Einar Tangen: China's New Economic Strategy vs the West's Ideological Trap

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#Glenn

Welcome back. We are joined today by Einar Tangen, a senior fellow at the Taihe Institute and also a senior fellow at the Centre for International Governance Innovation. He runs an excellent Substack, Asian Narratives, so make sure to check it out. I've left a link in the description. So thank you for coming back on the program.

#Einar Tangen

Glenn, it's a pleasure to be here. I'm just sorry that, under the circumstances, you're being pushed around by governments trying to depersonalize you and criticize you for simply taking an honest look, from a historian's perspective, at what we are facing today. And unfortunately, it's a trend that we can perhaps talk about later.

#Glenn

Yeah, I was going to say, I think there's an interesting relevance here. During the Cold War, when the economic situation was better, at least, and the West was more confident, I think it often manifested itself in more stable politics and confidence in terms of freedom of speech and so forth. I think this is a luxury. When countries go through difficult times, a lot of these principles can no longer be defended, it seems. And this is also one of the reasons for panic now. Of course, we have

wars, war in Europe. But another reason is the recognition in Europe that they don't really have that economic competitiveness anymore. And without a clear economic model, political models are questioned. Security is diminished.

I mean, the inability of the Europeans to compete properly also results in the U.S. losing more interest in the continent, which means the West is fragmenting. So we see a lot of different variables tied together. And of course, it also affects basic freedoms, which apparently can't be defended anymore under strained conditions. But I did want to start on something related but slightly different, which is what is happening over there in China. China's fifth plenum has concluded. This is a political gathering of China's Central Committee, which tends to be associated with China's long-term economic strategy. And you are there in Beijing, so I was wondering, what are your takeaways? What is changing? And what can be expected from the Chinese economy moving forward?

#Einar Tangen

OK, so there's a lot to unpack there. The plenum is actually ending today, so we'll be expecting more information. But going into it, it's very clear that the party is going through self-reflection, something that is not happening in other nations, as you described. Rather than reflecting on the decisions that have been made and what is necessary to move forward, they are simply reacting and saying, "Anybody who disagrees with me needs to be punished severely." So this is a very different take, and it shows the differences in approach and style between China and the rest. And I'm not saying that countries should copy China. I don't think it's possible. They have a different cultural and historical context that does not fit the West.

But there is this need to reflect in Washington and the EU. I mean, rather than trying to understand what is going on, you just get these knee-jerk reactions, as you say, and it's borne out by the statistics. In the last 12 years, what you've seen is a tripling of the number of journalists who have been put in prison. It used to be that press freedom, you know, in terms of countries' rankings, was about 70%. Today, it is 1%. We've had more journalists killed in the last two years in Gaza than in World War I, World War II, and all the wars since combined. And yet, you know, what happens is they want to crush dissent.

The very people they should be listening to, who are asking, “Are there alternate ways?”—they’re doing it to them. So how does this tie into Beijing? Beijing is looking internally. It’s not about the press, although they’re very concerned about the message. And the message right now is that they have to lead by example. So what you’ve seen here is that there are 372 people on this Central Committee: a little over 200 regular members, and then alternate members. And this is a very important committee. It’s under the party, and they’re responsible for direction. And people should remember that there are two parts to China.

There's the government—that's the State Council, etc. Then you have the legislative and party side. That is what we are looking at today. So, going in, they have been very aggressive about going after corruption. Now, a lot of people always say to me, "Oh, well, no, that's just power politics." And I say, "Nonsense. All of these people are convicted because they took money and used their influence to enrich themselves." Now, this is not the United States. People don't turn a blind eye to it. If you engage in this kind of activity, you will be caught and you will be punished. And it doesn't matter how high on the totem pole you are. And this is the message that China is sending.

In order to go forward, there has to be a basic belief in the party. So the party has to act, has to lead by example. And the only way it can do that is if it's not corrupt. So while they are struggling with a lot of things—real estate, debt, especially local government debt, trying to get more consumption—the fact is that none of those policies will be legitimate if the government itself is not legitimate. And this is one of the things that is lacking in both Europe and America right now. No consideration of whether or not they are representing the values and needs of the people. Just simply, how do we use power to cover up the fact that we have no idea what we're doing or where we're going?

#Glenn

Yeah, I think that's an important point. I often make the argument that one of the things we're going to discover, at least in the West over the next months and years, is that because we have elections and call ourselves liberal democracies, there's an assumption that legitimacy will remain irrespective of what happens. They don't think about the need to shore up their legitimacy or the fact that they can squander it.

I think this assumption will result in some miscalculation because, with all of this economic, political, and social instability, misgovernance, and the split between the elites and the public, the legitimacy issue will grow. And usually the response I get is, "Well, no, no, we're a liberal democracy. It's the people who chose the government." But, you know, go back 200 years and read the second volume of Alexis de Tocqueville's Democracy in America. He actually has a chapter on democratic despotism where he addresses this very specific problem. And I would hope that our leaders would actually read this because, you know, we should hope for some stability moving forward.

#Einar Tangen

Glenn, I completely agree with you. I wrote an essay about this, the difference between prescriptive and performative governance. Prescription is exactly what you said: as long as you have a ballot box and we pretend that you have free speech—although, obviously, you're an example of how that is not happening. And the statistics show that the world is less free today in terms of expression. But

as long as you pretend that those values are in place, it legitimizes everything you do, regardless of whether you're supporting a genocide in Gaza or promoting wars that have no end, investing endless amounts in arms and war as opposed to, you know, your infrastructure and your people.

So that is one way of doing it. And I absolutely agree with you. That's nice. China's approach is about performance. And this goes back to this plenum issue. They have to perform. There's only one party. You know, you can blame one person, but after a while, if you are not actually changing anything, blaming one person is not going to allow the party to escape responsibility. And there's nowhere else to go. They can't say, "Well, it's the other guy's fault. You know, vote them in." And this is what we have today. I mean, you know, democracy has not failed, all right? The West has failed democracy. When people vote only for their own interests, there is no future.

There cannot be. The majority of people just say, "I want more in my pocket today, and I don't care about what happens tomorrow." You can't build anything. You're not going to invest in the future. You're not going to put money into infrastructure, into education, and everything like that because you feel aggrieved. You feel you are the victim. You shouldn't be punished. Everyone else should give something, but not you. That is the rot that is facing Western democracies right now. So I always contrast that with the way China says, "We have to perform. If we're going to perform, we have to be legitimate, and we have to produce results."

There's no other country on Earth like it. Whether you like China or not, you have to understand its system. Every year, they have a report card. They have to read out exactly what they promised the year before, and they have to say whether they accomplished it or not. And it's part of a larger plan. These five-year plans fold into multi-year, multi-five-year plans, going up to 50, even 100 years. So it's all part of a continuum. Yes, they do adjust. But my point is, there is a plan. Today, under prescriptive government, one government comes in and does whatever it thinks is important to get more votes.

Unfortunately, they never solve the problems, which means that they're voted out in the next one or maybe two elections, and the other party comes in and undoes everything that they did. How is that planning? How can a country go forward that way? And why aren't the leaders of the West reflecting on this? Why aren't they saying, "Okay, we need to have better systems. We need to have performative systems. We have to have measurements that show we are, in fact, taking care of our people"? So to me, this is what the plenum represents. Other people criticize it, and they say, "Well, you know, he's gotten rid of over 100 people from the Standing Committee, the Politburo, and the Central Committee combined."

But no one argues that these people weren't corrupt. They just say, "Well, he got rid of a lot of top people." Well, I think that's great. I think it shows that they're trying. Now, there are always dangers to that. The apparatus that you set up to get rid of people who are corrupt unfortunately becomes a bureaucracy. It has internal KPIs. And in those instances, the very system that is supposed to help can also be detrimental. It can result in, you know, lower-level people saying, "I have to get, you

know, more convictions. I have to gather more money." And that is something where the central government has to self-correct and make sure that doesn't happen. There are always going to be small abuses.

The question is, are you trying to make the system better? So, you know, China marches to its own beat. It has been very successful for them. I think countries should study not how you replicate that system, but how you replicate the results. How can you take long-term planning and the future of your people seriously and then put that into a form of action that both sides or multiple sides can agree on? This idea of rationalizing, you know, "I want this and you want that, and we'll make a horse trade"—that's not a plan. That's politics. And politics doesn't work, especially when the world is facing real problems, mostly self-created. But they're still problems, and the question is how you address them.

We seem to be bankrupt in terms of our ability to go at it. You know, you have a president of the United States who alternates between "I'm going to bomb them back to the Stone Age" and "There's a peace deal coming," or, you know, "They really want a deal, but they just don't know it." I mean, it's incredible that it has come to this. No one should be able to look at the world today and not realize that we are living in some alternate universe. Leaders who have 10% approval. Somebody like Donald Trump, who is enriching himself. I'm not making accusations. These are facts. It's not something where we go, "Oh, well, is he or isn't he skating the line?"

No, he's quite open about it. And we know that he's a convicted felon, that more than 30 women have accused him of sexual molestation. This is the reality of the world. It would have been a joke 20 years ago. Today, it's the reality that we live in. China looks at this, and they're horrified. They say, "We do not want to go down that path." And this is the major difference that is happening today. So when people look at the plenum and what that means for the economy, all right, China has spelled out what it wants to do. It has this dual circulation strategy, which, put into simple terms, means they want to attract investment based on expanding their domestic market.

So the more money that Chinese netizens spend—without putting themselves in the poorhouse or, you know, running up credit card bills—the more activity, opportunities, and sales there are. And that will attract companies that are interested in growing their markets. Right now, China is really the only stable market in the world that's growing. I mean, the way I hear it, and I'm sure you do too, is that China's on the verge of collapse. Okay, it's leading the world in manufacturing things that you cannot get by without. Its growth rate is twice that of the U.S. and three to four times that of Europe.

But consistently, what do you hear from the press? China is on the verge of collapse. And it's been the same story for the last 30 years. It just doesn't change. You know, it's like Gordon Chang. He's been predicting the collapse of China for just under 30 years. Every year he's wrong, but that

doesn't mean he doesn't confidently come out the next year and say, "This is the time." So you can say what you want about China, but let's look at the performance. And I think when people start reflecting on that, they'll get a better idea of what they expect from their governments.

#Glenn

I noticed, especially in the American media, that the coverage of China has begun to follow the pattern of coverage of Russia. With Russia as well, for the past 25 years, there's been very consistent reporting that it's on the verge of collapse. I mean, at least since 2001. So we've been doing this for quite some time. If you put the headlines side by side, you see that this is now being applied to China. I often think it's wishful thinking that we will, at some point, go back to the natural order, which is that the U.S. will lead the world. Because if you choose your own time frame and look over the past 100 or 200 years, this is the natural order of things. So again, this is how people tend to pick that key time in history to define what is normal, when history began. But what you said about the need to learn a bit from China as well—not just China, but other countries—doesn't mean copying them, but seeing what works and what doesn't.

This should appeal, though, to the Western experience, because in ancient Greece, the Greek city-states were quite decentralized. They essentially all tried different forms of economic and political governance, and they saw what worked and what didn't. They might emulate what worked and, again, look a bit outwards. The United States as well, I would argue, built on that tradition by having that decentralized state system. That is, the states, you know, can all do things differently, and they learn a bit from each other. I think what is unique in this day and age is that we have all these universalist principles.

Like, we already had, you know, these liberal democratic dogmas, which you can't really contest. And with universalism, we already have the formula. We were told by Fukuyama exactly what is required for good government. And even when it crashes at home and we see more competitive models abroad, it's very difficult to say, “Oh, well, maybe we can tweak this or change that.” Instead, one just holds on to it, and politics degenerates into some kind of wishful thinking that soon everything will fall into place, which is not a strategy. It's just Trump. As soon as Trump is gone, we'll go back to normalcy.

#Einar Tangen

No, no, no.

#Glenn

If you remember the Bush election, George Bush was saying, “Why does Clinton do nation-building? We will not do this. We're not the world's policeman, really.” And then look what Bush became. And you had Obama, you know, he was going to change things. “This is not how we're going to do

things. We're going to lead from behind." Then you had Trump, you know, he was going to end all wars. He was going to be the ultimate peace president. Now he's, you know, talking about genociding entire nations. Biden was going to be the adult in the room. So, in the end, one gets the impression it doesn't matter who sits on the throne if policy doesn't change.

So I think—I'm not sure if it's universalism or how you see the challenges. Because this last thing I was thinking is, with this idea of universalism, that you're sitting on the winning ticket already, that you don't need any change, it's very hard to adjust as well. Any internal criticism saying, "We're on the wrong path. We should fundamentally reconsider this," is seen as almost treason against humanity, against the assumption about the universal ideals that everyone agreed upon, the consensus. If you criticize the model we have in the West, it's not as though anyone will try to fix it or correct course.

It's that you hate the West, because the West has become defined by these universalist ideals. So, yeah, I think we're stuck. And I'm not sure if it's the universalism or the lack of self-criticism, because that was supposed to be the strength of the West: that openness, that we can do our laundry in public. We see what is wrong, and then, once we see what's wrong, we can change it. But we can't discuss what is wrong, really, and we can't change. So, you know, sorry, a bit of a detour, perhaps. I agree. But when it comes to China, they talk about the centralization of power. And there is a strong degree of centralization of political power, but the economy is very decentralized.

#Einar Tangen

Yeah. One thing I want to add is that there are two bookends to the way people look at the world. There are people who want certainty, and most of these people will point to a book, whether it's a Bible or a Constitution, and they'll insist that all the wisdom in the universe is contained in that book or that piece of paper or their set of beliefs. And anybody who violates that is a heretic. And this is exactly what you have. The West has become extremely ideological, which is kind of ironic because the West always said that they don't like ideology, and they accuse other countries, especially communism and socialism, of being ideological notions that could not actually be real.

The other kind of person is somebody who believes that we don't know everything and that we have to adjust everything, that we have to continue to learn because life is dynamic. And these are the kinds of people who create change. I've never seen anybody who is an absolutist, who believes that what they believe is right, who is interested in change. No, they're interested in going back. They want to go back to being originalists, kind of like in the United States. There's a legal society called the Federalist Society, and they call themselves originalists, meaning that they think they know the original intent of the framers of the Constitution and that those framers, although that was 250-some-odd years ago, had all of the knowledge and wisdom that was necessary for the next billion years.

And they cannot imagine that there's anything else. And they believe in this kind of nostalgia: "We need to go back." Well, here's the irony. This movement was born out of contempt and hatred for what was called the Warren Court. The Warren Court believed that African Americans and women and everyone else deserved equal treatment, that people were people and that you had to make sure they were treated equally. They championed civil rights. They made sure that individual rights were protected, that the power of the police could not be used to suppress the people.

And the originalists said, "This is heresy." Literally, they said, "This is heresy. This goes against the framers' intent, goes against the Constitution, and we have to get rid of it." And they have been very successful. There are now six justices on the Supreme Court who are either members of or associated with this group. So they've been extremely successful. I mean, it was started while I was in law school. Somebody asked me to join, and I said, "Well, what are you?" "We're originalists." And I started laughing. "Original what? Do you think everything was there?" And they looked at me.

#Glenn

But this goes to this fundamental attitude.

#Einar Tangen

Now, I'm not saying that you're one or the other. There's a rainbow in between, where people sit somewhere, you know—not on one side or the other, but somewhere else. But I am impressed. And the reason I came to China and stayed in China is because they wanted to learn. That was evident. China, when I first came here in 2000, was not a great place. It was very dusty. You know, it was just beginning its development. In 2001, they joined the WTO, and you started seeing all this rapid economic advancement.

But even as it was going, they were so concentrated on economic development that social development lagged behind. And you had people who were feeling disenfranchised, disconnected from society. Although they were working hard in the cities to construct the buildings, they didn't feel part of the very cities that they had created—migrant workers, even people who were pursuing money. They felt empty. They had money, but it didn't seem to make a big difference in terms of making them happy. Maybe a little bit more secure, but that was about it. And I'm not saying that any of this is bad. I'm just saying that this was the reality. Then China switched, and I put a lot of that at the feet of Xi Jinping.

He comes in in 2013. He starts the BRI. He says, "We are going to pay attention to people. We're going to get rid of extreme poverty. We're going to make sure that the benefits of progress are shared rather than captured." And this is one of the big issues in the West right now. You know, you look at the zillionaires who are out there, Elon Musk, et cetera. They literally want to dictate society. They want to capture more wealth. You know, not content with being the richest man in the world,

Elon Musk was trying to combine his companies, which seems to be one of his hallmarks. He starts a bunch of companies, and then he combines them, and he creates more wealth for himself. So instead of being a single trillionaire, maybe he'll be a double trillionaire.

But is that helping the rest of America? Is it really helping the world that he accumulates this money and then tries to dictate the politics? He has now officially put more money into American politics on the Republican side in the last few years than the boogeyman of conservative politics ever did. Wow. What's his name? I forget—the guy who, along with Bessent, was involved in the takedown of the Southeast Asian financial system. I'll remember the name later in the middle of the night. He was, you know, one of these people who everyone accused of trying to create a liberal order in his own image. And I mean, the numbers are just extraordinary.

So you have a system today where those who see any change as heresy are meanwhile going to the bank with the money. They've captured these markets. Of course, they don't want it to change. In America, the top industries are basically controlled by two or three supposed competitors. And what do they do? The model is to extract value—not serve people, but extract as much as they possibly can from them. And they do that domestically, and then they do it internationally. This is based on this kind of zero-sum thinking: either I get it or you get it, but we can't share it. China has a different approach. China says, no, that's not the way you grow yourself.

It's not stable. It's not sustainable. If I'm playing king of the hill, the only thing I know is somebody's going to try to knock me off because they believe that I've taken too much. So their idea is that we can grow our economy at the same time that we grow the world's economy. Why? Because they're connected. The more money people have in other countries, the more disposable income they have, the more they're going to buy products, and the more products we can produce. The more they can develop, the better it is for China. So they see making the pie bigger as the key to it. And that goes back to this plenum. What is it all about?

You know, if you read the press tomorrow or later today, they're going to say, "Oh, this was just Xi Jinping getting ready for his fourth term." They miss the point that China is going through a very difficult time of transformation as it reacts to internal issues in terms of fairness and creating a better society. It's beset with issues related to real estate, local government debt, and low rates of spending and consumption among its people. At the same time, they're confronting a very determined U.S. that has, you know, said openly, "We want to contain you." So they're doing the best they can under those circumstances, but they believe that they should be learning.

I don't hear anybody in Washington say they can learn anything from anybody. And it doesn't matter if you're a Democrat or a Republican. They always believe they have all the answers. And that's getting back to why I came to China. That's what impressed me most. It wasn't the physical circumstances. It was the fact that everybody I met wanted to learn. They didn't think they knew it

all. And to me, that's the hallmark of a country that has promise. So that's why I came to China. I thought if there's going to be a renaissance in my lifetime, it will be in China, because it only happens when people want to learn, not when they know everything.

#Glenn

Yeah, again, the danger of having all the answers would be the ideologies. But more on the specifics, though, in terms of China's economic strategy—the continuity and change. China has emphasized technological self-reliance a lot, and the need to enhance domestic consumption. Are we seeing any transformation, or, you know, is it a revolution? Essentially, where do you see it headed in terms of how it's changing from previous priorities? Not that it's necessarily abandoning a lot of the ideals. Well, I mean, okay, so go back to the five-year plan that was passed.

#Einar Tangen

What did it say? It took environmental rights and made them the same as contractual rights. There's nothing like it in the West. And they say that as a human being, all right, you have the right to clean air, clean water, and an environment and education that allow you to enjoy life. The reason they did that is, once again, it goes to this idea that they're shifting from purely saying, "We want to make more money," to, "Look, we have to figure out ways in which we can have a fairer, better, and more sustainable society." This isn't just pure altruism. They're looking at this in a very practical way.

If everyone is benefiting, guess what? You're not going to have huge amounts of destabilization. That used to be true in the United States. In 1972, 61% of the population was middle class. Today, it's 50% and falling. And of that 50%, most are extremely fragile and afraid that they could go underwater at any time if there's an emergency. So, yes, they are trying to do it. Now, what are the headwinds? Internally, China is still a relatively new country. In 1949, it comes together. It doesn't have a modern economy at all. Then you get to 1979, and Deng Xiaoping starts talking about very practical things. And, yes, it's good to make money.

You have to use the forces of capitalism to encourage people to be productive. And that works for China and continues to work for China, and will probably be part of its new ideas about how to expand and make these gains more substantial. And what do I mean by that? Ninety-nine percent of all the companies in China are owned by small and medium-sized business entities. Ninety-nine percent. So, this idea that China is just a factory—these businesses generate 60% of all revenues, employ about 80% of all existing employees, and account for over 90% of all new employment. So China is very interested in harnessing this. And that's all capitalism. That's all market interplay.

That doesn't mean that they don't have rules and regulations to make sure that these markets aren't captured and that people who think they have the right to extract value have to compete for it. If you know anything about China, you understand that it is hypercompetitive. So the idea is to use this force, but to take it international. In the past, you know, for a small business in China or

somewhere else in the world, going international was impossible. Letters of credit, lawyers' fees, bank fees, understanding local regulations—all of these things made it virtually impossible, except for the very large entities, and they dominated trade.

But today you have these digital tools, which allow you to identify markets through the Internet, to use the existing logistics that are now being upgraded to get whatever it is you want to sell to those markets, and finally, payment platforms that allow you to get paid for them. Now, there are things that are missing. These are things that China is paying attention to, and that is, you have to know about the markets you want to sell into. It's not enough to just identify buyers. Anybody could do that. So there's no barrier to entry on that economic front. You have to understand what you have and the markets that you're concentrating on, to deepen your ability before somebody from your area or another country comes in and says, "Hey, that's a good market."

"I could do that. All right. I can identify people, and I can compete." They don't want to make their specialized products into commodities. It's like coffee and wine and things like this. You know, the more you know about them, the more discerning you are, and the more your tastes take you in directions that will help small and medium-sized business entities that are able to satisfy either broad markets or niches. And this could be, for the world, a new ocean of opportunity. And they're pushing this along. But they want people to understand more about the markets. They have this China International Import Expo. It's the only one in the world. And you have over 100,000 people who show up from countries around the world. You know, China isn't selling to them.

They're saying, "Hey, what do you have that we could buy?" And billions of dollars in deals are concluded through that. And it allows small and medium-sized business entities from around the world to come to China and understand it. The last part that is absolutely necessary to this is some sort of agreement so that when you're exporting to a country, instead of having 50 different standards for the export of, let's say, honey because of the processing, you have one. One that allows you to enter 50, 100 markets, whatever. It would be great if the BRI did that. That's almost 140 countries. If they had uniform standards, rules, regulations, and safety requirements, you wouldn't be downgrading them. You're just simply saying, "Well, can't we agree that this is the minimum that is necessary for products to be safe?"

And if you can do that, all of a sudden you're unleashing tremendous amounts of productivity. People are getting paid at the base level, cutting out the middlemen, yes, but the people themselves are actually making money. That money translates into disposable income, which is a huge part of what the global economy is today. Remember, I talked about this before. You have essentials. I need food and water and shelter and things like that. Then you have the things necessary for people to live together. There's also sewer, water, roads, telecommunications, jobs, opportunities to specialize, and things like that. But then, after that—and we're facing that with the digital revolution—you have robots and the ability of AI to assemble huge amounts of information and give us ideas and answers that can be collated.

That used to be done by people. Now it can be done by a computer. It doesn't mean the world is ending. What it means is that if we take the productivity created by this and spread it around, more people will have a better life. You could have a three-and-a-half-day workweek, basically a job share, in which case you have a 24/7 economy. You have three shifts, with people working on all three shifts. So it doesn't matter when you work; everything is still open. And as a result, you can enjoy life, whether you work during the day, through the evening, or in the early morning. This would allow a lot more activity. It would also increase the number of jobs that are available.

But it would also mean that, for three and a half days, you could rest, relax, and pursue other things, which generally cost some money. It's disposable income that you can choose how to use or not use. But those things are only possibilities if we think we can change. If we think everything is set in stone, we are going nowhere. If we think that markets are all about extraction, you're just going to have a dogfight. But if you think that there are possibilities, we can learn and change, and we can adapt and do better and grow things. Yeah, I think there's a bright future.

And that's a lot of what people miss when they, you know, read these pundits who try to read in all these nefarious, terrible things about the Chinese government. If the Chinese government were even one hundredth as bad as the Western press said, it wouldn't exist. People would have revolted, right? I mean, getting rid of extreme poverty—that doesn't sound like a dictatorial government intent on suppressing people. And that's the story you always get. So the disconnect is there. I mean, anybody who comes to China suddenly realizes that they have been lied to. And I'm not saying misled; I'm saying lied to. They look around and they see the advancements and how people are living.

The fact is, you can walk around at 4 a.m. as a single woman and not be afraid of anything. This just doesn't exist elsewhere. And that's performative government, not prescriptive. "If I can't protect you, get a gun." Nowhere in China does anybody say that. They say it's the government's responsibility to create a safe environment, provide opportunity, education, and the basics of life, and, at the same time, provide a space where people can compete and create new things. And that's working well for China. I just don't understand why we're not studying it to understand how we can extract value from this that will make our people and our system stronger.

#Glenn

Well, it's also this reporting. It's not just that it's wrong, but that it lacks objectivity. You can see between the lines that there's this strong and desperate hope that China will fail, which should be an indicator that perhaps we should be a bit critical of the reports. But when you talk about finding an economic model that doesn't encourage too much extraction from the markets, I think we become very ideological. The first thing people think is, "It's communist China; we have free markets." This is usually the ideological framework we end up in. But what you're talking about is indeed what industrial capitalists in the West in the 19th century talked about. It's what the original liberal economists in the West talked about.

John Stuart Mill, David Ricardo, Adam Smith—they all essentially said what you're saying: we should avoid extracting too much wealth from the economy. Especially rent seekers, the people who don't contribute to the production process—their ability to, you know, extract billions from that process is a negative thing. And they always made the point, as you and I have discussed in the past, about the need to spend that wealth on society or, to use socialist language, the collective. I mean, even in The Wealth of Nations, Adam Smith supports the idea that you need all this public investment to build your infrastructure—your bridges, your roads, your harbors—but also to provide education. Once you have that infrastructure and the collective builds a strong education system, it elevates the standard of living for all of society, and it also makes the country more competitive.

So this idea that you have to have this strict dichotomy between, "No, no, no, we have individual responsibility," or the collective—and, you know, I don't mean to go after the Americans on individual responsibility, because there's something to be said for the character of Americans, as they do focus on individual responsibility. But it's not the only thing. It's not the only variable. It's not the silver bullet. And indeed, that's the whole point of Adam Smith. If you let the markets dictate everything, you get maximum market efficiency. But he didn't say this was the only variable to consider. So, again, going back to what you said about the originalists, or having everything already written down clearly as these universal doctrines, I think it's very destructive. Do you have any final thoughts on China or anything else before we finish up?

#Einar Tangen

Yeah, I mean, China is very quickly now expanding the use of the renminbi. It is not to compete with the dollar. It is an alternative because the US has weaponized the dollar. And unfortunately for the US, this is not a good sign. The US dollar, as the trade mechanism for the world, has kept our debt afloat, all right? It allowed borrowing at low rates, which Washington used to fund wars and all sorts of other things. But nothing seems to help. Now we have huge debts to which we're adding $2 trillion a year because of the rates on the debt we're borrowing today. If you're rolling over debt, you're not paying it off.

You're going to reborrow that. To the extent you're doing that and borrowing more money, you're going to pay a higher interest rate. And now it's more than double what it used to be, around 2%. Now we're looking at 5% on the 10-year bond. This is not sustainable. We have a $7.5 trillion budget. $2 trillion is borrowed every year. And of the $5 trillion in revenues that we get, almost 58% is spent on security-related issues, whether it's the army or internal security or, you know, the National Endowment for Democracy.

It's only 330 million, but it's allied with other entities that are pouring billions into creating change. You know, supposedly making countries better by making them more like us. But unfortunately, to do that, we feel we have to support dictators and regimes that are genocidal. So, I mean, we have way too much money that is going into nonproductive areas—the guns-and-butter analogy in

economics. And the reaction by the rest of the world is, "You've weaponized the system. You're using it against countries, and this cannot be sustainable."

We are going to find alternatives. We may smile at you today, but when we go back to the office, we're figuring out how to avoid being dominated by the U.S. dollar, especially when you have somebody like Trump who's so mercurial. One day it's one thing; the next day it's something else. So this is not working well for the United States, but it is not some strategy by China to disrupt America. It is simply self-preservation. And these same ideas, as I said, are being applied across the world. Every country is looking at this. I talk to ambassadors all the time, and I say, "Well, what do you think about that?"

They say, "Well, we have to, you know, be realistic about this and have backups and alternatives." But those alternatives will have severe repercussions because you already saw the situation yesterday. A lot of people are starting to question whether it's overvalued. When that value comes down, I know that this group will go to the U.S. government and say, "We're too big to fail. We're too important to fail. You've got to bail us out." But meanwhile, people have lost a tremendous amount of money. And at the same time, bear in mind that the U.S. economy looks good—over three and a half percent growth—except 2.1 percent of that...

I mean, 2.1 percent of that 3.5 percent is actually due to investments in these data centers and things like that, which is a very hot topic. So if you take those away, all of a sudden America's growth is going to be extremely anemic. And if that happens, it's going to be basically on par with most of Europe. And, you know, there's no way that this is not going to affect borrowing rates, because everyone is going to look at the U.S. in terms of its creditworthiness. And if it's not leading the world in AI, what does it have to offer? There are things there, but is that enough to sustain a $40 trillion and growing debt pile in a country that is politically, socially, and economically divided?

#Glenn

Well, Einar, it's always a great pleasure. Thank you. Thank you, Glenn.

#Einar Tangen

All the best to you. And as I said, I hope that this time passes and that governments realize that people like yourself, who look through the lens of history, are an important part of the discussion, whether they agree with you or not. You're not trying to bring the world down. You're just trying to say, look, there are alternatives here to this idea of going backwards, of adhering to a past that never worked to begin with, and then pretending that is somehow the future.