



Fox Rothschild Podcast

The Presumption of Innocence

Episode 29: A Global Perspective on the Economic Responses to COVID-19

Featuring Matt Adams of Fox Rothschild and economist Jim Power

Adams: Hi, everyone, and welcome to "The Presumption of Innocence," a podcast brought to you by the White-Collar Criminal Defense and Regulatory Compliance Practice at Fox Rothschild.

We have a very special episode today. I am joined by an international guest of international acclaim. How about that for an introduction, Jim?

Jim Power is one of Ireland's leading and best-known economic analysts. He has a wealth of experience delivering economic forecasts, analysis and commentary, both to Irish and international audiences. And he writes regularly for national newspapers and is a regular contributor to radio and TV debates and discussions and other podcasts, such as "The Stand" and "Win Happy."

Jim, it's really a pleasure to have you here on "The Presumption of Innocence." We've gone international, as they say, and I'm just delighted to take a new approach and wrinkle on an issue that we have been discussing here on the program for some time. And that is the economic stimulus brought about by the COVID-19 pandemic. Obviously, it's well documented at this point just how decimating this pandemic had an impact globally on the economy. In the United States, as we have documented extensively on the program, there was an unprecedented influx of stimulus monies placed into the economy. And now we are in the aftermath of that, facing what I have routinely said publicly is one of the largest white-collar criminal investigations in the history of the United States. But I'm also mindful that there's a bigger globe out there and that these economic stimulus programs have even further, more wide-reaching implications to the global world economic order.

And that's what you're here to talk to us about today. So let's kick it off with some basic background, Jim, mindful that we're talking about an economic stimulus and the impact from a U.S.-centric view, which is the view that I'm coming from. Talk to me a little bit about the role of the U.S. and European economies in the global world economic order.

Power: Hello, Matt, great to be on your show and thank you very much for the invitation. I guess based here in Ireland, we have a very special relationship with the United States. You know, the U.S. is a major investor in this country. There is obviously a huge Irish diaspora living in the United States, going back a few centuries and--

Adams: I'm one of them, I'm the offspring of one of them.

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Power: Yes, I guessed that all right. So, from an Irish perspective, there is a very special relationship with the United States and maybe we get an opportunity to talk a little bit later on if we have time about U.S. foreign direct investment in Ireland. But suffice to say, Ireland has a strong business, economic and cultural relationship with the United States.

At a global level, the U.S. economy is the world's largest economy. China second, the European Union third. So, the U.S. is a major player. And over the years, over the last five or six decades, I guess, since the second World War, as the whole process of globalization has become a key driver of the global economic and political system, the preeminent role of the United States, economically has become more and more significant.

So, in a sense, it certainly is the biggest driver of global economic activity. U.S. companies have a very significant footprint all over the world. And, you know, there was an old adage, certainly in this country, that when the United States got a cold, Europe, particularly Ireland, tended to get influenza. So, it's a very significant player.

But I think what we've seen happen a bit over the last couple of decades is that Europe has obviously moved to become more of a united economic and trading block. You know, well, the European Union came in in 1958 with the Treaty of Rome. But really, since 1999 and the European Monetary Union Project and the introduction of a single European currency, a couple of years later has certainly made Europe a more united block, and I guess in some ways has become somewhat of a rival for the United States. But I think the biggest rival for the United States economically, and indeed politically over the last couple of decades, has obviously been China. And I do believe that the relationship between the United States and China will be the defining global relationship over the coming decades. Just as when I was growing up, during the Cold War era, the relationship between the United States and the U.S.S.R. was basically where it was at.

But I think the China-U.S. relationship is becoming more and more important. But, you know, have no doubt about it, as a global player the United States is still where it's at. And as I say, the economic relationship and the impact it has on the Irish economy is absolutely massive. But on the European economy in general, it is very, very significant. So a big player, a very important player.

Adams: You said something in your opening remarks there, Jim: The U.S. gets a cold and the world gets the flu. And it strikes me that on a good day the U.S. is then consistently influencing world economic policy by decisions that are being made in Washington and throughout the country.

And that was just taken to new heights and new levels when economic policy in response to the COVID-19 pandemic broke through out of Congress. So let's talk about before COVID and what types of ways, for example, Federal Reserve monetary policy in the United States would move the needle throughout the world.

Give me some examples of that on a good day without the added wrinkle of the largest economic stimulus in the nation's history.



Power: Yeah, well, I, guess in understanding the whole environment we've lived through since the advent of COVID back in March 2020, you know, one has to go back a couple of decades to understand, actually, the sort of policy context that we saw come into place after the COVID epidemic hit.

If you think back in 2001, 2002, when the technology bubble burst in the United States, that had a huge impact on the rest of the global economy, particularly in Europe. But then in 2007, 2008, with the global financial crisis, we saw the collapse of Lehman Brothers. We saw the collapse of Bear Stearns. We saw the U.S. financial system get into serious difficulty. And that, of course, percolated across through the world, but had a huge impact on Europe had a huge impact on Ireland. So, that period after 2007, 2008, I guess, really demonstrated the globalization process and the interrelationship between the United States, Europe and indeed the rest of the world.

But the policy response from U.S. authorities after the global financial crisis erupted back in 2007, 2008 was very aggressive, you know. U.S. central bank, the U.S. federal government, intervened quite aggressively. Interest rates were taken to the lowest level on record. The Federal Reserve and the U.S. Treasury engaged in a massive process of quantitative easing. So, in other words, they pumped trillions of dollars into the U.S. and global financial system to ensure that the U.S. economy did not go into a 1920s Depression-type era. And indeed, it did work. That policy approach did prevent the United States from going the way it went in the late 1920s into the 1930s.

But it was a very, very aggressive response and that, I think, more than anything else is what differentiates European policymaking from U.S. policymaking. You know, the global financial crisis, the reaction in the United States, was very aggressive, was very quick. We saw tax cuts. We saw massive increases in government expenditure.

And of course, we saw, as I described, interest rates fall to the lowest level on record. And we saw trillions of dollars being injected into the U.S. financial system through the process of quantitative easing or bond buying. Whereas in Europe, it tends to be much different and more conservative. It took much longer for the European Central Bank to cut interest rates, because the European Central Bank is totally paranoid about inflation, and has been since it was set up in 1999. Because basically, the European Central Bank was based on the old German Bundesbank model, where paranoia about inflation was absolutely paramount. And from a fiscal perspective, likewise, the European Commission ensured that the fiscal response from European governments was much more conservative than we saw in the United States.

And I think what we've been trying to do in Europe is trying to, over the years, create basically a United States of Europe. But it does not function as well as the United States of America because, you know, we saw after the global financial crisis hit very strong, very coordinated policy response from the U.S. central bank -- the Federal Reserve -- and from the U.S. Treasury. Whereas in Europe, the European Central Bank pursued a much more cautious approach, and indeed, different countries across the European Union responded in different ways to the crisis.



And indeed, the Germans insisted on austerity being applied across many European countries. So countries like Ireland, Portugal, Spain, Greece, that were disproportionately hit by the global financial crisis back in 2007, 2008, they were forced by the European Commission -- basically driven by the very strong German perspective -- to cut government expenditure, to increase taxes. And that actually made the crisis worse for those countries.

Whereas in the United States, there was a very strong coordinated response. Basically, the playbook was, we cannot allow this situation evolve into, a 1920s Depression-type era. So that was the response. And, you know, different people have different views, but it did create an incredibly artificial and dangerous type environment. Because we had a prolonged period, up to 2018, 2019, of historically low interest rates, lots of trillions of dollars and euro and yen being pumped into the global financial system through quantitative easing.

And there was a British historian, Lord Acton, who once said -- many, many, generations ago -- that "easy money corrupts and real easy money corrupts absolutely." What he was sort of saying then is that if you have an environment of artificially low interest rates, lots of money supply being generated, that it is going to create serious distortions. And indeed it did because it created massive asset bubbles, property bubbles, equity market bubbles. It forced businesses to take risks that they might otherwise not have taken because money was very, very cheap. So, it was an artificial dangerous environment. And, I go back to a famous U.S. economist who divides opinion to this day, many years after his death: Milton Friedman. Milton Friedman, who was a monetarist economist, he would argue that inflation is always and everywhere caused by excessive money supply in the system. And of course, Friedman would have predicted, were he alive, that the policy response from the U.S., particularly after 2007, 2008, would inevitably give rise to an inflationary spike at some stage. So, that was the sort of very unusual artificial backdrop in the run-up to March 2020.

Adams: All right, so, wow. First of all, the way that you've been able to synthesize a couple of decades of fiscal policy and its impact and reverberation throughout the global economy, I give you a lot of credit for that. Something tells me that's your life's work.

But stepping from that, background for a second. So if I'm not mistaken, on a good day, right, the U.S. sneezes and the world catches a cold. And now we're faced with an unprecedented public health emergency. And the U.S. goes to work. And in a matter of -- and it's been well documented on this program through a lot of our different guests over the last couple of years -- almost instantly the CARES Act is passed by Congress, the Paycheck Protection Program is born, the Employee Retention Credit flows from this legislation. All of which have found themselves squarely in the crosshairs of the U.S. government in a reactive way, an enforcement way, on the back end of this crisis. And we're going to get there.

But on a good day, on a good day, when the government of the United States is just doing normal things that you say it does fairly well to stabilize the economy, now we have this public health thing. And this is unprecedented. This is unprecedented, it's global, in reach. We have lockdowns. We have life as we know it upended. And the government acts. I mean, based on your hypothesis of the U.S. sneezes and the rest of the world catches a cold, or however you wanna say it... I mean, the U.S.



didn't just catch a cold. The U.S. was right back where it was -- or worse, potentially, than 2008 or the 1920s. And unprecedented measures are in place. The government is printing money. What does that do to the rest of the world?

Power: I mean, I tried to describe, in a reasonably simplistic way, the sort of backdrop in the run-up to March 2020, when the global pandemic was declared by the World Health Organization.

But I guess the really important point was that prior to the arrival of COVID, the world -- the global financial and monetary system driven by the United States -- was in a pretty unusual place. There was a lot of distortions in the system. Suddenly, we were hit with this pretty unprecedented event, a global pandemic. And policymakers really didn't have a clue what this was going to result in, how bad it was going to get.

But the response from the U.S. authorities initially was incredibly reactive, incredibly aggressive, you know --

Adams: And incredibly fast for the U.S. government because they don't do anything fast.

Power: Incredibly fast. Absolutely. If you look at a lot of the measures that were implemented, , in March 2020, we saw a very strong fiscal policy response. We saw interest rates being cut twice in March 2020, bringing them back to zero. We saw the whole quantitative easing program being ramped up. We saw a massive lending program being implemented. We saw massive purchases of U.S. government debt and mortgage-backed securities.

We saw lending programs to support households, employers, financial market participants, state and local governments. So, the sort of policy response was just so multifaceted. It was so aggressive. Because there was a recognition that these are extraordinary times. We are faced with an unprecedented crisis, so, let's throw caution to the wind and throw what we say here in Ireland, the kitchen sink at the problem. Which the U.S. authorities did, but at a federal government level and also at a central bank level.

Adams: I've heard politicians refer to that as a whole-of-government response.

Power: Yes, it's a whole-of-government response, very, very coordinated. Because it is important particularly -- well, I think the whole time it's important -- but particularly during times of crisis that the whole of government, be it federal government, state government and the central bank, monetary authority, that they all work together, they work in a united fashion. Because you can't have one arm going in one direction and the other arms going in the opposite direction. There has to be great coordination. And that is, I think, what we saw after the global pandemic.

Adams: So, in March 2020, the U.S. government, in all of its forms, ramps up at lightning speed, bringing everything that it can bear to this particular issue. And we see that play out so quickly.

How does that compare to the European response? Because based on what I'm hearing from you, Europe and the rest of the world was really faced with two problems. Number one, the U.S. economy



was hitting the rocks, was facing incredible uncertainty. And if on a good day that throws the rest of the world off, certainly one of the largest economic crises in the history of the country is going to throw the rest of the world off.

But at the same time, the rest of the world had to deal with this phenomenon, this global public health emergency as well. So, how did the rest of the world respond to what it was dealing with, both by virtue of the U.S. economy starting to go into convulsions, but also its own people suffering from the pandemic?

Power: It's obviously difficult to be definitive about this, but I suspect -- well, sorry, I know -- that Europeans look very closely at the U.S. reaction. Okay? There's no doubt whether there was a coordinated policy approach that was discussed at official level. I'm not certain. I suspect there was. But the Europeans looked at what the U.S. was doing. And actually for Europe, there was an amazingly fast response also. Because generally it takes much longer for Europe to make any decisions, because you're talking about 27 different countries in the European Union, all having to agree on a policy approach.

But when COVID hit, the European Central Bank could not do what the Federal Reserve did by cutting interest rates immediately, because interest rates in Europe were already zero, so there wasn't potential to cut. But the European Central Bank did engage in a significant program of quantitative easing, so printing money. So they were pumping money into the European banking system by buying bonds and securities to try and keep the European banking system liquid and lending money into the real economy.

And at the same time, there is -- if I may digress a little bit: In European policymaking circles, if you are a member of the European Monetary Union, part of the single European currency, you are subject to significant fiscal rules, okay? So the fiscal rule basically was that over the cycle, a country's budget had to be in balance, and that the limit on the budget deficit you could run would be 3% of GDP, you know--

Adams: Completely contrary to the U.S. where --

Power: Exactly!

Adams: -- the federal government can run the largest deficit as large as it wants, as you said, caution to the wind.

Power: Yes. So the Europeans had these fiscal rules in place. And they reacted very quickly and said that, basically, we're relaxing these fiscal rules. We are allowing every member-country of the European Union to spend as much money as you have to - cut taxes, if you have to.

It was a totally different policy response than we saw after the global financial crisis. So we saw governments across the European Union react aggressively, as I say, by cutting taxes, by increasing government spending, by introducing all sorts of different programs. And different countries



responded in different ways, but the overriding theme was certainly one of a pretty aggressive fiscal policy response.

But, the response in Europe, particularly by governments, on the fiscal policy side was definitely more conservative than in the United States. And if I may just throw out some, nice, juicy statistics, Matt, for your listeners, but, if you look at the budget deficit in the United States, in 2020, the U.S. federal government ran a budget deficit of 15% of GDP, okay? 15%.

In 2022, it was around 5.8%. And for 2023, not too far away from that. The U.S. government debt in 2019 was at 107.2%, and by 2022 it had increased to 129%, which is an unprecedented high. Because between 1940 and 2022, for example, the average debt to GDP ratio in the United States was 65.2%.

Okay, so a massive, massive impact on the public finances in the United States. And indeed, the Biden administration is keeping that going. You know, it's still spending aggressively on various programs.

If you look at the European statistical situation in 2019, Europe was running a budget deficit of just 0.6% of GDP. So very, very low levels of borrowing on average across the euro area. In 2020, that deficit rose to 7.1% of GDP. That compares to 15% in the United States. And in 2022, the European budget deficit had got back to 3.6% of GDP. So, the government response, the fiscal response in Europe was much more conservative than in the United States.

Adams: What, exactly did that fiscal response look like? Did the governments of the European Union and elsewhere, print money and give forgivable loans, like the U.S. did?

Power: Yes, they did indeed. Here in Ireland, for example -- as I say, different countries pursued different types of initial --

Adams: So, I think it bears, sort of, putting a highlight on something you mentioned in your remarks just a minute ago. There's not just one cookie cutter approach that the European Union -- with caution being, you know, basically in the wind at this point -- every country is just doing what every country needs to do to survive. Right? It's like the "Hunger Games" of economic policy.

Power: Yes, it is. I mean, there were special loans given to businesses. For example, smaller businesses could do what we call warehouse tax-debt. So, in other words, companies could defer paying taxes until the crisis had passed. And indeed, we're now facing a situation where from the first of May this year, 165,000 companies here in Ireland, mainly small ones, are due to start paying back the revenue debt that they didn't pay during the COVID crisis.

We saw governments lend all sorts of support to households through electricity credits. So there was a very, very strong approach because the Irish government, as indeed did governments around the world mainly recognize that listen, COVID is a totally unprecedented situation. It's not caused by economic policy failure, unlike the global financial crash back in 2007, 2008. So, there was a recognition, and I think it was a correct recognition, that once COVID passed, and once we were trying to pick up the pieces and start to grow economies again, that it was essential that we had



functioning businesses and functioning households. And if the sort of aggressive support had not been given, well then, you know, you would not have ended up with that sort of result.

And that is why, particularly in the United States, but in Europe, to some extent, but also very definitely in Ireland to a large extent, the recovery from COVID actually was very strong and very aggressive. And that's because of official intervention. Businesses and households were supported in an unprecedented way financially to enable them come through this crisis.

And of course, this does result in all sorts of distortions. You know, we had many businesses and many households getting access to funding that they didn't actually need. certainly there were elements of fraudulent applications for funds, and funds were given out fraudulently. So, you did get all these sorts of distortions. And these sorts of distortions are now, I guess, being worked through the system.

But, I would have some sympathy with the policymaking environment. Because in the face of this sort of unprecedented crisis, there is no playbook. It is very difficult to really know what to do that would work in a concrete way. And also, I think this is really important: It happens so quickly.

It was necessary to react to this crisis so quickly that they didn't get time, really, to analyze very carefully what they were going to do. So I have no doubt, a lot of money was wasted.

Adams: Let's go there. Let's go there, Jim, in terms of the waste. Because I started this program -- I want to bring it full circle now for our routine listeners of "The Presumption of Innocence." You'll know that we've been talking about this for a couple of years. And I've said it at the outset of the program today, and I've said it before: I believe that the criminal and regulatory response to the COVID-19 economic stimulus in the United States is unprecedented and will rank -- when history is ultimately written -- among the largest white-collar criminal investigations in the history of the country, if not the largest.

Is the same true in Europe, and the rest of the world? Now that we're breathing a little bit, we have a little bit of space and time from the panacea that, you know, kicked in in March of 2020. You say there are things that are being worked through the system. These distractions, these fraudulently secured funds, these problems are being worked through the system in the global setting. I'll represent that they're being worked through the system in the U.S. setting in a very real way, in unprecedented enforcement.

Is that same dynamic happening throughout the world, with this aggressive enforcement that we're seeing in the United States? Or, as is the case generally, are there points of contrast in the way that the aftermath is being dealt with?

Power: Yeah, I mean, what your describing in the United States is certainly not something I'm aware of happening in Europe. Here in Ireland, for example, companies got access to funding, which they availed of, because they really believed that their business model was going to disappear. And in many cases, it didn't. You know, there were certain businesses that were subject to the restrictions. They were the ones that suffered. Many other businesses continued to function.



In professional services, in chemical, pharma sector, et cetera, there was many sectors that actually continue to grow strongly during COVID and did not require the funding support, but they availed of it because they were really fearful about what might happen.

But we have stories here in Ireland, for example, of companies being asked to pay back some of the funding they got, and they are doing so. And it's not a criminal investigation by and large. A company has just been asked your business performance during COVID was actually much better than might have been the case. You shouldn't have got funding. And those companies are now giving back that funding, sort of voluntarily and being pushed politely by the authorities.

But no, we do not have this serious outbreak of litigation, certainly here in Ireland. And as far as I'm aware, it's not the case across Europe either. So here again, I guess we get a difference in the approach for policymaking in Europe and the United States. But definitely what you describe in the United States is a significant issue and it is certainly widely believed that a lot of money was obtained fraudulently.

You hear a lot less discussion of that here in Europe, I have to say.

Adams: Yeah, that's a very interesting phenomenon. So, against what I'm telling you right -- and I believe there are some really solid economic motives for the robustness of the U.S.'s enforcement activities surrounding these COVID-19 economic stimulus programs. Against that point of contrast, what, if any, global impact does that have? And by that, I mean, what global impact does this robust enforcement activity in the United States have to markets in other countries?

Power: Actually, I think very little impact. It's not something that's being focused on in Europe about what's happening in the United States.

And in fact, what you describe about the fraudulent obtaining of monies during COVID and the litigation that's now in place, it's something that the Europeans are not focusing on. I mean, what Europeans are focusing on at the moment is for those companies, for example, here in Ireland, who didn't pay their tax debt, they're now being asked to pay it back.

But the other point is, because the European response to COVID was less aggressive -- it was aggressive by European standards, but much less aggressive than the U.S. approach -- and the European economy has underperformed as a consequence of that. So, in Europe at the moment, the real issues that have been debated at an economic level are the lack of economic growth and particularly in Germany.

Germany was always the economy that sort of led Europe. It was the exemplar. But Germany is in a very bad place at the moment, for a variety of reasons. And of course, the European Central Bank has been fighting a significant inflation problem over the last 18 months.

So, that's the debate in Europe at the moment. It revolves around the lack of economic activity, the interest rate tightening we've seen since July 2022, the impact that's having on the economy. And



the real question now in Europe policymaking circles is, when will the European Central Bank start to cut interest rates?

And the second thing that's now starting to be debated again in Europe is putting those fiscal rules back in place. And this is in stark contrast to the United States, because, as we've discussed, in the United States the Biden administration is continuing to borrow very aggressively and the U.S. budget deficit is still at extraordinary high levels. And, the US government debt is at an unprecedented high. So, in Europe, there's a much more conservative, cautious, approach being applied.

And listen, Matt, different people have different views on the desirability of either approach. Because, the U.S. economy in the last couple of years has totally outperformed the European economy in growth terms, for example. And that's because, the U.S. policy approach tends to be a lot less conservative, whereas Europe has this very conservative approach.

Adams: Would you agree with me that, based on economic principles, there is a substantial economic motivation for the U.S. to go in and try to combat fraud and abuse that existed in these programs? Or perhaps do you feel that that might just be a political issue or, you know, a feel good about trying to get the pound of flesh against somebody who may have taken advantage of the situation?

Power: Yeah, I think it's more of a political issue. Because one of the things that strikes me about the United States -- I look at, we're 10 months out from a U.S. presidential election and President Biden's approval rating at the moment is, I think, the lowest of any president at this stage in the election cycle, going back generations.

So, despite the strength of the U.S. economy over the last couple of years, despite the trillions of dollars that the Biden administration has pumped into the U.S. economy, despite the fact there's an unemployment rate of 3.7% of the labor force, which is virtually full employment, the feel good factor in the United States is not very apparent. And, you know, there's a lot being written to try and explain why that is the case. But I just think it's that the GDP cake, it's just being divided more tenderly amongst lots of different people. So people aren't feeling it.

Okay. So, the political system, obviously, has to try and react well. The political system, as exemplified by the Biden administration, has got to try and react to that. And obviously, if, politically, they are seen to be going after companies that may have obtained money fraudulently during COVID, that does tick a political box in a positive sense. So, I think, to be honest, it's a lot more about politics than economics.

Adams: Yeah. And that's a fascinating perspective, because as I'm sitting here listening to you, if it was about economics, the reverberations globally were coming.

Power: Yes.



Adams: And if the reverberations, at least from this particular variable, are not being felt globally -- at least yet -- maybe there is another motivation to what is happening. And politics is an easy one to look to as a secondary.

Let's go full circle. Let's talk about the new macroeconomic and geopolitical variables on the horizon. Because like it or not, this podcast is about government enforcement. And when those geopolitical and economic variables influence policy, and that policy involves some sort of financial stimulus, history as a guide says, whatever the reason being, and we just had a bit of an intellectual discussion about whether it's straight politics or economics. History is a guide says that there is a robust period of enforcement that follows. What do you see as the macroeconomic and geopolitical issues du jour looming around the horizon that may see and have economic consequences down the road? In sort of the same way as things like the pandemic did, and continue to do. Things like the '08 collapse did and, at a lesser extent, continue to do. What do you see? The first thing that comes to mind is right now we're navigating monumental global crises in the Middle East and Ukraine. But what's the next shoe to drop?

Power: As an economist, I tend to be devoting more and more of my time, in a research sense, to political developments. 2024 is the year of elections. 76 states have elections. The first really significant one is the election in Taiwan. And then, at the bookend of the year, we have the U. S. presidential election in early November. And between those two very pivotal elections, we have European elections, for example, to the European Parliament. And the one thing we'll be watching very closely for there is how the parties of the right actually perform. Because there's certainly a belief that extreme right-wing parties may become a much more important part of the European Parliament next time. So, 2024 is all about elections. It's all about politics. And the backdrop to those elections is a very, very unstable global geopolitical system. You've mentioned the ongoing war in Ukraine.

Adams: Let me, let me just before we go any further. That unstable situation, the instability that you reference... is that the type of thing that is the condition precedent to something like quantitative easing in an economy?

Power: Yeah, I mean, if you look at... the relationship between China and the United States, I believe is going to be the pivotal global geopolitical relationship over the coming decades. And in the immediate term, Taiwan is the most significant part of that evolving relationship. Because, there is a view -- it's a view held by the CIA, for example -- that China is planning to invade Taiwan by 2027. And of course, the United States would feel obliged to step in and defend Taiwan. But Trump has said that if he is reelected, he will not intervene. And that's why the election in Taiwan actually is just so important, because it will have a huge bearing on what happens between China and Taiwan, and indeed the United States and China, ultimately. So that has potential for a huge global political crisis, okay? And political events obviously have economic consequences.

Another, event, I guess, would be the situation in the Middle East. If that were to escalate into an all out war in the Middle East, with Iran getting involved and so on, the implications for global oil supply could be very hazardous.



And as somebody who was studying economic -- well, I wasn't quite studying economics at that stage, but I studied the economics of the 1970s where war in the Middle East caused two significant oil price shocks that had massive global reverberations into the 1980s. So, that Middle Eastern situation, as it's evolving at the moment, could have very significant global economic consequence.

So, there's a lot of political events that could have huge economic consequences. And I have no doubt that policymakers around the world are looking at these events and thinking, there is only one playbook now, that if these events do escalate into serious economic threat, you'll see quantitative easing being ramped up again. You'll see interest rates being cut again, exactly the same sort of policy response.

So, I think we're entering into a period... I'd love to say a 12-month period, but I think it's going to be longer than that, but we are entering into a period where the whole shape of the global geopolitical and economic system is under serious threat

Adams: And speaking from a guy, Jim, that makes his living off of government investigations, and if you believe my hypothesis that this economic stimulus, the wave of economic stimulus is frequently followed by a wave of government enforcement, it sounds to me like, I'm not going to have to worry too much about staying busy.

Power: Yeah, I, I think your career prospects are very positive, actually.

Adams: Well, I appreciate that, Jim. It strikes me that these events, these global events, where everything seemingly runs through the U.S. economy, can shape the way that the U.S. economy, whether it's motivated by economics or it's motivated by politics, a combination of the two or something else entirely. I think if we looked at the trend lines over history -- and the U.S. has a pretty robust history of economic stimulus, at least dating back that I can see to World War I, and then at points at various increments between then and the present -- there has always been this sort of reaction. And in searching for sort of an explanation for it, you know, it's a little tough.

It's not entirely clear why the government goes into robust investigative prosecutorial mode following one of these events. But we've seen it. We saw it with the special TARP prosecutor in '08. We saw it with the savings and loan crisis. And now we're seeing it on Main Street USA. We're seeing it in companies that could be closely held. That mom and pop businesses by all accounts are finding themselves in the crosshairs of the federal government. And that's a dangerous proposition to be in. And I think, while the history book is not yet entirely written on this particular chapter, we are experiencing something that we'll be talking about -- or maybe not you and me, but -- they'll be talking about for generations to come. And it's been really fascinating to take this intellectual sort of journey with you today, Jim, down some of these economic principles.

I don't think we're going to walk away from our discussion today having solved all the world's ills, but certainly there are some trend lines that are bound to repeat themselves, which means that there'll be plenty for you and I to talk about next time. But that's all the time we have for today's episode of "The Presumption of Innocence."



I'd love to thank, once again, our tremendous and distinguished guest, economist Jim Power, beaming in from Ireland. One of these days, Jim, we'll have to, uh, get together over a pint of Guinness and talk some of these issues out some more. But until that time, thank you for joining us on "The Presumption of Innocence," and we'll see you next time.

Power: Matthew, it's absolutely my pleasure. And if I may give a plug, for those of your listeners interested in what's happening in Ireland and European and UK politics and economics, I do a podcast called "The Other Hand" with an economist based in Cardiff and Wales. So, it may be of interest, and I apologize for the commercial plug here, but, thank you very much. It's been a real pleasure. I've learned a lot about what's happening in the U.S. at the moment. And as I said, it's not getting a lot of attention on this part of the world. So thank you very much.

Adams: Interesting. Well, thank you very much, Jim. And we'll see you next time.