Feel free to put your questions in the Q&A box. So, hi Adam, thanks for joining us again.

[00:01:00.07] - Adam S. Posen

Hi Angelique, congratulations to you and the team for a year of PIIE Insider Live. It's been a great product and we're proud to have it. Thanks for having me back.

[00:01:09.27] - Anjali V. Bhatt

It has been quite the year. We've been very busy here at the Institute with Insider Live and with many other things too. Since the election a year ago and then, you know, inauguration in January, what have we seen? What kind of economic policies, were you expecting? And then what has actually been done?

[00:01:28.25] - Adam S. Posen

We've actually gotten broadly right what were the main economic policies the Trump administration would pursue. You can go back to your and my conversation a year ago or other presentations we did in the end of 2024 and early this year. And the reason I emphasize that is not to say, haha, we were right, which is always nice but not important. What it means is we

analyze the right issues. Um, and it also means that there is a consistent through line to President Trump's administration, and we know what was in it. It's about weaponizing uncertainty. It's about hostility to foreigners, whether allies or not. It's about extreme skepticism towards trade and migration. It's about fiscal excess. Um, and it's about exercise of executive power. Now, that doesn't necessarily— because it's consistent and was predictable is not the same thing as it's coherent or that it reduces uncertainty. But I think it is important in a sense to give them credit that what they talked about during the campaign, what they were arguing for, is what they've done. So just to recap, in line with what we said, it was tariffs across the board at 15%. Particular tariffs on a few key industries, semiconductors, autos, steel, pharmaceuticals, anti-China, but less anti-China than the hawks in either the Biden administration or the Republicans wanted.

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Really aggressive renewal of not just tax cuts, but further expansion of fiscal policy. We called it that there was gonna be pressure to reduce Federal Reserve independence, which we can get into, and that's been a real consistent issue. We worried about, and sadly it's come to pass, there's been pressure pressure on making economic statistics less reliable, or at least less transparent. And you end up between this weaponized uncertainty towards others and towards the markets and the executive power with this sort of patchwork. And so you get some, what President Trump will portray as wins. And I think economically, unfortunately, they're not wins, but This is what we thought was going to happen. And to their credit, they delivered it.

[00:03:46.15] - Anjali V. Bhatt

Is there anything that's happened, um, that surprised you that we didn't expect?

[00:03:50.29] - Adam S. Posen

Yeah, yeah. No, there are certainly a few things that we didn't get. I mean, the degree of hostility towards Canada and the escalation of that, I was surprised us. Uh, we were expecting harshness towards Mexico. And the flip side of that, as we just discussed at a conference here at Peterson, is Mexico— Mexican government, U.S. government actually getting along pretty well. So we didn't see that dynamic. We didn't see the total disregard for India's strategic importance in the US alliance or the relations with Brazil that we saw. We didn't see the extent to which, um, there was going to be this set of promises of inwards foreign direct investment from places like Qatar, as well as the UK and Japan, South Korea. We expected some, but there they, they've gotten on paper promises for larger amounts than we expected. And One thing which was good, which we didn't expect, which our colleague Jacob Kierkegaard has

written about with a grain of salt, is the increase in defense spending in Europe. So there were a bunch of things that we didn't catch. Most of them were due to capricious decisions by the president and his team.

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Um, but broadly, things have been about as expected.

[00:05:03.20] - Anjali V. Bhatt

Um, so of, of the things that we have seen, um, one of the things that has really, you know, sort of taken a lot of news space in terms of the economy is investment in AI. Right. And it's a boom right now, right? What are we seeing in that market?

[00:05:21.25] - Adam S. Posen

Karen Dynan, who runs our Global Economic Prospects, and I and some of the others with the Institute, like Jason Furman or David Wilcox, Joe Gagnon and Maury Obstfeld, who work on the US economy, the acceleration of investment in AI was on our bingo card. But it wasn't yet a bingo. Um, so have we hit bingo now? We're almost there. I'd say we got 3.5 to 4 of the numbers. Um, so we didn't expect it would be this large, and it remains to be seen, but it's looking like there are some actual productivity gains this soon. And where we were, we've had a variety of views like the economics profession does, but I mean, most of us thought it was going to be a slightly slower ramp-up and certainly a longer lead time. And I think the important thing is to realize that the US economy contains multitudes, if I can quote Walt Whitman. You can have more than one idea at once. You can have this incredibly vibrant sector that is world-class, that's competing with China, that's beating China in some ways, that has this huge amount of investment. And the investment is self-financed mostly by the retained earnings of these companies.

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And at the same time, you can have the problems due to tariffs and due to fiscal excess and due to anti-migration. Two things can exist at once. And so if you go back to the forecast I made last April as part of our Global Economic Prospects, I warned that AI could be the devil ex machina, that it would be this outside exogenous factor that could save the US economy despite everything else. And I think that's what we're seeing. Or as Maury Obstfeld and Karen Dynan have put it, if you run the counterfactual of what a mess the economy would be if we didn't have the AI, That tells you something.

[00:07:06.05] - Anjali V. Bhatt

So even separate from the AI economy, and there is, you know, the rest of the economy and all the mess and the problems that are there, I don't think anyone at Peterson used the word recession in our predictions because that has an actual economic meaning that holds weight. But we did have, and across the economics profession, there were quite a few predictions that were really, really bad. And it's, and, you know, it seemed like a lot of the economic effects of these policies, especially the tariffs and then the deportations, were going to be really bad. And it seems like that hasn't happened. The economic numbers that we have aren't great, but, you know, it's not the doom and gloom necessarily that was being predicted. What happened there?

[00:07:54.23] - Adam S. Posen

So I want to address this in 3 ways. First is, if you go back to the forecast that Karen and I made, early last year, early this year, we talked, we did use the recession word. We said it was a risk. And both of us, I think, said, Karen, I think more clearly than I did, to her credit, that recession was a minority risk. It was, it was there, but it wasn't particularly high. Doesn't mean we got right how big a boom we've had, but it means that directionally we were meaningfully different than the consensus. And again, that goes back to the idea that multiple things can happen at once. The second point is, and I know you've talked about this with the authors and others, we published last fall, roughly a year ago, a series of studies by Warwick McKibbin, Marcus Noland, and occasionally Meg Hogan on what would be the impact of the international policies of attacking the Fed, of deporting migrants. And they did have big numbers, particularly the anti-migration policy, tariffs less. But I want to point out, and it's not just a technical point, those models were built with 1-year periods.

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So all the effects that they were forecasting would only be kicking in roughly now. I'm not saying you have to take the models literally or that specific, but there was nothing in the models that said, nothing in the analysis that said it was gonna happen immediately. And so those 2 points I wanna make, but the 3rd, and I think, well, frankly, most interesting and important one is something I've been thinking about and talking about for a while now, which is why it's a lag.. And I think parallel things happened on both the tariff and the migration front. So on the tariff front, if you think about it, there was this long period in which, yes, President Trump, April Fool's Liberation Day, announces this huge set of tariffs, but nobody was sure they were actually gonna be implemented. Were they a bargaining position? What was gonna happen? What would be the retaliation? So it took a while. The second thing is that Businesses had to adapt. And even if some of our major supporters in an industry like Toyota or Caterpillar, these are

global top, top manufacturing companies. And even for them, if you talk to their managers, it's a very difficult process to decide, okay, does this mean we bring stuff home?

[00:10:11.20]

Does this mean we have a separate production in China than the US? Does this mean we put it in Mexico? What do we substitute? And if it's that difficult for Caterpillar or Toyota, and we know from the supply chain experience during COVID it is that difficult. Then for all the smaller companies that are doing import and export and relying on offshore production or offshore inputs, it's even harder to make the decision. So there's a long lag to get there. And then the third thing was President Trump explicitly and implicitly, including threatening the CEOs of Walmart and GM publicly, said, "Don't be the first to raise prices.". And so it's understandable. It takes a while. No one wants to be the first, but you run down your inventories of the imported goods you needed and you run down your stockpile that we saw this huge wave of imports prior to April 1st. And eventually you start raising prices and that's happening now. And a bunch of our colleagues, Kim Clausing, Maury, um, Mary Lovely, others, Jed Kolko, have, have looked at this and we're seeing the effects that prices are going up in domestic versions of the same industry.

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Industries that, um, are tariff competitive. Um, economic growth, employment growth, production growth in the industries that are tariff affected is down. It just takes time. And I don't want to go on too long, but it's the same process I think has to be thought about for migrants. So one thing that McKinnon and Nolan said, and our colleague Michael Clements who works on migration issues in a different way said, and I supported, was the idea that we had to take the Trump administration seriously. They were going to shoot for deporting had a million people in the first year, and that is their declared goal, if not higher. We haven't yet seen the cratering of the economy that goes with that. Now, why is that? And I think the first possibility is just the numbers are wrong, that the numbers measuring how many people are being forced out or on net leaving— the way we collect that data was meant for a period when there was normal migration, and the numbers are not right. And frankly speaking, Department of Homeland Security, ICE, has an incentive. You know, people in the Republican administrations complain about bureaucrats making stuff up.

[00:12:30.01]

Well, bureaucrats have an incentive to claim they deported a lot more people than they did. I think, though, something more fundamental is going on, which is, like with the tariffs, it takes

people time to decide. You're, you're a per— you're an individual. You have a family here, say, uh, you don't— you're undocumented, your kids are U.S. citizens. First, you decide, does Trump really mean it? Second, you decide, is he really going to come after me? I see right here where I Third is, okay, if that's happening, how much time do I have to accumulate dollar income before I have to leave? How can I risk it? And then hard decisions about, do I take my family with me? Do I leave by legal means so that, that I can potentially come back? Do I just get out? And so again, as with the businesses making decisions, households, human beings are making decisions, and they're hard decisions. And what we've seen, and we can't get data on this for obvious reasons, is people have gone underground. What does that mean? That means they're still here, a lot of them. Um, they're not going out in public, as little as possible.

[00:13:37.02]

They're still going to work, but as, as invisibly as they can. And the employers may be even getting better deals in the sense of paying these people even less now. Um, it's not ideal, but they can live with them. They don't have to worry about replacing them. Anyway, the upshot of this is If you look at the sectors, we know there's a large contribution of migrant labor, including undocumented labor. So food processing, fruit and vegetable harvesting, certain kinds of mining, certain light manufacturing, uh, hospitality, residential construction. So those are the sectors that, that take the bulk of the migrant and undocumented workers. Production has been flat. We know all the investment went into AI. It didn't go into these sectors. So nobody's replacing these workers with capital. And no legal workers of any numbers have moved into these sectors because the legal workers, we know where they work. And yet somehow production has been flat. So I put this up a few— a couple weeks ago as the world's most boring chart. It's 4 flat lines. But employment and output in these industries is flat, which means Those workers are still there. So just as with tariffs, I think, leaving the human part aside, just as an economic forecaster, I think the shortages, the inflation, the contraction and output, what we call stagflationary combination, is on its way unless the Trump administration just gives up and stops deporting people, which I would like, but I don't think they're going to do that.

[00:15:11.04] - Anjali V. Bhatt

So stagflation is high inflation but low Output, right?

[00:15:17.06] - Adam S. Posen

It's shrinking output and rising inflation. Now, we're probably on net going to stay positive output in the US and not have an actual recession, going back to what we were just talking about, that there's the AI investment. There are some other things that are perfectly fine in the US economy

at the same time this is happening, but we're going to move in a stagflationary direction, meaning the growth rate's coming down and the inflation rate's going up.

[00:15:42.24] - Anjali V. Bhatt

So speaking of inflation, which is something we study from a lot of angles here, here at the Institute. And, you know, one of those things is who deals with inflation, which is the Federal Reserve.

[00:15:54.04] - Adam S. Posen

Right.

[00:15:54.15] - Anjali V. Bhatt

And so as we spoke about at the conference that we had last week, last week ago today, a week ago today on central bank independence, which you can find on our website. A lot of that was about protecting the Fed from political interference and protecting and maintaining Federal Reserve independence.

[00:16:17.20] - Adam S. Posen

Right.

[00:16:17.25] - Anjali V. Bhatt

So the Fed does monetary policy, interest rates to deal with inflation and unemployment on that side. But then they also do financial regulation and supervision of the banks and sort of the financial sector as a whole, especially for the financial regulation and supervision, but also for the monetary policy angle. What is current Federal Reserve independence and what are the threats to that and why is that bad?

[00:16:46.04] - Adam S. Posen

So, Anjali, the word independence, particularly in the U.S. context, gets this, you know, big meaning, Declaration of Independence. But it actually means something pretty straightforward and standard, which is the idea that the Fed has what we call operational or instrument independence, meaning day to day it gets to make the best call on how to fulfill its mission. Whether that's raising or lowering interest rates or approving or disapproving a bank merger. And that politics is supposed to not play into that. Now, obviously, politics in the broad sense of

what the context the Fed makes decisions is and the background of who appointed who to a Fed board or Fed Reserve Bank matters. But what independence is really about and what people tend to focus on is particularly with respect to interest rate decisions. So the idea that the president can't just fire the central bank governor or chair until they get someone who does what they say. Can't demand— the president or the administration can't demand that they cut rates right ahead of an election to help them win the election. The, the Federal Reserve can refuse to buy government bonds. It's up to them how many government bonds.

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This doesn't mean they're unaccountable. In the end, if they screw up, if inflation is too high, if there's unnecessary unemployment. There are congressional hearings, there are cuts to the Fed's budget, there are changes to the Fed's mandate, but it's meant to be ex post. So it's analogous to like you have a surgeon or an airline pilot. In the end, that surgeon or airline pilot is liable if they engage in malpractice, if they have a bad flight record. But you don't literally go in the cockpit or the operating room and, and tell them, do this, don't do that. The other angle of it is, particularly on the monetary policy side, that there is a self-fulfilling dynamic, that if people believe the Fed is politically compromised, believe that it, for example, will cut rates by 300 basis points to suit President Trump when there's no reason to, then they expect inflation to go up, and that becomes self-fulfilled.. And so one of the arguments for maintaining Fed independence is in particular is that if you don't visibly support the independence, you end up getting the inflation anyway. And there's a real lot of economic evidence. There are recent examples.

[00:19:21.00]

So in Türkiye and India recently, the somewhat autocratic prime minister pushed out the head of the central bank and replaced them and demanded lower rates. And you saw immediate shoots up in inflation in those two countries. And then when they backed off and left the central bank in place, didn't mean monetary policy was perfect, but inflation came down. So, I mean, this is real. The part, as you mentioned, we held a conference on this on Friday, October 31st, and all available on the PAE website. A lot of ex-Fed people, but a lot of independent people from center-right to center-left of different views. The point I want to add is, as you mentioned, actually, there's a financial supervision side to what the Fed does, and that's also subject to political pressure. And it's better—

[00:20:10.11] - Anjali V. Bhatt

kind of supervision do they do?

[00:20:11.20] - Adam S. Posen

Yeah, no, you're right to ask. So essentially, there's two big forms of supervision. There's a subset of our financial system, our banks that are part of the Federal Reserve System. They have access to what's called the discount window, which is the ability to borrow borrow at the lowest possible interest rate, overnight funds, cheap funds. So they're always liquid. And there's a trade-off that they have this access and therefore are considered part of the financial plumbing. But as a result, the plumbing subject to inspection and oversight. Additionally, the Fed has related to the discount window, but also other facilities to provide money in an emergency. On distressed assets or on temporarily distressed assets like bad loans or, or crashing stocks. And that emergency, what's called lender of last resort, is ultimately what you need to stop the economy from going into free fall in a situation like fall of 2008. Um, and so what becomes political is drawing the line of who gets bailed out, which institutions get access, which institutions get bailed out, and which institutions are how effectively ahead of time forced to put money aside. We talk about things like capital requirements, liquidity requirements, which are basically different forms of the banks and related institutions having money on hand so that if something goes wrong, they don't go immediately to the Fed.

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The shareholders and the managers actually have to put some money in. And since the Dodd-Frank legislation and the financial crisis of 2008 to '10, the banking system in the US has actually run pretty well. Um, and the tighter regulation and the more demands, in my view, in the view of almost all, um, observers, has worked. There is a legitimate question and legitimate room for ideological difference on how much capital, how much liquidity you need to have on hand, how stringent the Fed's oversight has to be, whether it's a good The idea that we should have fewer bigger banks or not, those are all legitimate places for debate. But the broad idea that you have this well-capitalized, overseen conditional access to the Fed emergency lender of last resort works. And the Fed blew it, frankly, prior to 2008 was part of the problem. Okay, long story short. We're now in the world of crypto.

[00:22:50.07] - Anjali V. Bhatt

Yes.

[00:22:51.05] - Adam S. Posen

And the Trump administration, and more importantly in some ways, sons of President Trump, of a couple different cabinet members, have very publicly, transparently taken private equity

stakes in a lot of crypto firms at the same time that the Treasury Secretary Scott Bessant and others are advocating what are called stablecoins, which are meant to be ways of selling US Treasury bonds, in return for getting cash-like transactions very cheap. And sometimes it's the same businesses that are selling the crypto and the stablecoins. And I'm very worried that there is an inherent conflict of interest here. So even benefit of the doubt, say it's totally non-corrupt, transparent. The, the Trump administration family members are investing in something they think is good for America, but the fact is they have billions of dollars at stake. And there is a recurrent problem even without those kinds of conflicts of interest that financial companies that hold a lot of government debt tend to get protected by the regulators, tend to get protected with bank, central bank bailouts. And as a result, everybody sort of picks up on this and they invest even more in those companies. And so then even more is subject to the bailout.

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And this is what we saw with the banking crisis in Europe. The banks held a lot of government debt.. And so they could— the government felt they couldn't let them fail.

[00:24:21.03] - Anjali V. Bhatt

Is that what too big to fail means?

[00:24:22.29] - Adam S. Posen

That's one version of it. Too big to fail is that you feel the institution, if it went down, would cause so much damage that you have to bail them out. And again, there are better and worse ways of dealing with that. And sometimes you can bail them out but still wipe out the shareholders or the managers. So, so it's not necessarily a bad thing. I just worry that as the Fed independence is compromised, that there's going to be an implicit bailout extended to these stablecoin and crypto companies, particularly the ones that are seen as being close to or favored by the Trump administration, like Tether, where the Commerce Secretary's former company and his family has large stakes, for example. And again, this is all public. They're allowed on current law to own this stuff, so that's not the issue. But the issue is If the Fed isn't independent, they won't stand up to these demands. They won't draw the line on bailouts. And so I think we are potentially undermining financial stability by playing with Fed independence, not just on interest rates, but on financial stability.

[00:25:34.25] - Anjali V. Bhatt

So it seems like a lot of that is about expectations.

[00:25:38.17] - Adam S. Posen

Yes.

[00:25:38.27] - Anjali V. Bhatt

Right. And how, I guess, investors see these different banks. Right? And so it's a lot of it is just— even if the Fed is legally independent, it's how people perceive it and, and what they expect coming, coming from it.

[00:25:51.07] - Adam S. Posen

Absolutely right. You're absolutely right, actually. And the expectations can diverge from the reality, but on average— I mean, the basic notion of economics isn't that everybody's a perfect calculating machine with perfect foresight. It's the idea that when there's money at stake, on average, people get things right. And We've seen evidence in the past in the US, like in the '70s, the last time the Fed independence really got compromised by a president. We've seen it in other countries. I've mentioned the banking problems in Europe. I've mentioned the monetary problems in Turkey and, and India. People do perceive it and we'll see it now. Unfortunately, I think with a lot of companies trying to sell both stablecoins and crypto at the same time, because if they're selling stablecoins, then they'll see themselves as maybe too big to fail or too important to fail or too connected to fail.

[00:26:45.24] - Anjali V. Bhatt

Okay, wow, time flies. We're almost out of time. Um, but let's zoom out a little bit briefly. You've been traveling a lot over the past year, um, like all over the world. Um, what are you hearing outside of the U.S. from governments, from the multinationals? What are they saying?

[00:27:02.06] - Adam S. Posen

So I made an argument in Foreign Affairs in an article earlier this fall called The New Economic Geography that basically large companies, but individuals, investors, and foreign governments essentially are giving up on relying on the U.S. government to provide insurance. And as a result, they have to self-insure. And what does that mean? It means that if they can't get in and out of dollars as much, they need to stockpile other assets. It means if you're not sure you're going to get fair treatment of protection or trade rules or property rights. You start shifting where you invest and where you trade and, and how much you trade, and you do more at home. Um, and this has a lot of dimensions, but it's very scary. It's a very fundamental change to the way the U.S. behaves, and therefore the way the world economy behaved for most of the last 80

years. And so I think people are in the process of getting past the denial and the wishful thinking. Um, because even if the Trump administration backs off certain things, you don't fully trust that they're there the way they once were. And the Trump administration will say that's deliberate.

[00:28:14.05]

They want to create this uncertainty, that weaponized uncertainty. Weaponized uncertainty. This is what forces Germany and Poland to spend more on defense because the NATO commitment's less scary. This is what forces, um, other countries to self-provide on rare earths or local production of things. And they'll say that's a good thing. I don't think it is. But be that as it may, that's the reality. So I think the change is underway. The new economic geography is becoming clearer faster in Asia than in Europe or in some parts of the Middle East. I think that it's global businesses actually going back to the tariffs and employment discussion we had a little bit ago is making the hard decisions actually in some ways faster than portfolio investors. Portfolio investors meaning the people who go in and out of the dollar, in and out of the US stock market, in and out of US bonds, they still see the AI boom. They still see a couple years of good growth. They still see a Fed that maybe cuts rates. And so they're like, we can keep with this. And so as Maury Obstfeld and I and some others, Marcus Brunnermeier here at Peterson, have talked about, we think there's been a decentering of the dollar, not a collapse of the dollar, not a huge flight from the dollar, but people are hedging their dollar exposure, meaning buying insurance, expensive insurance against it in a way that they didn't used to.

[00:29:37.19]

And so one other piece of the new geography is that the UK, Japan, South Korea, and eventually Canada are being most exploited. And there's what I call the irony of the alliances. The countries that are closest to the US economically and security are the most vulnerable, whereas China, as we've seen, has been able to stand up against the US and, and basically face Trump down. And that's going to be a part of the picture too.

[00:30:05.05] - Anjali V. Bhatt

Okay, so we have to wrap up, but briefly, for the next sort of 3 to 6-ish months, what will you be looking at? What will we be doing at Peterson? What should everyone be keeping an eye on?

[00:30:17.26] - Adam S. Posen

Well, Anjali, it's great to have PIIE Insider Live bringing a more conversational and open approach to the stuff we do, and I'm grateful that you and the team do this. I think some of the

things we're doing over the next 3 to 6 months that you want to keep an eye out for is Jed Kolko's leading some work on what happens when you mess around with data quality, um, and what are the costs of it. Uh, Chad Bown, Martin Chorzempa, and others are— Cullen Hendrix are looking at how this patchwork of tariffs that doesn't necessarily make sense does or doesn't serve U.S. national security. I think Michael Clemens, Mark Noland, or Warwick McKibbin and others including myself are looking at, as I forecast, whether the deportations really do start to bite or whether the people stay. But it's not going to look like it what it does if people are deported. Uh, we just had a conference yesterday discussing the future of USMCA, the, the, the upcoming renegotiation of US-Mexico-Canada, with Alejandro Werner, Monica de Bolle, and Jeff Schott from our team. That's going to be an ongoing source of discussion. Um, as I mentioned, I think there is this potential for a boom-bust cycle with the Fed losing independence boom, bust, and stablecoins.

[00:31:36.11]

And that's going to have, like the 2008 crisis, potentially very lasting effects. Um, Nick Lardy, Mary Lovely, Tianlei Huang all have new work on how China is or is not dependent on external demand, um, and that remains an important topic. And finally, I want to pitch over the longer term a theme which Martin Chorzempa is leading for us, but also Jed and I and others, is AI. And our focus is not obviously on the technical side. As we said at the start, the boom is something of a surprise 'cause most of us thought it would take longer to get the productivity benefits. But what we know from whether it's railroads in the 19th century or the internet revolution 20 years ago is what really matters for growth is the diffusion and spread of the technology, who uses it. It actually is less important who produces it. Spreads it. And we think the international side of lacking U.S. soft power, fragmentation of the world economy, changes in financing and national security, all will affect how things spread. And it may be that the Chinese AI is inferior in some abstract sense to the U.S. but spreads faster, and they get more gains, and more people use that.

[00:32:54.09] - Anjali V. Bhatt

And this is the kind of thing Martin and Jed and I and others are going to That is a perfect way for us to wrap up because the next PIIE Insider Live is on November 20th with Martin Chorzempa on the US-China AI race. So that was perfect. We did not plan that. Well, we're at time. So thank you so much, Adam, for joining us again. And thank you all for joining us for this edition of PIIE Insider Live. What did you think? What do you want to see next? Let us know at meetings@piie.com. And if you're not already, subscribe to PIIE Insider, the newsletter, at piie.com/subscribe. Again, the next episode will be on November 20th with Martin Schwarzenegger on the US-China AI race. I'll see you then.

