Demetri Kofinas: 00:00 Today's episode of Hidden Forces is made possible by listeners like you. For more information about this week's episode or for easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you listen to the show on your Apple podcast app, remember you can give us a review. Each review helps more people find the show and join our amazing community. And with that, please enjoy this week's episode.

Demetri Kofinas: 00:48 What's up everybody? My guest on this episode of Hidden Forces is Gillian Tett, chair of the editorial board and editor at large of the Financial Times. She writes weekly columns covering a range of economic, financial, political, and social issues and she is here to speak with us today. Gillian, welcome back to Hidden Forces.

Gillian Tett: 01:11 Great to be on the show at this incredibly intense moment.

Demetri Kofinas: 01:16 That's actually something I wanted to ask you about because you joined the Financial Times in the early nineties I believe, as a correspondent for the former Soviet Union in Europe. You were stationed in Tokyo during the bursting of the dotcom bubble and the 9/11 attacks. And you covered Wall Street of course, leading up to and through the crisis, which we talked about in our last episode together. And now you find yourself as the editor at large of what is effectively the largest English language financial newspaper in the world. What is it like to work at the Financial Times in your capacity during a time like this?

Gillian Tett: 02:02 Well, it's moments like this that make me realize why journalism is such a responsibility and a privilege and a passion of mine. Because essentially, we're paid to tell people about other people and to try and illuminate how the world is working or often not working. And doing that in quiet times and peace times is always very important as part of the civic duty. But doing it in times of drama, of war, medical war of the sort we got now, or financial war, of the sort that I've seen before in financial crises, shows the importance of trying to do your best in difficult circumstances to explain how the world's working.

Demetri Kofinas: 02:46 Well last time you were on the show, I asked you how the experience of covering the last financial crisis changed you and you said that it taught you humility. Enough humility you said to realize that as journalists on a good day we get 40% of the truth. But you also said that it taught you about the power of social silences. And I asked you then what you thought people were not talking about, and you said things like pensions and the slow moving car crash that's there, antibacterial resistance, which is interesting given the current moment. And we talked about the corporate bond market, leveraged loans, emerging markets. What are the social silences today with all of this coverage about coronavirus? What are people not talking about?

Gillian Tett: 03:45 Well, I think that the first point to make is that the coronavirus really does demonstrate the importance of elites and pundits like myself of being humble. Because frankly, I've been concerned for a long time about antibacterial resistance. I still am, I've worried about a pandemic to a degree, but not in a very realistic, immediate manner. And it's very interesting because the Davos World Economic Forum asks the sort of global elite every year to rank the risk they're most concerned about. And if you go back 10, 15 years, pandemics was one of them. In the last couple years, pandemics have barely featured at all in the risk that people were watching, which indicates the fact that it's always a risk that you take your eye off the ball or eye off watching that comes back to really bite.

Gillian Tett: 04:36 When I think about now what risk we're missing to a certain degree, things are moving so fast that everyone's breathlessly watching the latest headline. Everyone's thinking a lot about the impact of coronavirus on the rich countries because places like Europe and America are very much on the television screens, in the frame. One of the things I think people aren't paying nearly enough attention to is what this is going to mean for the emerging market countries. The emerging market economic shock and financial shock is very severe but is not being discussed properly. But if you move beyond the coronavirus, questions about what all of this is doing to civil liberties, to the growing intrusion of tech surveillance are not being properly discussed right now. And then there are the other wider questions about do we understand who actually owns the internet on which we we've all become so desperately dependent? And who actually controls it?

Demetri Kofinas: 05:28 Yeah. I saw you actually tweeted out an image of, or a video that showed people on Florida's beach, the cellphones of every single individual to just show the overcrowding. Is that what you mean?

Gillian Tett: 05:41 Well, it was partly because there was an extraordinary effort by some community scientists to try and track cellphones from Florida beach, which showed both the degree to which they had congregated without social distancing on Florida beaches, but then dramatically dispersed across the country at end of their holidays. And that was scary because what it said about social distancing and the lack of it, but it was also scary that people can get that information and highlight it so clearly. And I think we're going into a phase where people are going to be faced with some very hard, uncomfortable moral choices, which is, is it better to keep people safe and in the name of safety accept a higher level of surveillance? Or is it going to be a case would be we'll say, "Actually I don't want to sacrifice that much privacy and I'd rather take risks on the health front than have governments know exactly what I'm doing and where I'm doing it."

Demetri Kofinas: 06:33 Are you concerned about that? About the measures that are being taken. Particularly I think in Western countries right, because in a country like China, although they were noticeable to us or noteworthy to us, I don't know how unusual they were or at least how beyond the realm of expectations they were for people in China. But for us in the United States, these really are Draconian measures. We're not used to it. I've reached for metaphors and I feel like you would have to go back to World War II to think about this level of societal impact due to government policy. But of course, back then it was to mobilize for the war. Now it's to demobilize, it's the stay in our homes. Is that what you're talking about?

Gillian Tett: 07:15 Well, absolutely. And what's stunning right now is the speed at which norms are changing. And when I just think back to my own life, I'm based in New York and because I'm based in New York and I speak a lot to news makers, I've had a fairly good sense for some time that we were heading towards a lockdown. But, my friends and colleagues back in London, when I spoke to them just three weeks ago and said, "Listen guys, schools will be shut, borders may close." They could not believe it. It was unimaginable in London just three weeks ago that say schools will be shut.

Gillian Tett: 07:48 And then of course we move in a situation in London where schools were shut and suddenly institutions were closed down. And now we've moved into the situation where if you leave your house in the UK, your neighbors are likely to report to you if you're seeing loitering around where they're looking at license plate number through cameras to see whether people are leaving and driving without getting permission, et cetera, et cetera. It's really quite an astonishing shift in attitude. And to my mind, the critical question is, it's one thing to take emergency measures in more time, will these emergency measures be subject to any type of proper societal debate or scrutiny or oversight? And what happens if or when we get back to peacetime and suddenly there won't be any justification at all for much of what's been put in place?

Demetri Kofinas: 08:39 I actually, I live in New York and the last time you were on the program, we did this from the studio in person. I'm not in New York right now. What is it like in New York at the moment?

Gillian Tett: 08:49 Well, the streets are stunningly empty and it is quieter than I've ever seen New York before in my life, which in some ways is actually very nice. If you walk along the river, it is just beautiful and peaceful and quiet and the spring's here and there's trees coming out, blossoms there, birds are singing. You can hear the birds properly for the first time. But the level of stress and fear is rising very fast. People are tuning into Andrew, Governor Cuomo's briefings all the time and the death toll is obviously rising fast too. The streets still have some shops open in terms of grocery stores and pharmaceutical stores. There's big queues outside the grocery stores because they're only letting people in one at a time. And I went to Whole Foods this morning and had to wait for the best part of an hour before we can actually get into the store. But once you get in there's still plenty of produce. It's a bizarre mixture of the seemingly normal, seemingly totally abnormal and sense of dread and waiting.

Demetri Kofinas: 09:50 Are people wearing masks now when they go out? When you go to the supermarket are other people wearing masks?

Gillian Tett: 09:55 There's definitely more mask wearing going on now. It's still not the dominant pattern. There is more mask wearing going on now and it's a very interesting issue, the mask thing, because from an anthropological perspective, it's clear that masks are much more than just about medical risk. It's also with some people a desire to show control, show support towards a wider group or simply indicate that they want to be responsible. In Asian culture it plays a very differently because there masks are seen as almost an unequivocal good thing. And there's not stigma to wearing masks. In American until quite recently there was stigma, but I suspect that's now drawing down.

Demetri Kofinas: 10:36 Right. Let's kind of shift into a conversation about the economy and the shutdowns. Because this really is again, we live in the age of the unprecedented where I feel like so many of us find ourselves reaching for that descriptor, that this is unprecedented. We haven't seen this before. But really, we haven't, at least not in our lifetimes, where the government shuts down the economy. On the one hand, the government is shutting down the economy effectively. That's not the objective, but it's effectively a shutting down economic activity. And on

		the other it is expanding stimulus measures both on the fiscal side and on the monetary side though it isn't so much to stimulate, but rather to sustain. And I've gone through some of your writings on the FT, of course I also follow many of your writers, Spiegel, Rona Foroohar. And one of the things that you wrote about had to do with financial flows and the importance of dollar funding. How has the panic around COVID-19 impacted the financial flows that normally grease the wheels of trade and that back global supply chains? What are we seeing there?
Gillian Tett:	11:40	Well, the terrible irony that hangs over the global political economy today is that at a time when the US has often tried to downplay its global leadership and adopt an American first policy, the dollar has become more, not less central to the global economy because not only is America the biggest economy and not only is in many ways the dollar regarded as a key reserve currency for central banks around the world, but dollars account for a very large part of the trade finance [inaudible 00:12:17] the world's supply chains. And what's become clear is that as these supply chains go into crisis and as different parts of the supply chain start to default along that chain, you're starting to see a scramble for dollars that potentially is going to be extremely nasty.
Gillian Tett:	12:37	Because if you are an American company or if you're an American bank and you want to get access to dollars in a crisis, you can usually go to the central bank in some form. If you are in Indonesia or China or Germany, you don't have access through your banks to the same Fed window. So thankfully the Federal Reserve has rushed to try and plug that gap by providing dollars to other central banks around the world that they can then lend onto their own banks and by default, the companies. But the question that's hanging over the markets right now is whether that emergency action is going to be sweeping enough and fast enough to prevent any shocks in the dollar funding markets.
Demetri Kofinas:	13:17	All right, so you're talking about dollar swap lines. One of the things that came to my mind when I was thinking about this is that to my knowledge at least there aren't any swap lines open with the People's Bank of China, and Chinese companies have huge dollar funding needs. Has the FT done any reporting on this? What's the situation there, exactly?
Gillian Tett:	13:39	Well, there's two problems in terms of assessing what the potential scale of dollar stress in China is. One is that there's a huge amount of opacity around this, and a lot of this has been done off shore. Even international regulators find it very hard to track what the true condition is inside China, and of course the regulators themselves may or may not give some kind of de facto support. So, the whole situation is very opaque. Secondly, we are dealing with a slow burn, slow motion crisis where essentially a lot of the unraveling of these supply chains and a lot of the default pressures will occur over the course of several weeks. So that again makes it hard to work out exactly what's happening and when it will really bite. But the good news is that the Chinese central bank, PBoC, and Chinese government do have a vast supply of treasuries that they potentially could use to raise dollar funding if they had to do so.
Gillian Tett:	14:33	And they could theoretically either sell those in the open market if they needed to, or even if the Fed was agreed, do some kind of swap with the Fed. Using those treasuries, also be going through open markets to do that. But it's unclear what that would mean for the treasury market. It's unclear how disruptive that

might be. At the moment, the chance of the Fed cutting a deal with the PBoC is pretty low given the hostility between China and the US and the PBoC, the People's Bank of China. But you know, things are changing very fast day by day, and nothing could be ruled out.

Demetri Kofinas: 15:08 Right, and to that point, it would seem to me that if they did sell treasuries, even under the current conditions, it would be a political statement in and of itself, wouldn't it?

Gillian Tett: 15:17 Well at the moment the Fed's desperately trying to keep the treasury price high and the yield low, and that game is going to get even more intense going down the tracks because the stimulus package they're talking about is going to require massive amounts of bond issuance. And they need to find someone to buy those bonds, and they need to try and keep the rates low or the borrowing costs will be too high, or the interest costs will be too high. So, they are going to be engaged in a very nasty, difficult dance in the months ahead. But certainly, at the moment the Fed doesn't want to see China dumping a whole bunch of treasuries in the market and potentially distorting prices.

Demetri Kofinas: 15:51 Well, so speaking of bonds, it isn't just treasuries, it's also the corporate bond market. And that in fact, it seems to me looking at the Fed's announcements, that the corporate bonds are the primary target for their liquidity facilities. One of them is a primary market facility, one is a secondary market facility, and in fact you guys wrote, might've been you or one of your journalists at the FT, wrote an article about BlackRock and the conflict of interest there. What can you tell us about what you know or what you understand about the Fed's objectives with its latest changes, the facilities, these announcements, and what is effectively a form of QE that it's engaging in?

Gillian Tett: 16:33 Well, the Fed's basically engaged in whack-a-mole, and it's trying to jump into every source of incipient stress in the markets one by one and try and offset it. So, the amount of programs it's unveiled in the recent days is absolutely astonishing and dizzyingly complex, and frankly they themselves don't know all the details to them yet. But one of the key elements of these programs is to try and stop stressing mortgage markets, which has started to become very serious. Another key element has been to try and stop stress in the corporate bond market, and that's very noteworthy because it's the first time the Fed has ever jumped into corporate credit before potentially expose itself to a lot of those risks. And it's doing so really in a quite astonishing way, both in the secondary market where it's pledged to buy corporate bonds and secondary market and exchange traded funds holding corporate bonds, but also in the primary market as well, which again is completely unprecedented.

Gillian Tett: 17:28 Now taking on that level of corporate exposure and risk is potentially going to be quite difficult for the Fed to handle because although it's said it will only buy investment grade corporate bonds, the reality is that the sudden slowdown in the economy puts about a trillion dollars’ worth of corporate bonds at risk for downgrade from investment grade to junk bond status, and the rating agencies are warning that a lot of those junk bonds are going to default. So, it's one thing to say in a very grandiose, dramatic way that the Fed is going to buy corporate bonds. It's quite another to work out how to implement that program.

Gillian Tett:	18:04	And so the question people are asking is, "Well, how are they going to do it?" The Fed has decided to essentially outsource it to BlackRock. Some people would say, "Well, actually they could have kept it in house and use their own people," but they have a huge bandwidth problem at the moment and a lack of expertise and skills. So, BlackRock's been given the mandate, but been given the mandate without a beauty parade and in spite of the fact that BlackRock itself has massive fund management business with bonds and equities, they're going to benefit from the Fed's new strategies. So, there's a huge issue of conflict of interest here, and plenty of BlackRock's rivals are absolutely furious by what they regard as a sweetheart deal that shouldn't have been done. Whereas the Fed and other people around it will say, "Well, this was the only option in a hurry."
Demetri Kofinas:	18:52	So you think taxpayers should be concerned about a conflict of interest? Or again, your point really is that the Fed relies on, not just in this case but even in its normal operations, it relies on primary dealers to intermediate its purchases of US treasury securities. The Fed is not completely independent, so it relies on third parties. Is this something where they wouldn't be able to do it on their own effectively?
Gillian Tett:	19:17	Well, it's an open question whether the Fed could do it on its own or not. Many Fed officials would say it certainly couldn't do it on its own quickly. If they had many weeks to hire people and set up a program, it could do, but the question is, whether it's better to act quickly given the American economy faces this huge, great looming problem with corporate bonds, or do you use BlackRock? Now, could they have done a proper beauty parade quickly? Possibly, but again, that takes time. Almost everyone in the market agrees that BlackRock has the biggest capability in terms of both its fund management skills, but also its advisory skills. And it has been running a sort of independent consultancy operation now for a number of years, more than a decade, and they claim they have a very well entrenched system for avoiding conflicts of interest. And certainly, that arguments convinced a long list of public institutions in the last 10 years who have used BlackRock for its services.
Gillian Tett:	20:15	So they say they'll manage the complex fine. Let's hope so. For my part, I think I can understand why the Fed did this in a wartime situation, but I think that if it's going to do this, it's absolutely essential that three things happen. Firstly, I think that BlackRock should do this pro bono without charging fees, and it does look as if that's roughly what's going to happen for at least part of it. Secondly, I think that there should be maximum transparency all the way through what's happening. And again, it's quite encouraging. It does seem they're trying to take a more transparent approach than before. And thirdly, I think there should be a three month review and probably a new beauty parade then to see whether BlackRock really is the best people to do that or to consider whether to bring the whole thing in house.
Demetri Kofinas:	21:01	Well, to your point about the corporate bond market, it's hard to really understate how much that market has grown since the last financial crisis. I think it's about 10 trillion in size now, and more than 40% of that market represents that triple-B tranche that's at risk of a downgrade, so it sounds like you think about 25% of that market is at significant risk. You also have talked about this concept of monetary morphine, that investors have become accustomed to a world in which the Fed keeps interest rates low, money is easy,

and that if anything gets out of hand that the Fed and central banks will always be there. And I think the open question for all of us has been, will policy be effective this time around and what will it take for it to be effective? And what does effective look like? How are you thinking about that right now? What are you looking for to determine whether or not monetary policy is and will be effective?

Gillian Tett: 22:04 Well, there's really three aspects you're asking when you think about whether it's effective or not. The first is, do the financial wheels keep turning in the system? Are the cogs still functioning normally? And the Fed is primarily focused on delivering that right now because they really are engaged in the most terrifying game of what I call whack-a-mole or cat and mouse where bits of the system keep half freezing up. They're trying to keep it going, and most of the programs they're unveiling right now are geared towards that. The second thing they're trying to do is to keep confidence in the markets and in the wider economy, and again, that's part of what their game is right now. And that's an extremely difficult job to do. The third thing they're trying to do is to eventually help stimulate demand, but frankly, there's almost nothing the Fed can do in that respect right now.

Gillian Tett: 23:03 Because it doesn't matter how cheap money is or how many corporate bonds it buys and how much liquidity it pumps into the system, if people are terrified, they're not going to borrow money to spend money or to invest or anything like that. They're just not going to do it. And so, the idea of using Fed policy right now to boost demand is frankly ridiculous, but the Fed can and absolutely should try to maintain confidence insofar as it can and eventually and also most immediately keep the financial system going. The longer term question though is the degree to which the Fed gets sucked into essentially cooperating with the government and the treasury, and you have a coordination of fiscal and monetary policy that basically leaves the Fed underwriting a massive debt expansion quite explicitly. And that I suspect is where we're going next.

Demetri Kofinas: 23:52 How do you mean that the Fed would underwrite that? That it would accept an increasing amount of US sovereign securities?

Gillian Tett: 23:59 Well, of the very important things that's happened in the last two or three days has been a growing discussion amongst Fed watchers and inside the Fed about what they call yield curve control and that's an idea which originated in Japan. And traditionally what central banks have tried to do is to control the short term rate of borrowing to their overnight operations or their discount operations or their policy rates. And the long-term rate of borrowing basically was set by what markets thought the longer term outlook was like and also the degree to which governments are going to have to sell bonds to raise money for the budgets. And so historically they've controlled the short term but let the longer term rates float freely.

Gillian Tett: 24:40 Japan, a few years ago, started trying to control both the short and the long term through something called yield curve control. And the reason why that mattered enormously is because if you have a government that's issuing lots of 10 year bonds or 20 year bonds, if you can control the yield curve and keep those borrowing costs low, then essentially you're making the cost of dealing with that debt much more manageable. Now America has hither to refrained from that so called yield curve control, but I suspect that's where we're now heading.

Demetri Kofinas: 25:09 Do you see the Fed, the other thing that's interesting, you mentioned it before, that the Fed didn't go into the corporate bond market, that wasn't part of its open market operations. Now it is. Well, it's part of the liquidity facilities. I mean, one of the things that I feel like so many of us are asking is how far, will it stop anywhere, or will it simply continue to buy assets in markets that it deems to be important?

Demetri Kofinas: 25:37 And again, this is also, we're in such a confusing time because it's not clear how much this bond buying and these liquidity facilities are a preemptive reaction to credit markets freezing up. And how much of it is also just simply an anxiety about equity markets. Because so many people are now invested in equity markets. How do you think about that? Where do you think this goes? Could we eventually see the Fed begin to even purchase equities?

Gillian Tett: 26:07 Well, Japan has done that through ETFs. The Bank of Japan now owns a sizable chunk of the ETF market. And if things get worse and worse, the Fed leadership have made it clear that the sky's the limit. There is no limit to where they're going to go. And that's what they're essentially saying that they would consider almost anything. I think that it would be an absolutely stunning, shocking move for the Fed to do. But we've seen a lot of shocking moves in the last couple of weeks and also in the last decade. So, who knows?

Demetri Kofinas: 26:39 It's quite a transformation. Do you ever wonder, the economy, we call it a capitalist economy, but I'm not sure what you would call it anymore, I mean certainly if you're buying equities? So actually, I have one more question about the Fed since we're on it and that has to do with this debate that has been gaining more attention in Washington and in the United States. Perhaps it took a little bit of a blow with what looks like is going to be the nomination of Joe Biden to run at the top of the democratic ticket, but this idea of issuing a platinum coin or helicopter money or some version of this where to your point about the Fed and the Treasury almost working closer together where these things, the two almost merge. Do you see some point where, because of this crisis, that the Fed's independence becomes significantly at risk and we could see a more populist government in the US? Whether it's a new government in 2020 or if it's the existing administration that decides to use or make dollar issuance without actually having to borrow the money in the treasury market?

Gillian Tett: 27:57 Well, I think basically almost nothing's off the table in the medium term because I think the only way to frame what's going on is to look at it in terms of a wartime economy. And the reality is that if you look at the visible aspects of this, namely the way that the President signed the Defense Production Act and essentially ordered General Motors to start making ventilators, that's one physical obvious sign of it. What's much less obvious, essentially you are getting a de facto underwriting of government debt by the Central Bank and inevitably that puts fiscal and monetary policy, not so much on a collision course, but in a realm where they are coordinating closely. Will we end up with central banks losing their independence in 10 years' time? And that is entirely possible.

Gillian Tett: 28:46 If you look back to the period after World War II, it's very instructive because debt has absolutely skyrocketed in the US, and there's really only four ways you can deal with high debt like this or debt of any sort. You either have a mass inflation or you have defaults, or you have eventually revolution, or you are lucky enough to grow yourself out. But that's almost never happened because of what's happened in the World War II period and things is you grew yourself out at a time of what they call financial oppression, i.e. controls over where investors can put their money.

Gillian Tett:	29:24	And what happened in the years after World War II was essentially you had growth and you had inflation, but you had most crucially negative real rates on most government instruments. And that means that through the magic of compounding, if you keep that for long period of time, you essentially have a transfer of money from the savers, the pensioners, to the government that helps pay the whole thing off. So, I suspect that's probably where we're going to go. But the question is, can you do that without new national borders, without new national capital controls? Can you do that in an open market where technology can let you put money in when you want, who knows?
Demetri Kofinas:	30:01	So from your reporting on this, what have you learned about the plans of the government to get us out of this? We're now in, certainly in New York, we're in what's effectively a lockdown. That can't go on forever, right? At some point we've got to produce something so that we can all live and grow our economies. I don't know how much testing is being done and contact tracing, because that seems like an essential part of this. I haven't been following this as closely as you have, what do we know about the plan to get us out? They got us in, the plane is in the air, but how do we land this thing?
Gillian Tett:	30:39	Well, I think at the moment what we know is as follows. The Fed is operating as a coherent coordinated grownup government agency and they are in crisis mode. They're reactive, not proactive for the most part, but they're behaving in a professional, very organized manner and all credit to Jay Powell and his colleagues for doing that. It's very impressive and for the most part, the central banks around the world are coordinating together very closely. Again, extremely impressive.
Gillian Tett:	31:09	The White House and the Treasury are frankly a mess, and they have been reactive, shambolic, chaotic and so the idea of trying to ask anyone in the White House or the Treasury for a five year plan or even a two year plan or a five minute plan is ridiculous. I mean they've got through the stimulus bill; they have census of how they want to try and start rolling out parts of that, but it's chaotic so it's extremely unclear what is going to happen.
Demetri Kofinas:	31:36	Does that worry you?
Gillian Tett:	31:37	My best guess, yes is terrifying. My best guess is that we are going to slowly slip into more and more of a wartime economy. Savvy investors, well-connected plutocrats will find ways to make money and benefit. Many smaller businesses will be driven to the wall. There'll be tremendous hardship and suffering, which will be only partly alleviated by the government handouts. There'll be growing fights and bitter pressure between people like Trump who want to reopen the economy quickly and people who are looking at the scale of death and there's going to be some very nasty societal choices about the question of to what degree do we want to sacrifice lots of people to keep the economy going or not.

Demetri Kofinas:	32:19	So, as all of this is happening, we have an election coming up in November and actually there are real questions about whether Joe Biden is going to be that candidate. He hasn't looked particularly well in a series of interviews on television. There's a lot of speculation about what his health is, but even if he is the candidate, it's not clear how people are going to go to the polls. If we're experiencing another wave in the fall of COVID-19 and hospitals are overloaded and there aren't enough ventilators and people are panicked, "A" it's not clear that people are going to be participating as much as they used to, which I assume that at least the Democrats will try and create some kind of remote voting solution like when you're out of the country. And I'm a little worried to be honest about the political instability in all of this. I mean, right now we're talking about the economic fallout, but given how polarized and divided the country was heading into this, do you worry about what we might see in the second half of this year politically?
Gillian Tett:	33:28	Yeah. I mean not just in the second half of the year I worry about it; I worry about the next 10 years frankly. There's every possibility that either the elections will get canceled or they'll be done under very controversial conditions. We just don't know. I very much hope they're not. I very much hope that if necessarily we go to some kind of online polling if we can without the danger of cyber hacking, but it's clearly going to be very disruptive. And what's clear is that this could potentially last a lot longer than people originally thought.
Gillian Tett:	33:58	I mean the idea of it basically being a two week containment and then it will be fine, and they're still going on television in the Trump briefing and saying two weeks to stop the spread, 15 days to stop the spread. I mean the reality is from what the medical experts are saying right now, it's likely to be more like 15 weeks and that's the message that really hasn't permeated yet, but it will be tough. I mean just in the last 24 hours in the UK, this is Sunday I'm speaking, they just came out in the UK, which had been in total denial until very recently and said that they may have lockdown measures for six months. That's going to be shocking for people to try and live with and accept. But it's very hard to see why the UK or Italy is going to be different from the US.
Demetri Kofinas:	34:42	This is also a question, but one of the things that I think about is, you mentioned maybe the elections being hacked, but that's a form of cyber. We have this liminal battle space between the US and Russia, also China, this information warfare landscape. We had problems last time around in 2016. People doubted the legitimacy of the elections. They're going to doubt the legitimacy of the elections this time around again, and if the economies are in a prolonged slump, we are also living through a kind of geopolitical global disorder. We've seen it most recently in Syria and Turkey and the US pullout, and then pull back into Rojava. We have the ongoing kind of cold war, new cold war tensions with not just Russia, but also China, and China's economy's in really bad shape. That's another thing that I wanted to ask you about. What do we know about what their economy's facing? And my concern is that just like we saw in World War II, the interwar period was a really difficult economic period for all countries. And one of the features that was common across them was that economic turmoil for many of the players, Germany included, and United States of course, began before the countries entered the war. Do you think about that period as an analogy for where we may find ourselves in today?

Gillian Tett:	36:18	Absolutely, absolutely. I mean, if you look back at the historical charts, that's absolutely the case. And it's again, one of the scary things that you're seeing, the potential for enormous economic stress. You already had a loss of faith in political institutions, growing sense of populism, even for this started. It's hard to see how it's suddenly going to go back to democratic norms anytime soon.
Demetri Kofinas:	36:40	What countries do you think are most at risk of that, of being politically destabilized in the current system?
Gillian Tett:	36:46	Well, I think that most of the countries are at risk of it. I think the US though will tend to play out particularly extremely right now because at least in places like continental Europe, you "A," have slightly more centrist parties with a more dominant profile but you also have fully entrenched social safety nets, which are actually protecting parts of the population. And the problem with the US stimulus package is that it's essentially coming out slowly, and whether it hits households fast enough to offset the tremendous amount of pain is unclear.
Demetri Kofinas:	37:20	So, Europe's a really interesting situation, because they've had problems going back to even before the 2008... Well the 2008 crisis. The idea with Europe was always that the European Monetary Union is a product of optimistic times, and at the time they saw crises as opportunities to move forever closer union. What we find to be the case now is that this is not what's happening, and in fact, people like Lagarde and other pro EU officials have a very difficult time passing the type of stimulus measures that, not even close to what we have here, but whatever they can get... Maybe you can also tell our listeners, what has the ECB done during this time and how does this fit into the larger challenges that Europe is facing in order to try and make what is basically a confederacy work like something closer to the United States for the purposes of stimulus for peripheral countries, in particular like Greece for example, that are in very difficult situations given Covid-19, given their shutdowns, given the fact that they're, let's say, a tourist economy largely.
Gillian Tett:	38:30	Well, the fundamental problem hanging over the European union is that you have a common monetary policy, a common currency, and you have financial markets that are integrated to a degree. You don't really have a common European capital market as such, but of course you don't have a common fiscal policy. And so the big test for the European Union right now is whether out of this, you will start to see the beginnings of a common fiscal policy, because you've already had parts of the European leadership call for common corona bonds, which would be joint EU wide corona bonds, and you've got people like Christine Lagarde of the ECB calling increasingly strongly for some kind of fiscal policy support to go with what the ECB is doing. The ECB, like the Fed, is doing what it can to try and keep financial markets operating and the wheels of finance turning. It's also trying in general terms to boost demand. But again, it can't do much to boost demand unless it's fiscal policy involved. So again, another prediction is that out of this we'll see corona bonds basically pave the way for joint fiscal policy in the European union for the first time. And frankly, that's good.
Demetri Kofinas:	39:39	The corona bonds will be the new Euro bonds?
Gillian Tett:	39:42	Well, I've long thought that we needed to have some kind of joint Euro bond. It's been very hard to break through the hostility in some nations, states

towards that idea. Nothing like a crisis to concentrate mind. And Europe in particular tends to only take bold radical steps when there is a crisis. So, I suspect the future historians will look back and see this as a time when the crisis actually broke the deadlock around fiscal policy and really started to align fiscal policy, not closely with monetary policy, but more closely to it than there has been in the past.

Demetri Kofinas: 40:16 Do you think that's easier now with Brexit having been completed, for Europe to move forward?

Gillian Tett: 40:22 It's definitely a lot easier now that the UK is not there anymore because the UK was of course vociferously opposed to that. And of course, it was also out of the single currency.

Demetri Kofinas: 40:31 So one more question for you, Gillian, has to do with energy markets. This of course is a huge story that's been buried. Again, nothing compares to coronavirus, right? But the world does go on. And a few weeks ago, when we covered this with Ben Hubbard, a Middle East correspondent for the New York Times, we covered this story about the fallout between Russia and Saudi Arabia, and Saudi Arabia's expansion of its supply in the face of collapsing demand, and the collapsing price of oil and the rippling impact that this has on commercial oil producers, specifically shale in the United States. What is going on with energy markets and how does this factor into the current situation economically and politically?

Gillian Tett: 41:19 Well, what's happened with NG markets is about the very last thing in the world you want you to see right now, which is a price war and a market share war between Saudi, Russia, and America that's turned very vicious and essentially has pushed down NG prices dramatically, adding to the deflation risk and adding to the sense of international turmoil. So that's another very nasty hammer blow on the US economy because of course the shale industry has been a key source of growth in recent years.

Demetri Kofinas: 41:49 All right, well Gillian, thank you very much. I want to ask you, actually I have one more question, because one of the articles that you wrote about was that you went on your final bike ride. Have you actually been able to go on another bike ride since you've gone into quarantine?

Gillian Tett: 42:00 I have been. In fact, I've been cycling almost every day when it's not raining, and I cannot recommended it highly enough as a source of joy and stress release, and just a chance to keep fit and to remain connected with some of the most vibrant, joyous aspect of their life. It so happens that in New York right now, spring is indeed coming, the blossoms out. Cycling is a great way to get into the fresh air without too many risks, because on a bike you are inevitably socially distanced from people. So yes, I would strongly recommend cycling to anybody who's listening.

Demetri Kofinas: 42:37 My editor does the same thing, so that makes two of you. Gillian, I deeply appreciate your time. Thank you so much and I hope to have you on again the program sometime in the future.

Gillian Tett: 42:48 Thank you, and stay safe, and for anyone else who is listening, stay safe and stay optimistic.

Demetri Kofinas: 42:55 Today's episode of Hidden Forces was recorded at Creative Media Design Studio in New York city. For more information about this week's episode, or if you want easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you want access to overtime segments, episode transcripts, and show rundowns full of links and detailed information related to each and every episode, check out our premium subscription available through the Hidden Forces website or through our Patreon page at patreon.com/ hiddenforces. Today's episode was produced by me and edited by [inaudible 00:07:38]. Allow for more episodes, you can check out our website at hiddenforces.io. Join the conversation at Facebook, Twitter, and Instagram at Hidden Forces Pod, or send me an email. As always, thanks for listening. We'll see you next week.