

Eric Neiman, April 6, 2025

# Main Street vs. Wall Street

## The Birth of a New Paradigm: "Industrial Economy 2.0"

This study analyzes the large-scale transition from **financial capitalism** (dominant since 1980) to a new paradigm: "**Industrial Economy 2.0**."

The main reason for this transition is the loss of viability of the old model, based on the large US trade deficit, growing public debt, and external financing, mainly from China.

- The old economic model ("deficit → debt → external financing") ceased to function after China withdrew from the agreement to purchase US government debt.
- The US was faced with a choice: either continue with the old model, with rising inflation and the risk of a financial crisis, or bring manufacturing back to the country and rebuild the economy.
- The new "Industrial Economy 2.0" paradigm implies the development of domestic production, technological leadership, and active state intervention.
- The conflict manifests itself on three fronts: political, geopolitical, and financial-economic.

The model presented is analytical in nature and deliberately simplifies the understanding of an extremely complex and confusing situation. In reality, the conflict between Main Street and Wall Street is much deeper and more multifaceted, and its development will be accompanied by the emergence of new nuances and factors.

The main goal of this study is not simply to describe the situation, but to analyze it from the most practical perspective possible. I aim to use the conclusions and forecasts obtained to make specific, effective, and long-term investment decisions that will allow investors to successfully adapt their strategies to the new economic reality.

# Paradigm shift

## Financial capitalism

(1980–2024)

Dominance of short-term financial instruments, globalization, and minimal state intervention.

## Industrial Economy 2.0

(since 2025)

Focus on domestic production, protectionism, long-term investment, and an active role for the state.

## Old paradigm (1980–2024): "Deficit → debt → external financing"

The formula of the old paradigm:

1. The US has a **huge trade deficit** (imports exceed exports, especially with China).
2. To cover the trade deficit, the US is increasing **its national debt**.
3. China and other countries with trade surpluses invest dollars back into the US by purchasing government debt.
4. The US is able to maintain high consumption with low inflation and relatively low interest rates.

This allowed the US to "tolerate" a huge trade deficit and public debt — as long as China played by these rules and reinvested dollars back into the US economy.

## Turning point (2011–2013): China quietly exits the deal

In 2011, China stopped increasing its investments in US government debt, and since 2013 has even begun to reduce them. At its peak in 2011–2013, China officially held \$1.317 trillion in US government debt, but by early 2025, that figure had fallen to just [\\$761 billion](#). Not growth, but a 42% decline!

The US lost its main external creditor, and the old scheme stopped working:

- The burden on the Federal Reserve and domestic sources of financing increased sharply.
- The US was forced to turn on the printing press (QE) to compensate for the lack of external bond buyers.
- The result, exacerbated by the pandemic shock: a surge in inflation and interest rates in 2022–2023, and an intensification of internal contradictions between the real economy (Main Street) and the financial sector (Wall Street).

## The US faced a critical choice:

- Continue living in the old paradigm:
  - Constant growth of public debt and deficits that no one can finance anymore.
  - Further implementation of QE with inevitable inflation and devaluation of the dollar.
  - Collapse of the financial system or loss of economic independence.

- Trump (and his supporters) decided to take a risk and change the system:
  - Reduce the trade deficit, bring manufacturing back to the US.
  - Even if this causes temporary inflation in consumer goods, it will be offset by the service sector (rent, housing, entertainment, etc.).
  - In the long run, this reduces the need for growth in public debt and dependence on external creditors. Public debt will remain an important tool, but its role and financing structure will change.

## **New paradigm ("Industrial Economy 2.0"):**

### **1. Reducing the trade deficit:**

- High tariffs and protectionism.
- Reshoring, rising domestic prices, but reduced dependence on imports.

### **2. Reduced dependence on external financing:**

- Less need to increase public debt.
- Decreased role of US government bonds as a mechanism for attracting external capital.

### **3. Redirection of domestic capital:**

- Capital from the financial sector and real estate is being directed to industry and infrastructure.
- The service sector is forced to pay for economic restructuring through increased costs and reduced profits.

<b>1880-1933</b>	<b>1933-1969</b>	<b>1980-2024</b>	<b>2025</b>
Industrial capitalism	State capitalism ("New Deal")	Financial Capitalism	Industrial Economy 2.0
	<b>1929-39</b>	<b>1970</b>	<b>2011-24</b>
	Crisis of the model	Crisis of the model	Crisis of the model

# The conflict manifests itself on three interrelated fronts

The three fronts reinforce and complement each other, making the confrontation deeper and more systemic than it seems at first glance.

- **Political: left/democrats vs. right/republicans**
- **Geopolitical: globalization vs. protectionism,**
- **Financial and economic: high rates and financial rent vs. low rates and industrialization**

## Political front

The political confrontation between Main Street and Wall Street is reflected in the victory of right-wing and populist forces (Republicans) over Democrats (left-wing globalists).

- **Democrats** have historically been more closely associated with large financial institutions, tech giants, transnational corporations, and global elites. They have been the ones supporting globalization and international trade agreements.
- **Republicans (especially the right wing)** have recently been actively advocating for the return of jobs to the US, protectionism, industrialization, and a reduction in the power of bureaucracy and financial elites. They are the ones who represent the interests of Main Street.
- **Prominent figures** such as Trump, Musk, and Peter Thiel openly oppose the "deep state," bureaucracy, Wall Street, and Silicon Valley as symbols of financial capitalism.

## Geopolitical front

Trump's tariff wars are a tool against global financial capitalism.

- High tariffs are a direct way to force businesses to bring production back to the US (reshoring), limiting the advantages of globalization.
- This weakens transnational corporations and banks that depend on international trade and financial flows.
- From a geopolitical point of view, this is an attempt by the US to restore economic sovereignty, end dependence on China, and weaken global elites.

## Financial and economic front

This front is expressed in pressure on the Federal Reserve to lower interest rates and liberalize cryptocurrencies in order to weaken the power of the financial sector.

- High interest rates (4-5%) are beneficial to financial capitalism, as they allow profits to be made on risk-free financial instruments (T-bills, MMF), keeping capital out of the real economy.

- Main Street needs capital and low rates (1-3%) to provide cheap loans for infrastructure development, factories, and automation.
- The liberalization of cryptocurrency is another blow to traditional banks and Wall Street. It is an alternative channel for financing the economy that is not controlled by bureaucracy.

**Larry Fink** (letter to [Blackrock](#) shareholders, March 31, 2025):

"In fact, there is more capital sitting idle today than at any other time in my career. In the US alone, around \$25 trillion is sitting in banks and money market funds."

**The main risks today** are a repeat of the mistakes of the 1930s with excessive aggression in protectionism, which could lead to a global recession and deflationary crisis.

**Globalization** has had both positive and negative effects. For example, it has provided consumers with cheap goods and helped raise the standard of living for millions of people.

The **new paradigm** is not so much a complete rejection of globalization as a search for a balance between global and domestic interests.

**The new paradigm is not a rejection of globalization, but a battle for control over it.**

The US is not going to completely abandon globalization, world trade, and global supply chains. Rather, it is an attempt to seize the initiative and leadership from China, to regain control over global financial and production flows.

In essence, the struggle is not against globalization, but over **who will control it: Washington or Beijing.**

The US wants to take the position of the main technological and economic center of the new stage of globalization. That is why it is bringing back manufacturing, developing technology and infrastructure, and introducing protectionist measures. China is also trying to take this position in response, increasing its technological leadership and influencing world markets ("soft power").

# PayPal Club: Ideological and technological leaders of the new paradigm

The **PayPal Club** is an informal community of entrepreneurs, investors, and politicians who promote the ideas of new industrialization, US technological leadership, and the return of manufacturing to America. It includes both the original members of the famous "PayPal mafia" and their new ideological allies and political partners.

The PayPal Mafia plays a crucial role in the transition from financial capitalism to a new industrial economy, forming the intellectual and political basis of the new paradigm. Club members actively promote reshoring, technological sovereignty, and protectionism, exerting a powerful influence on the change in the US economic course.

## Peter Thiel



Entrepreneur, investor, founder of PayPal and Palantir, one of the main ideologists of technological nationalism.

"Globalization has been good for the global elite, but bad for workers and the middle class in the US. We need a new paradigm where America is once again the leader in technology and manufacturing."

"We want technology to serve America, not America to serve technology."

## Elon Musk



The founder of Tesla, SpaceX, and co-founder of PayPal actively supports the development of manufacturing and innovation within the US.

"America must once again become a nation of engineers, creators, and manufacturers, not just financiers and lawyers."

"If we don't build factories and create technology here, we will lose the global competition."

## David Sacks



Former COO of PayPal, investor, entrepreneur, active supporter of reshoring, and critic of globalization.

"It's time to admit that globalization has proven too costly for American industry. It's time to bring factories back to the United States."

"America must choose national interests and local production over outsourcing and dependence on other countries."

## J.D. Vance



US Vice President, author of *Hillbilly Elegy*, political ally of Peter Thiel, supporter of new industrial policy.

"The American dream will not return until we start making things here in America again."

"Politics must once again put the interests of American workers and manufacturers above the interests of transnational corporations and global financial elites."

## Alex Karp



Co-founder and CEO of Palantir, promotes the idea of using technology to strengthen national security and economic autonomy.

"Technology and data should serve the national interests of the United States, not be traded with rivals."

"It is time to use our technological capabilities to strengthen America, not to outsource production and influence."

# Assessment of the hypothesis's realism

In my opinion, the hidden conflict between Main Street (the real economy) and Wall Street (the financial system) is already happening and is highly likely to escalate further.

Since 2023, the Fed's rate has remained steadily [above 4%](#), making risk-free assets attractive: T-bills and money market funds (MMFs). As a result, MMF volumes have reached record levels ([\\$7.2 trillion at the beginning of 2025](#)), capital is "locked up" in short-term instruments, and long-term investments in infrastructure, new production facilities, and technologies are underfunded.

The Trump administration and figures such as Elon Musk are pushing for an industrial renaissance, the return of manufacturing to the US (reshoring), and the development of robotics and infrastructure. The real economy requires cheap long-term money (long-term loans and investments with yields of 5-7% and terms of 10 years or more). But the current market structure and Fed policy support short-term investments with minimal risk and high liquidity, as well as short-term financial speculation.

This creates a systemic imbalance and conflict of interest between two models of capitalism:

- **Industrial:** long-term investments, production development, infrastructure, employment.
- **Financial:** short-term profits, high liquidity, minimal risk.

The conflict is already evident in political rhetoric and the actual support for the crypto industry as an alternative to the traditional banking and financial system.

## Logical model of conflict development. Three scenarios

1. **Maintaining the status quo (probability ~20%)**
  - Fed rates are high ( $\geq 4-5\%$ ), capital remains in MMFs and T-bills.
  - Investment in the real economy is weak, gradual slowdown in growth.
  - Pressure from Main Street increases.
  - Conflict enters political phase: rise of populism, political crises.
2. **Compromise and capital redistribution (probability ~40%)**
  - Partial reduction in interest rates (3-4%).
  - Creation of new government programs and tax incentives for long-term investments.
  - Gradual inflow of capital into infrastructure and the real economy.
3. **Complete paradigm shift (probability ~40%)**
  - Sharp reduction in interest rates (below 3%).
  - Large-scale government investment in infrastructure and robotization.
  - Creation of an alternative financial system based on cryptocurrency.
  - Significant redistribution of capital from Wall Street to Main Street.

After Trump raised tariffs on April 2, 2025, the probability of a complete paradigm shift, in my estimation, increased from 30% to 40%.

However, a complete paradigm shift requires extremely high political determination, and its implementation may face serious difficulties if economic or geopolitical instability weakens that determination. Therefore, **many may consider a compromise scenario to be the most realistic.**

## **Compromise model: cooperation between the financial sector and the industrial economy**

The idea of conflict between Main Street and Wall Street does not necessarily mean a fierce confrontation. There is a realistic compromise scenario in which the financial sector begins to actively support industrialization rather than fight it.

Yes, Main Street and Trump are demanding low interest rates, which big banks don't usually like. However, the biggest financial players already understand the challenges and demands of the current moment:

**JPMorgan Chase**, one of the largest banks in the US, has already begun to refocus on lending to infrastructure projects, supporting the construction of new factories, roads, energy facilities, and networks.

**BlackRock**, the world's largest asset manager, is also publicly calling for investment in infrastructure, energy projects, and domestic manufacturing, considering this a necessary condition for sustainable growth.

Thus, the financial sector understands that the new reality requires them not to oppose but **to cooperate** with the real economy. Banks and funds are beginning to actively support long-term, strategic projects that create stable jobs and strengthen US economic leadership.

If this approach becomes dominant, the conflict between Main Street and Wall Street will be significantly mitigated. Instead of war, we will see a partnership in which financial capital supports national interests and long-term projects, and the real economy receives resources for sustainable growth and technological breakthroughs.

# The current paradigm: Financial capitalism

Financial capitalism is characterized by the dominance of financial services and assets in the economy and a significant increase in the share of finance in US GDP. It began to take shape in the US in the late 1970s and early 1980s.

## How the transition happened:

### The Volcker Revolution (1979–1982)

- In 1979, Paul Volcker (Chairman of the US Federal Reserve) sharply raised interest rates to combat inflation (to ~20% in 1980–81).
- High rates made the financial sector very attractive, drawing capital away from real production and into financial instruments.

### Reagan's Deregulation (1981–1989)

- President Ronald Reagan began a policy of large-scale deregulation of the financial market in the early 1980s.
- In 1980, the **Depository Institutions Deregulation and Monetary Control Act** (DIDMCA) was passed, paving the way for financial innovation and rapid growth in the financial sector.

### The shift from the real sector to the financial sector

- In the early 1980s, the share of profits of financial companies began to grow rapidly, outpacing the non-financial sector.
- The growth of the bond, derivatives, and other financial instruments markets also accelerated sharply in the early 1980s.

## Consequences:

### Growth of financial assets:

- From 1980 to 2007, financial assets grew about four times faster than real GDP, indicating a significant gap between the financial sector and the real economy. [Levy Institute of Economics](#)

### Increase in the financial sector's share of GDP:

- In 1978, the financial sector accounted for 3.5% of the US economy, and by 2007, its share had increased to 5.9%. [Wikipedia](#)

### Growth in financial sector profits:

- From 1980 to 2005, financial sector profits grew by 800% after adjusting for inflation, while non-financial sector profits increased by 250% over the same period. [Wikipedia](#)

### Development of new financial instruments:

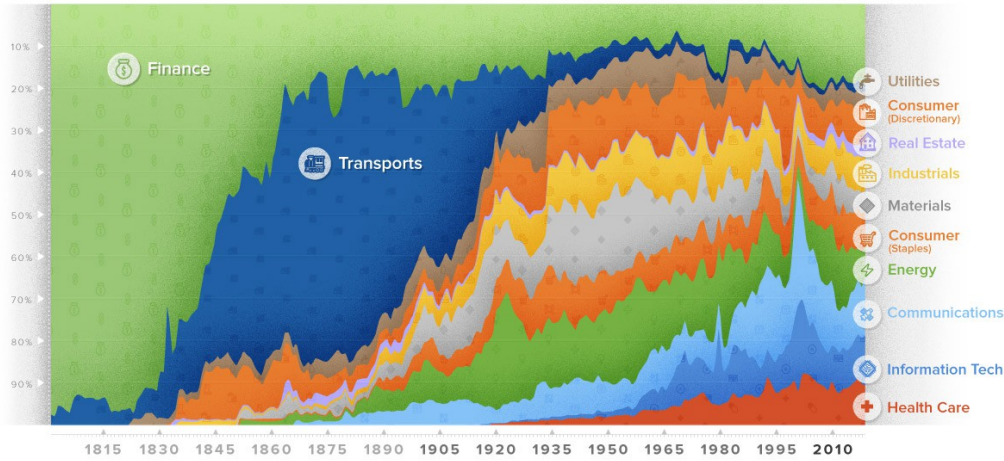
- The 1980s saw a boom in the market for derivatives and other complex financial instruments, which contributed to the further financialization of the economy.

### Change in the structure of the economy

- US GDP became increasingly dependent on financial transactions, lending, consumer credit, the mortgage market, and the stock market, rather than industrial production.
- Globalization and the transfer of production to China also began at this time.

## VISUALIZING 200 YEARS OF U.S. STOCK MARKET HISTORY

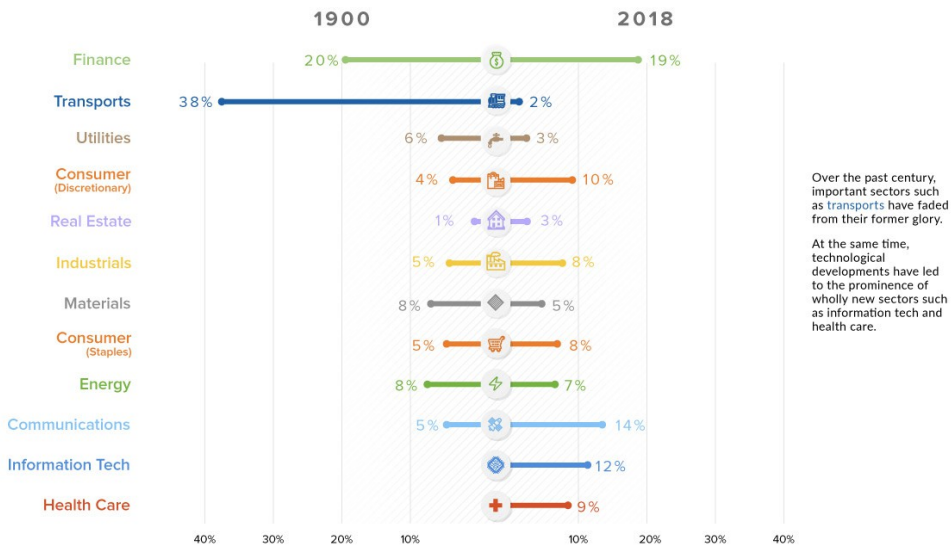
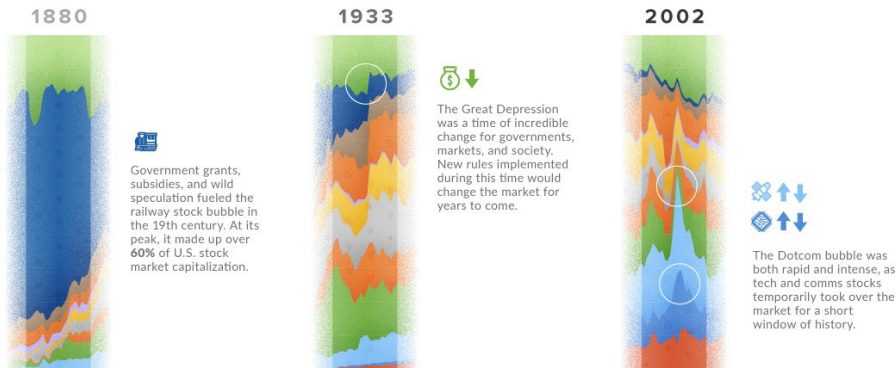
How sectors have changed in relative importance over the years



### 20/20 Hindsight

This 200-year long timeline of relative U.S. sector weights provides a useful window to the past, while also showing how hard it can be to predict the future of the market.

Global Financial Data divides the stock market into twelve sectors. The 12 sectors include 11 sectors similar to the 11 sectors in the GICS, but adds a twelfth sector for Transportation stocks since these were historically important to the US, UK and other economies. The Communications sector includes not only Telecommunications stocks, but general communications such as Media and Publishing. The Real Estate sector is separated from the Financial Sector throughout its history.



Over the past century, important sectors such as transports have faded from their former glory. At the same time, technological developments have led to the prominence of wholly new sectors such as information tech and health care.



# China's role in the development of financial capitalism

China's role in the development of US financial capitalism was **very significant**, although at first glance it may seem that China was only the "world's factory." In reality, it played a key role in creating the conditions for the dominance of the financial sector in the US and the West.

## China – a factory of cheap goods (lowering inflation)

- Starting with Deng Xiaoping's reforms (late 1970s – early 1980s), China actively opened its economy to foreign investors and manufacturers.
- Western corporations' production chains were moved to China en masse due to cheap labor and low costs.
- This led to a decline in global inflation, as production became much cheaper.
- Low inflation helped the US and other Western countries keep interest rates relatively low over the long term, stimulating a consumer credit boom.

China provided the basis for low production costs and consumer credit, becoming the foundation for the financial boom in the US.

## Trade imbalance and the return of dollars to the US financial system

- The US began importing goods from China on a massive scale, creating a huge trade deficit.
- China received dollars and invested them back into US Treasury bonds, keeping long-term interest rates low (until 2011-13).
- This phenomenon is known as "dollar recycling": China financed the US budget deficit, allowing the US financial sector to obtain cheap financing for various speculative and credit operations.

At one point, China became the largest creditor to the US and the "sponsor" of American financial capitalism.

## Separation of the financial sector from real production

- Thanks to the transfer of production to China, the US gradually got rid of its own industrial assets and production risks.
- American corporations, no longer needing to maintain plants and factories, began to make profits solely through branding, marketing, and financial transactions.
- The financial sector came to dominate the structure of corporate profits, as production and all associated risks were transferred outside the country.

China "took over" the real sector, freeing the US to dominate financial and innovation activities.

## Creating conditions for financial globalization

- The massive transfer of production to China made globalization not only possible but also extremely profitable.

- Financial companies and investors gained access to a global market of assets and industries on which they could speculate, manage risks, and earn huge profits.
- The reduction of trade barriers and China's accession to the WTO (2001) further accelerated financial globalization.

Without China's integration into the global economy, the modern form of financial capitalism would not have been possible.

### Increasing inequality and income redistribution

- The relocation of manufacturing to China has drastically reduced jobs and incomes for the American working class.
- Income for the middle class in the US has stagnated or fallen, while income for owners of financial assets (investors, bankers, financiers) has risen sharply.
- This led to increased inequality and greater dependence of the middle class on credit and loans, which also played into the hands of the financial sector.

China indirectly contributed to the redistribution of income from the real economy to the financial elite.

### Brief chronology:

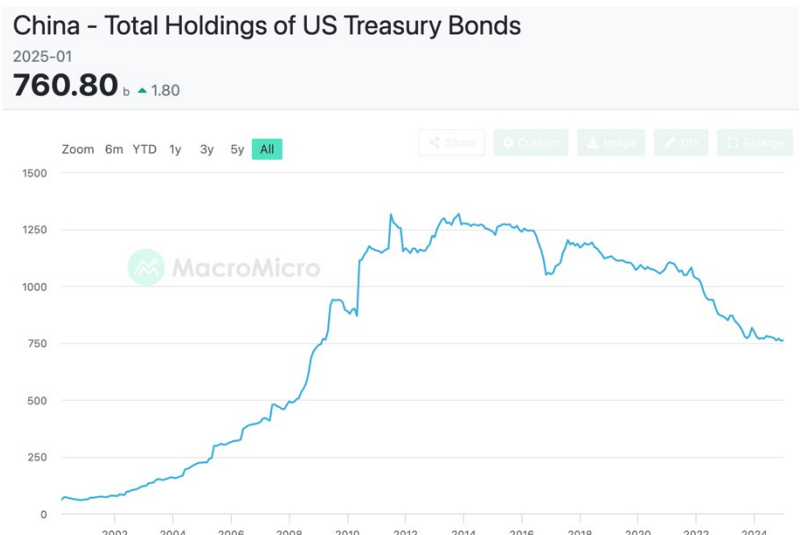
Period	Event	Effect
Late 1970s – 1980s	Start of Deng Xiaoping's reforms, opening of China's economy	Relocation of production to China
1990s–2000s peak	China's accession to the WTO (2001), globalization	Massive growth in trade, credit boom
2000s –2010s	Global trade imbalance US-China	Dollar recycling, financing the US deficit
2010s–2020s	Emergence of conflict, attempts Reindustrialization of the US	Paradigm shift, end of an era "China – the world's factory"

China was an active and important component of American financial capitalism. With its cheap labor and scale of production, China created a base for low interest rates.

However, since 2011, China has stopped increasing its position in US government debt, and since 2013 has even begun to reduce it.

This required the US financial sector, led by the Federal Reserve, to turn on the printing press, which ultimately led to a surge in inflation and interest rates in 2022-23.

Conclusion: China **played a key role** in the formation and development of the era of financial capitalism since the 1980s, and it was China that brought it to an end.



# New paradigm: Industrial Capitalism 2.0

The new paradigm is a fundamental shift from the globalized financial capitalism of the past 45 years to an economic model focused on domestic production and independence.

## The essence of the new paradigm: "Industrial Capitalism 2.0"

	The old paradigm (1980–2024)	New paradigm (2025+)
<b>Key economic sectors</b>	Financial markets, services, consumption, short-term profit	Production, infrastructure, technological leadership, long-term growth
<b>Economic goal</b>	Maximum profitability Capital	Employment growth, raising the level middle class lifestyle, technological superiority
<b>Type of capital</b>	Short-term money (liquidity, bonds, money market)	Long money (long-term investments in factories, robots, technology, infrastructure)
<b>Role of the state</b>	Minimum intervention, deregulation, globalization	Active intervention, protectionism, subsidies for domestic production
<b>Trade policy</b>	Free trade (low tariffs, globalization)	Protectionism, high tariffs, reshoring (return of production from China)
<b>Monetary policy</b>	High rates during crisis, low during growth (capital protection, inflation control)	Low or moderate rates, provision of cheap long-term money (stimulation of production)
<b>Relations with China</b>	China — the world's factory, main partner and creditor	China is a strategic competitor, return of production to the US

## Prerequisites:

- **Political demand from society:** Middle class dissatisfaction with globalization, declining living standards, and the departure of production from the US. The positive effect of globalization in the form of cheap goods has come to be perceived as less significant than the loss of jobs. And the elites have begun to fear dependence on China.
- **Geopolitical confrontation with China:** The desire to bring strategic manufacturing and technological leadership (semiconductors, space, AI, quantum computers, biotechnology, etc.) back to the US.
- **Decline in China's competitive advantages:** Rising labor and logistics costs and trade conflicts have reduced the benefits of moving production to China.
- **New technologies:** Robots and automation have made manufacturing in the US economically viable even with expensive labor.

## **Key objectives of the new paradigm:**

- Reshoring and localization of production.
- Robotization and technological leadership.
- Energy and technological independence.
- Infrastructure restructuring (new roads, ports, power grids, logistics).
- Reducing the economy's dependence on financial markets (reducing Wall Street's "interest rent").

## **Expected large-scale changes:**

- Massive relocation of production from China and Asia to the US and neighboring countries.
- Growth in investment in robotic and automated factories.
- Large-scale infrastructure projects (roads, bridges, railways, port infrastructure, energy).
- Decreased attractiveness of short-term financial instruments due to lower interest rates.
- The creation of alternative financial systems (e.g., the crypto industry) that compete with traditional banks.

## **What needs to happen for the new paradigm to work (what will Trump do)?**

- **Macro conditions:**
  - Stabilization of inflation at 2–3%.
  - Lowering interest rates to 2–3% to stimulate long-term investment.
  - Growth in government investment in infrastructure and technology.
- **Political conditions:**
  - Protectionism (tariffs, subsidies for domestic producers).
  - Government programs and tax incentives for robotization and reshoring.
  - Reducing the regulatory burden on real businesses and industry.

## **Historical analogies of the new paradigm:**

- **America in the 1940s (war and post-war industrialization):**
  - Massive government funding of production.
  - Low interest rates, investment in infrastructure, strong economic growth.
- **The Roosevelt era and the New Deal (1930s):**
  - Strong state, protectionism, infrastructure construction.
- **Late 19th century (Gilded Age):**

- Industrial growth, protectionism, infrastructure boom (railways).

### Who wins, who loses:

Winners	Losers
Industrial companies (robotics, electronics, mechanical engineering)	Financial giants (banks, insurance companies, money market funds)
Infrastructure companies	Global corporations focused on imports (Apple, Nike, Amazon, Walmart)
Energy (nuclear, green energy)	Companies dependent on cheap Chinese imports
Military-industrial complex	Transnational corporations with production in Asia
Crypto industry (as an alternative to financial bureaucracy)	Large international banks

### Main barriers and risks of the new paradigm:

- High risks of trade wars and global economic slowdown.
- Increased inflationary risks due to overly aggressive stimulus measures. Inflation must be kept under control, otherwise its excessive growth could create additional risks for the real sector and financial stability.
- Opposition from financial elites and global corporations.
- Possible instability in financial markets.
- The feasibility of mass reshoring is questionable due to high costs, a lack of skilled labor, inadequate infrastructure in the US, and raw material supplies. Mass reshoring of production is a slow and costly process. In the short term, the US will face rising costs and a shortage of skilled workers, which may slow down the positive effects of the new paradigm. Reshoring semiconductors could take 5-7 years with an investment of \$200 billion (TSMC estimate), while the textile industry will require 15-20 years due to low profitability.

### Implications of the new paradigm for investors:

- The need to change portfolio structure:
  - **Political and geopolitical factors must be taken into account** much more than before.
  - **Increase the share of:** industrial companies, energy, infrastructure, and new technologies. Domestic companies (US) with a focus on industry, energy, infrastructure, and technology.

- **Decrease the share of:** short-term financial instruments, the banking sector, and global multinational companies with high dependence on China.
- **Growth in alternative assets:** cryptocurrencies, real estate, gold as a hedge against risk.

## **Conclusion:**

The **new paradigm of "Industrial Capitalism 2.0"** is a strategic shift away from globalization toward domestic production, from short-term financial speculation toward long-term technological investment, and from minimal government involvement toward protectionism and active industrial policy.

It is replacing financial capitalism because the previous model has exhausted its growth resources and has become unsustainable without external creditors (especially China). China, which initially helped the old model develop, ultimately provoked its crisis by ceasing to finance US deficits.

Thus, the new paradigm is designed to restore the industrial and technological power of the US, strengthen the domestic market, reduce dependence on external factors, and ensure sustainable long-term growth of the real economy.

At least that is how statements from the White House are interpreted.

# The tariff war as a factor in the paradigm shift

Trump's introduction of high import tariffs significantly **reinforces the hypothesis** of a systemic conflict between Main Street and Wall Street and even brings it into a more acute phase.

## **Tariffs are widening the divide between Main Street and Wall Street.**

High import tariffs are aimed at supporting domestic production and bringing industry back to the US (reshoring), which is a key demand of Main Street.

Trump openly stimulates the real economy and industry, creating favorable conditions for it to compete with imports, especially from China and Europe. At the same time, Wall Street, accustomed to globalization and the free movement of capital and goods, finds itself at a disadvantage:

- Trade wars threaten international trade and globalization, reducing the profits of transnational companies.
- Banks and financial institutions are losing global investment opportunities and suffering from increased uncertainty.

## **Tariffs are leading to a more intense confrontation between two models of capitalism.**

This is no longer just a conflict between "long money versus short money," but also a struggle between two economic philosophies:

- **Industrial capitalism (Main Street):** manufacturing, national interests, protectionism, government incentives.
- **Financial capitalism (Wall Street):** globalization, free movement of capital, maximum return on invested capital in the short term.

Now this struggle is becoming more intense and politicized, including the protection of the national economy and the creation of local employment. Tariffs are exacerbating the conflict and making it more explicit and systemic.

## **The possibility of a repeat of the 1930s scenario increases the risks and may hinder positive effects for Main Street.**

A historical analogy with the Smoot-Hawley Tariff of 1930 shows that high tariffs at that time led to retaliatory measures by other countries, a 66% decline in world trade, and a worsening of the Great Depression. This means that:

- In the short term, the US will receive incentives to bring back manufacturing and increase employment.
- In the medium to long term, there is a high risk of a global economic downturn, which could reduce overall demand and even negatively affect Main Street itself.
- Wall Street will suffer immediate losses, which could trigger financial instability and market volatility.

Although the conflict hypothesis is gaining momentum, the simultaneous increase in global risks limits the effectiveness of protectionist measures. This could lead to a "Pyrrhic victory" for Main Street: short-term gains followed by long-term problems.

Sharp tariffs are a sign that the Trump administration is ready for more radical steps, up to a complete paradigm shift. It is now much less likely that the current situation will remain calm, as tariffs increase the politicization and intensity of the conflict. The possibility of compromise is diminishing because Wall Street is beginning to resist strongly.

## The Fed, global recession, and Trump's goals

The threat of a global recession will force the US Federal Reserve to move to a policy of lowering interest rates and supporting the banking system.

This is one of the main goals of the Trump administration and the forces representing the interests of the real economy (Main Street):

US Treasury Secretary Bessent has made it clear that Trump's priority is not the stock market (which is more beneficial to Wall Street), but low base yields on 10-year Treasury bonds.

Lowering Treasury bond yields will help to sharply reduce borrowing costs and, above all, interest rates on loans for businesses and citizens, which will stimulate the growth of the real economy.

Thus, the Fed's interest rate cuts are a tool that could become key in the clash between Main Street and Wall Street interests. For Trump and Main Street, this is a real step toward a new paradigm, where domestic production becomes the top priority rather than Wall Street's speculative profits.

## Risks of a tariff war

- Tariffs could lead to a **1-2%** increase in inflation in 2025 (estimates by Goldman Sachs and JP Morgan, April 2025).
- There is a risk that China will take more aggressive retaliatory measures in addition to tariffs. For example:
  - **Dumping US bonds:**  
China remains a major holder of US Treasury bonds (approximately \$761 billion at the beginning of 2025). A massive sale of these bonds could lead to a sharp jump in yields, higher borrowing costs for the US, financial market instability, and a weaker dollar.
  - **Restrictions on exports of rare earth metals and other strategically important materials:**  
China controls a significant share of the global market for materials that are critical to the US. Restricting their export could deal a blow to the US technology sector.
  - **Pressure on American companies operating in China:**  
More complicated business conditions, extra checks, and delays in deliveries could really hurt the profits of big companies like Apple, Tesla, Nike, and others.

# What needs to happen for capital to start flowing from Wall Street to Main Street?

## Macro conditions:

- A reduction in the Fed rate (to 2-3%) to make MMF and T-bills less attractive.
- Inflation rising (moderately above 3%), making long-term real assets more attractive.
- Sustained GDP growth, stabilization of the labor market, and reduced uncertainty.

## Policy decisions and incentives:

- Tax breaks and amnesties for capital repatriated from abroad.
- Targeted state guarantees for long-term investments in infrastructure, energy, and manufacturing.
- Subsidy and soft loan programs for robotization and new technologies.

A combination of lower interest rates, tax incentives, and policy incentives could shift capital flows from Wall Street to Main Street.

## Key barriers and risks to capital reallocation

### Barriers:

- High returns on risk-free instruments (if interest rates remain high).
- Resistance from financial lobbyists and banking bureaucracy.
- Conservatism of investors accustomed to short-term and liquid instruments.

### Risks:

- Negative reaction of the bond market to lower interest rates (increased volatility).
- Risk of budget deficit and public debt in the event of large public investments.
- Inflation risk (with sharp stimulation).

The main risk is resistance from the financial bureaucracy and possible side effects from overly aggressive economic stimulus.

## Interdependence of Main Street and Wall Street

The complete separation of the real and financial sectors is a conditional and analytical simplification. Industry and infrastructure are heavily dependent on financial markets and the banking sector through mechanisms such as lending, IPOs, attracting direct investment, and issuing bonds. Thus, it is not a question of a complete break, but rather a redistribution of the balance of power and influence — a reduction in the dominance of short-term financial interests in favor of the long-term interests of the real sector and domestic production.

Today, the US financial sector holds trillions of dollars, holding back their investment potential. The growing threat of China's technological and military dominance, as well as its refusal to maintain the previous model (when China bought US government bonds with dollars received from exports, providing financing for American deficits), is forcing the US elites to change their paradigm. Nevertheless, there is certainly no question of the destruction of the financial elites — it is specifically about the redistribution of influence and a review of development priorities.

## The impact of external macroeconomic risks (EU, Japan, China, emerging markets)

The success of the new paradigm may be complicated by crises in major economies — the EU, Japan, or China. However, the deep domestic market of the US and its relatively low dependence on exports allow America to significantly mitigate the negative consequences of such events.

Moreover, crises in other countries may even strengthen the determination of the US authorities and elites to complete the transition to the new paradigm, as the weakening of geopolitical rivals objectively strengthens America's position in the global economy and politics.

After all, in the context of modern technological innovations—artificial intelligence, robotization, quantum computers, and new production technologies—it is no longer financial capital that comes to the fore in global competition, but a country's ability to ensure technological superiority and control over key innovations. That is why the transition to a new paradigm is not just an economic choice, but a necessary condition for maintaining the long-term leadership of the United States.

Over the past nearly 20 years, China has built the world's largest high-speed rail network.

Over the past five years, the project has cost the state-owned State Railway Group about \$500 billion for construction, supplies, new trains, and stations. The company's debt has reached \$1 trillion.

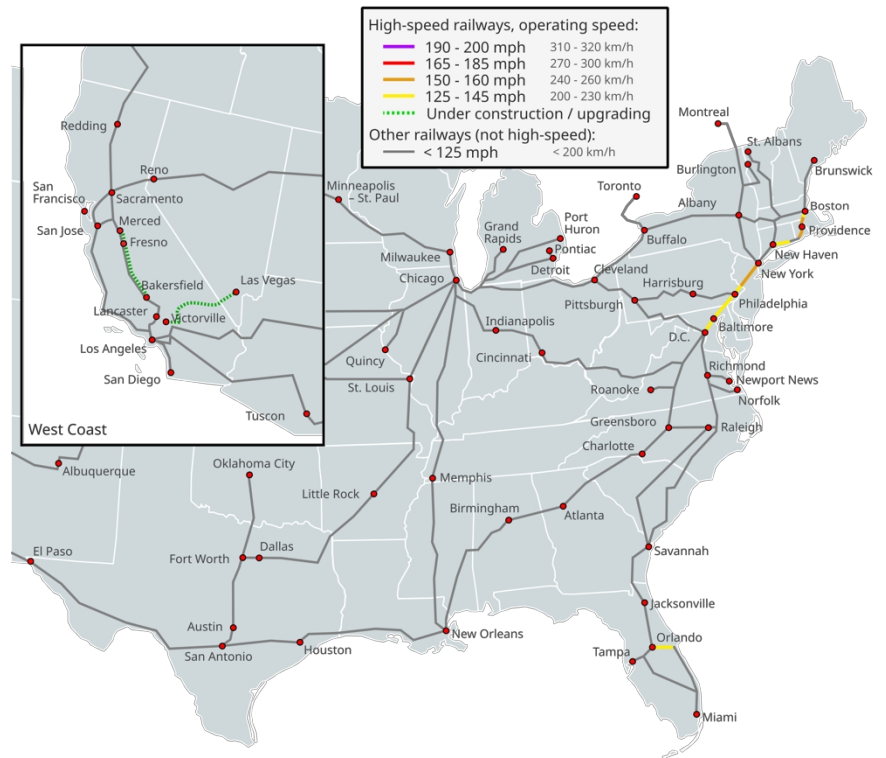
But the task has been accom



The US has virtually no high-speed rail network. The existing sections are insignificant, and large-scale projects are constantly being postponed and remain only in the planning stages.

A similar situation is developing in other areas of infrastructure, including energy, which is becoming a constraint on the deployment of new technology projects, such as infrastructure for artificial intelligence.

This is already a matter of strategic leadership.



The US needs the following strategically important infrastructure projects totaling approximately \$4 trillion:

- Modernization of the road network (estimated investment required: \$500-1,000 billion)
- High-speed railways (limited sections on the West and East coasts, \$500 billion)
- Modernization of airports (\$150-300 billion)
- Renovation and development of power grids (\$300-600 billion)
- Energy infrastructure (renewable sources and nuclear energy, \$1 trillion)
- Infrastructure for technology and the internet (\$200-400 billion)
- Water supply and treatment infrastructure (\$400 billion)
- Space infrastructure (\$200-500 billion)

# Technological leadership: The heart of the new paradigm

The key meaning of the transition to the new paradigm of "Industrial Economy 2.0" is the restoration and strengthening of US technological leadership. Technology is not just a tool for competition, but a fundamental resource for America's future prosperity, security, and influence on the global stage.

The new Industrial Economy 2.0 paradigm focuses precisely on technological leadership. Investors and policymakers need to concentrate their resources and attention on these technological areas, as they will determine whether the US can maintain and strengthen its global leadership in the ideological and political confrontation with China.

Technological superiority determines who will set global standards, control critical resources, and dictate the rules of the game on the world stage in the future. For the US, regaining technological leadership is a prerequisite for economic prosperity and national security.

## **Strategic directions for technological leadership:**

### **Artificial intelligence (AI)**

AI is the number one strategic direction shaping the new face of US industry and security. It plays a key role in manufacturing, logistics, medicine, defense, and management.

### **Quantum computing**

Quantum computers promise to revolutionize data processing, information security, manufacturing process optimization, and the creation of new materials.

### **Robotics and automation**

Robots and automated systems increase labor productivity and reduce costs, which is critical for bringing manufacturing back to the United States.

### **Energy (nuclear and renewable)**

Energy independence is essential to the economic sovereignty and sustainability of the United States. New technologies in nuclear energy, solar, and wind power are becoming the focus of investment.

### **Semiconductors and microelectronics**

Semiconductors are the foundation of the entire modern digital economy. Leadership in chip manufacturing ensures control over the development of all new technologies.

## Robotics and energy: why are they interrelated?

According to McKinsey, robotization could increase labor productivity in the US by 30% by 2035. This is critically important, as robotization will help compensate for the labor shortage in America and ensure its competitiveness.

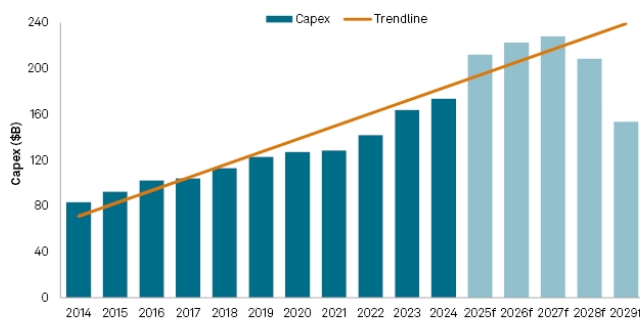
China is also actively introducing robots, despite its labor surplus. The reason is simple: China already sees a serious demographic crisis approaching and is trying to increase the productivity of its economy in advance.

However, **the mass introduction of robots requires enormous amounts of energy.**

Robots, automated manufacturing, and data centers require a stable, abundant, and inexpensive energy supply. To ensure this, the US and China will need to invest billions in building new energy infrastructure, primarily nuclear power and renewable sources.

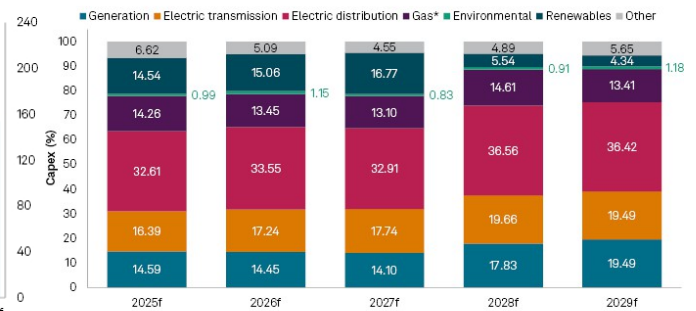
S&P Global [predicts](#) that capital expenditures for US energy companies will exceed \$1 trillion between 2025 and 2029. Particularly large investments will be needed in 2025-27.

Energy utility actual and estimated capex



Compiled March 24, 2025.  
 capex = capital expenditure; f = forecast.  
 Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.  
 © 2025 S&P Global.

Capex investment trends by segment



Compiled March 24, 2025.  
 capex = capital expenditure; distr. = distribution; trans. = transmission; f = forecast.  
 \* Gas includes pipeline, storage, distribution and other gas infrastructure.  
 Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.  
 © 2025 S&P Global.

Thus, the new paradigm of "Industrial Economy 2.0" implies not only technological but also energy competition between the US and China.

# Counterarguments: Why the financial model of capitalism may survive

Despite the relevance and persuasiveness of the hypothesis of a transition to "Industrial Economy 2.0," there are a number of compelling arguments in favor of preserving the current financial model of capitalism. Let's consider the main ones from the perspective of Wall Street and global business:

## 1. Globalization as the main driver of innovation

Globalization not only reduces costs by shifting production to regions with cheaper labor, but also stimulates global competition, which is the main driver of innovation. Companies integrated into global supply chains are more competitive and adapt more quickly to change.

Rejecting globalization could slow down innovation and reduce technological competition, which would weaken the US economy in the long run.

## 2. Risks of inflation and declining living standards

Rejecting cheap imports and bringing manufacturing back to the US will inevitably lead to higher inflation and a lower standard of living for the population. Consumer goods, clothing, electronics, and household appliances may become significantly more expensive. This will hit the middle class, creating social tension and risks of political instability.

Wall Street argues that moderate inflation and stable consumer prices are more important than the political benefits of protectionism.

## 3. Financial market efficiency

Financial markets ensure the efficient allocation of resources and capital based on the principles of profitability and risk. State intervention or aggressive protectionism can lead to inefficient resource allocation (who will decide which industries and companies to support?), reduced corporate profitability, and ultimately stagnation.

From the point of view of financial institutions, the market is better at selecting promising companies and industries than government programs and protectionist measures (although China would disagree).

## 4. Attractiveness to international capital

The financial openness of the US is one of the key factors in the country's attractiveness to international capital. Closing markets and raising tariffs could trigger an outflow of foreign investment, which is needed to finance innovation, infrastructure, and technological development.

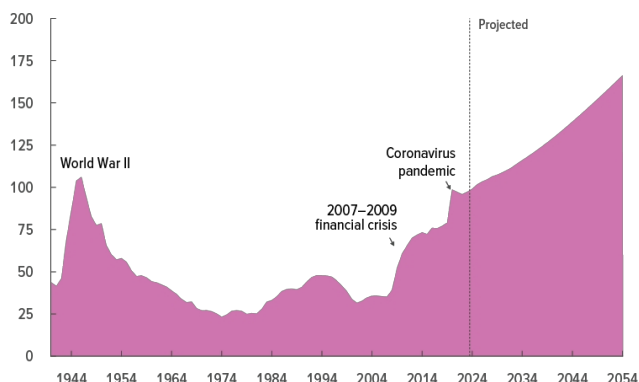
Thus, a decline in Wall Street's role could lead to a loss of US global competitiveness in the world financial market. It also threatens the dollar's dominance in the global economy.

## 5. Flexibility and adaptability of the financial model

The financial sector has demonstrated its ability to adapt quickly to changes and crises, supporting economic growth even in difficult conditions (albeit not without the help of the Federal Reserve and the Treasury). Banks and financial institutions have already begun to refocus on supporting infrastructure and long-term projects, demonstrating their willingness to meet the interests of the real sector.

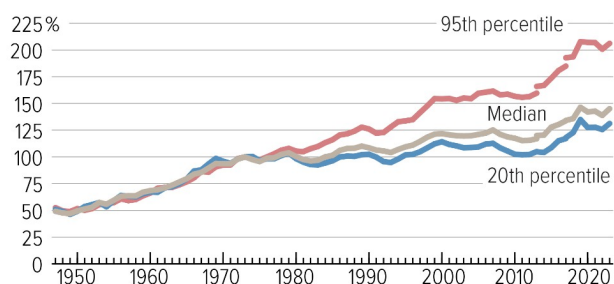
This suggests that financial capitalism is capable not only of adapting, but also of effectively supporting industrialization and innovation, thereby maintaining its key role in the economy.

However, in the context of technological and geopolitical confrontation with China, structural imbalances have emerged and are growing, ranging from increasing social stratification to a significant increase in debt burden.



### Income Gains Widely Shared in Early Postwar Decades — But Not Since Then

Real family income between 1947 and 2023, as a percentage of 1973 level



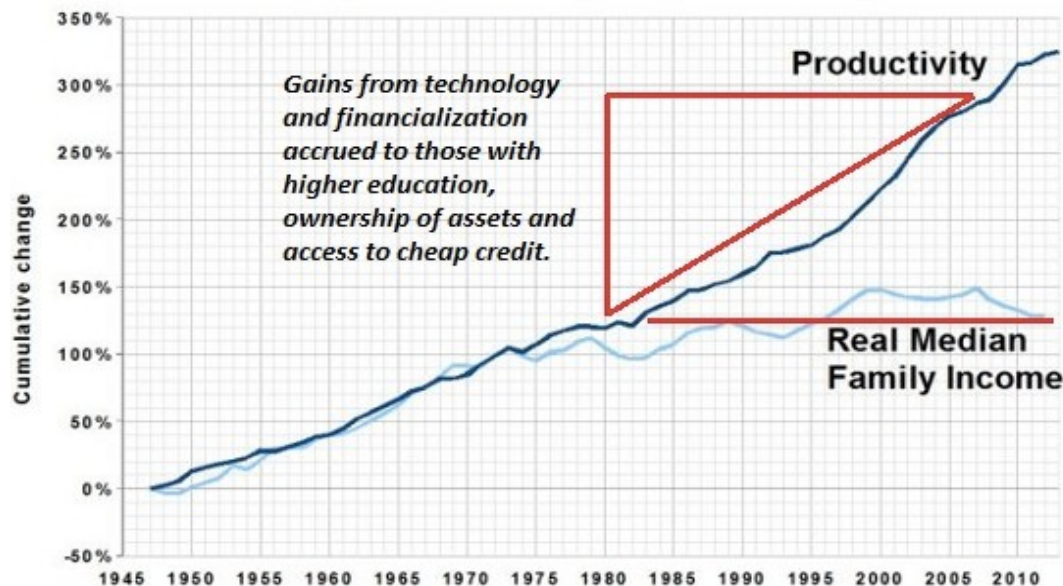
Note: Breaks indicate implementation of a redesigned questionnaire (2013) and an updated data processing system (2017).

Source: CBPP calculations based on U.S. Census Bureau Data

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

### The benefits of increased productivity over the last 35 years have not gone to the middle class

Productivity and real median family income growth, 1947–2012



Source: Analysis of Current Population Survey Annual Social and Economic Supplement *Historical Income Tables* (Table F-5) and Bureau of Labor Statistics, *Productivity—Major Sector Productivity and Costs Database* (2012)

# Global consequences of the new paradigm

## The European Union's response

Faced with a change in US policy and a possible escalation of trade wars, the European Union may significantly strengthen its own industrial policy. The EU is already moving towards strategic autonomy, actively investing in technological development, infrastructure, and energy independence. This may manifest itself in:

- Acceleration of domestic production support programs (e.g., the European Chips Act).
- Increasing tariffs and protectionist measures to protect the domestic market from foreign competition, especially Chinese goods.
- Greater focus on the renewable energy and digital technology sectors.

## The role of Japan and South Korea

Japan and South Korea have traditionally been technological leaders, especially in microelectronics, robotics, and advanced manufacturing technologies. In the new situation, these countries can:

- Become important partners of the US in the field of high technology, strengthening strategic cooperation.
- Take advantage of global changes to strengthen their positions in technology supply chains.
- Intensify investment in robotization and automation, compensating for labor shortages and dependence on China.

## India's potential as a manufacturing hub

India has enormous potential to become a key alternative center for global manufacturing as dependence on China declines. Factors contributing to this include:

- The availability of a large labor market and relatively low labor costs.
- Increased government support for manufacturing sectors (Make in India and other initiatives).
- Active infrastructure development and improved conditions for foreign investment.

Thus, India could become a strategic beneficiary of the new industrial paradigm, attracting investment from companies seeking to diversify their production risks outside China.

## The risk of a global trade war of all against all

The current US tariff policy looks not just like protection of its own market, but like an attempt to radically change the global economic balance. If China loses access to the US market, it will be forced to redirect its products to other countries and regions much more aggressively.

This will have several consequences:

### **Increased competition and price pressure**

China will begin to compete aggressively on price in the EU, Indian, Latin American, and African markets. This could lead to the bankruptcy of local manufacturers and rising unemployment in these regions.

### **Countermeasures by other countries**

Countries faced with an influx of cheap Chinese goods are also likely to introduce their own tariffs and protectionist measures. This threatens a chain reaction that will quickly escalate into a full-scale trade war of all against all.

### **Escalation of political tensions**

Increased protectionism and tariff wars could lead to political instability, rising nationalism, and deteriorating international relations, which would negatively affect the global economy as a whole.

Thus, the US tariff war with China risks escalating into a global confrontation in which each country will be forced to protect its markets from aggressive Chinese exports, exacerbating the global economic crisis and instability.

## **The formation of new global blocs: the United States' "friends" and "enemies"**

The introduction of tariffs and the new US policy may lead to the formation of clearly defined economic and geopolitical blocs:

### **The circle of "friends of the US":**

- Countries that agree to support US standards of trade and technological security will receive preferential access to the US market and favorable trading conditions.
- These are likely to include close US allies: the UK, Japan, South Korea, Australia, Canada, possibly India, and some European countries.
- These countries could benefit from the relocation of production from China, receiving new investment, technology, and jobs, which would improve their economic situation.

### **The circle of "enemies of the US":**

- Countries that continue to cooperate closely with China, refuse to support the US, or take a neutral position will face the harshest tariffs and economic pressure.
- This will primarily affect China, Russia, Iran, and countries that are actively integrated into Chinese economic projects (e.g., countries in Africa, Central Asia, some countries in Southeast Asia, and Latin America).

### **A difficult choice for other countries:**

- Most countries in the world will be forced to decide which bloc is more beneficial for them to be in. Their choice will be not only economic, but also

- political, determining their future fate in the new economic reality.
- This will lead to a major global redistribution of economic and political alliances that will shape the world agenda for decades to come.

Thus, US tariff policy could provoke a deep division of the world into two economic and political blocs, increasing global tensions and forming a completely new map of international relations and trade.

This will happen if both the US and China are able to maintain their current positions as the two leading countries. A bipolar world with centers in Washington and Beijing will then be definitively formed.

# For investors: which asset classes and sectors will win or lose in the new paradigm?

## Winners:

### 1. Industry and infrastructure

- Domestic manufacturers of industrial equipment and machinery will benefit from reshoring policies (the return of manufacturing to the US).
- The infrastructure sector (construction of roads, bridges, railways, telecommunications) will receive a significant boost from large-scale government investment.

### 2. Robotics and automation

- Companies that develop and implement automation and robotics technologies will receive support due to rising labor costs and the need to increase productivity.

### 3. Semiconductors and microelectronics

- Domestic semiconductor manufacturers will be key beneficiaries due to the strategic focus on technological independence and reducing dependence on China.

### 4. Energy

- Companies in the nuclear energy and renewable energy sectors will benefit from the drive for energy independence and sustainable development.
- Certain raw materials companies, particularly those mining rare earth metals in the US, will also benefit from import restrictions.

### 5. Military-industrial complex

- Increased geopolitical tensions and a focus on national security will lead to increased investment in the military-industrial complex.

### 6. Crypto industry and alternative financial instruments

- Cryptocurrencies and related companies will benefit from the weakening influence of the traditional banking system and policies supporting alternative financial infrastructure.

## Losers:

### 1. Large banks and the financial sector

- Banks, especially transnational and globally oriented ones, will lose revenue from reduced liquidity and the diminished role of short-term financial instruments.

### 2. Money market funds (MMFs) and short-term financial instruments

- MMFs and T-bills will become less attractive due to lower interest rates and policies that encourage long-term money.

### 3. Multinational corporations dependent on globalization

- Companies such as Apple, Nike, and Walmart, which depend on international supply chains and cheap manufacturing in China, will face increased costs and lower margins.

#### 4. Retail and consumer sector dependent on cheap imports

- Companies such as Amazon and Target will see pressure on profits due to rising prices for imported goods and changes in consumer behavior.

#### 5. Export-oriented economies

- China, Germany, and other major exporters will face difficulties due to declining exports to the US and rising global protectionism.

### Implications for investors and portfolio allocation recommendations:

Investors will need to significantly restructure their portfolios to align with the new economic paradigm:

- **Increase exposure to:**
  - Industrial and technology stocks focused on the US domestic market
  - infrastructure companies;
  - companies involved in automation, robotics, and semiconductor manufacturing;
  - alternative assets, including cryptocurrencies, real estate, and rare metals.
- **Decrease the share of:**
  - short-term debt instruments (MMF, T-bills);
  - shares of multinational corporations dependent on globalization and cheap imports;
  - large banks and the global financial sector as a whole.

The classic 60/40 investment approach (stocks/bonds) is becoming less effective, and investors need to adapt their strategies to the new realities, focusing on long-term investments in the real sector and innovative technologies.

### Preliminary assessment of possible winners and losers:

#### ✔ Winners

##### 1. Industry and infrastructure

ETF: XLI, IFRA, PAVE

Stocks: CAT, DE, FLR, URI, J, MLM, VMC

##### 2. Robotics and automation

ETFs: BOTZ, ROBO

#### ✘ Losers

##### 1. Large banks and the financial sector

ETFs: XLF, KBE

Stocks: JPM, BAC, C, GS

##### 2. Money market funds and short-term instruments

Funds: VMFXX, SHV

## ✔ Winners

Stocks: ROK, ABB, FANUY, TER

### 3. Semiconductors

ETF: SMH

Stocks: INTC, AMD, NVDA, ASML

### 4. Energy

ETF: URA, ICLN, NLR

Stocks: NEE, CCJ, CEG, VST, SMR, ENPH, FSLR, XOM, CVX

### 5. Military-industrial complex

ETF: ITA, XAR

Stocks: LMT, NOC, RTX, GD, PLTR

### 6. Crypto Industry and Alternative Finance

ETFs: BLOK, BKCH, BITO

Stocks: COIN, MARA, RIOT

### 7. AI and quantum computers

ETFs: AIQ

Stocks: MSFT, GOOG, ORCL, QBTS, IONQ, RGTI

## ✘ Losers

### 3. Multinational corporations dependent on globalization

ETF: VGK, EEM

Stocks: AAPL, NKE, WMT

### 4. Retail and consumer sector (cheap imports

)  
ETF: XRT

Stocks: AMZN, TGT, DG

### 5. Export-oriented countries and markets

ETFs: FXI, EWG

Understanding paradigm shifts can help in forming important criteria for selecting attractive stocks for investment.

## Criteria for selecting attractive stocks in the context of the new "Industrial Economy 2.0" paradigm:

### 1. Strategic alignment with the new paradigm

The company's focus on the domestic market of the United States and its allies.

The company's activities are focused on:

- the real sector, industry, infrastructure, or energy
- the development of advanced technologies that are critical to US economic and technological leadership (e.g., quantum computing, artificial intelligence, robotics, microelectronics, etc.).

### 2. Resilience to tariff and trade wars

Minimal dependence on foreign trade (exports and imports), especially from China or other potentially "hostile" countries.

Diversified and reliable supply chains.

It is important to consider not only direct but also indirect dependence on exports and imports.

For example, **Deere & Company (DE)**. Although the company itself has a strong manufacturing base in the US, its customers (American farmers and agricultural producers) are heavily dependent on exports, especially to China. After China imposed retaliatory tariffs on American agricultural products, demand for Deere & Company equipment may decline significantly.

### **3. The existence of a long-term development strategy**

The company has a clear vision and development plan in the new economic reality, including plans for reshoring and localizing production.

For example, Intel (INTC) could fit this criterion if the company manages to resolve its internal issues. Many companies (TSMC, JNJ, MU, etc.) have also announced their willingness to open production facilities in the US.

Active investment in infrastructure, automation, and new technologies.

However, it is important to clearly understand the availability of financial resources for investment. Investors are very averse to large investments with unclear payback periods and effectiveness.

### **4. Government support and compliance with US industrial policy**

Participation in government programs, tax breaks, and incentives for reshoring and robotization.

Compliance with economic policy priorities outlined by the US administration.

The following companies may meet this criterion: INTC, TSMC, TSLA, NEE, CEG, CAT, FLR, LMT, PLTR.

### **5. Minimal exposure to inflationary risks**

Ability to pass on inflationary costs to customers through market power (pricing power).

High margins and resistance to cost increases.

The following companies meet this criterion: MSFT, NVDA, GOOG, ASML, V, MA, KO, PG, PEP, NEE, XOM, CAT, LIN, UNH.

The list of potential winners and losers requires separate special research and discussion.

Today's leaders may be tomorrow's losers.

Paradigm shifts usually lead to fundamental changes in such lists. Therefore, before making any investment decisions, conduct detailed independent research and discuss them with a specialized investment advisor.

I am writing this not only as a mandatory element, but also for myself personally. I, too, will have to study this and other similar lists in depth. And this is not a one-time task, but a continuous and fascinating job.

# US dollar

The dollar index (DXY) is influenced by two opposing forces:

Pressure on the DXY	Direction of influence
High Fed interest rates	▲ Strengthening of the DXY
High US trade deficit	▼ Weakening of the DXY
High budget deficit	▼ Weakening of the DXY
Geopolitical instability	▲ Strengthening of the DXY

- **Currently:** the dollar is supported by high interest rates and geopolitical tensions, but is weakened by the trade deficit, budget deficit, and inflation. This creates increased volatility.
- **Long term:** if the new paradigm works, the trade and budget deficits will decrease, QE will be reduced, and this will stabilize the dollar.

## Possible scenario for the dollar:

Period	What dominates?	Impact on DXY
2025	Trade deficit, inflation, interest rate cuts	▼ Moderate decline
2026–2030	Stabilization of trade deficit, industrial growth, less QE	▲ Stabilization and strengthening

As a result, we have a complex situation for assessing the dollar.

In the short term, the dollar may appreciate due to the dollar liquidity crisis.

In the medium term, the dollar will fluctuate, subject to opposing forces, but with a higher risk of weakening than strengthening against the backdrop of economic stimulus in the US and lower interest rates.

In the long term, the dollar has a chance to stabilize and strengthen thanks to lower deficits and industrial base growth.

It is important to understand that the dynamics of the dollar will be significantly influenced by macroeconomic events not only in the US, but also in other countries, primarily the EU, Japan, and China.

# Key companies with a clear influence on the PayPal Club

First and foremost, I focus on [investments](#) by the [Founders Fund](#) venture capital fund (founder Peter Thiel, \$12 billion under management at the end of 2023) and Elon Musk (Tesla).



**FOUNDERS FUND**

<b>Aerospace and defense industry</b>	<b>Artificial intelligence and machine learning</b>	<b>Biotechnology and health</b>	<b>Blockchain and cryptocurrencies</b>	<b>Infrastructure and construction</b>
<b>SpaceX</b>	<b>OpenAI</b>	<b>Neuralink</b>	<b>Paxos</b>	<b>The Boring Company</b>
Development and launch of launch vehicles and spacecraft.	Development of advanced artificial intelligence systems.	Development of brain-computer interfaces to expand human capabilities.	A financial institution working with digital assets and blockchain technologies.	Construction of underground tunnels for transportation solutions.
<b>Anduril</b>	<b>DeepMind</b>	<b>Solugen</b>	<b>Polymarket</b>	<b>Compass</b>
Defense and security technologies, including autonomous surveillance systems.	Research in the field of AI, including reinforcement learning and neural networks.	Biotechnological production of chemical products using enzymes.	Decentralized platform for prediction markets on the blockchain.	A technology platform for buying, selling, and renting real estate.
<b>Varda</b>	<b>Cognition</b>	<b>PsiQuantum</b>	<b>Avalanche</b>	<b>Stord</b>
Manufacturing in space with the aim of creating materials in microgravity conditions.	Development of AI for business process automation.	Development of quantum computers based on photonic technologies.	Platform for creating decentralized applications and blockchain networks.	Cloud platform for managing warehouse and logistics operations.

<b>Industrial technologies and robotics</b>	<b>Software and SaaS</b>	<b>Financial technologies (FinTech)</b>	<b>Consumer and Internet services</b>	<b>Healthcare and biotechnology</b>
<b>Flexport</b>	<b>Asana</b>	<b>Stripe</b>	<b>Airbnb</b>	<b>Modern Health</b>
Digital platform for management of international logistics and freight transportation.	Platform for management projects and tasks in teams.	Payment platform for online business.	Online platform for rental housing and tourist experiences.	Platform for mental health and well-being employees.
<b>Gecko Robotics</b>	<b>Figma</b>	<b>Affirm</b>	<b>Spotify</b>	<b>Oscar</b>
Robots for inspection and monitoring industrial equipment.	Online tool for joint interface design and prototyping.	Provision consumer loans during online shopping.	Streaming service for listening Music and podcasts.	Technological monitoring insurance medical company.
<b>Built Robotics</b>	<b>Scale</b>	<b>Nubank</b>	<b>Facebook</b>	<b>Sword Health</b>
Automation construction techniques using robotics.	Platform for annotation data and training data sets for AI.	Digital bank, providing financial services in Latin	Social network for communication and exchange content.	Remote physical therapy with use of technologies.

		America.		
<b>Nanotronics</b>	<b>Rippling</b>	<b>Ramp</b>	<b>Lyft</b>	<b>AbCellera</b>
Microscopy and software for quality control in manufacturing.	Human resources, IT, and finance management in one platform.	Corporate credit cards and expense management.	Ride-hailing and ride-sharing service.	Search and development of antibodies for the treatment various diseases.
	<b>Twilio</b>	<b>Trade Republic</b>	<b>Postmates</b>	<b>Synthego</b>
<b>Analytics and data</b>	Cloud Communication and API for voice call integration, messages and videos.	Mobile app for investing and stock trading.	Food delivery and engineering on request.	Genomic engineering and tools for editing genes.
<b>Palantir</b>			<b>Wish</b>	<b>Compass Pathways</b>
Platform for big data analysis and intelligence analysts.			Platform electronic commerce with focus on affordable products.	Research in data psychoactive therapy for treatment mental disorders.

# Conclusion

Research shows that the transition to "Industrial Economy 2.0" is already actively underway.

The old paradigm of financial capitalism is actively resisting this transition through counter-propaganda and even by fueling social protests.

Some major players in the financial sector are beginning to actively promote the transition to a new paradigm, as geopolitical confrontation with China and technological innovations leave no other choice.

Otherwise, the US will turn into a clone of the EU, stagnating due to its enormous bureaucracy. Key conclusions:

- The US is consciously engaging in tariff wars and increasing protectionism in order to bring manufacturing back to the country, despite the short-term risks of rising inflation. This is a battle for leadership in the final stage of globalization—whoever gains quantum superiority first will dictate the terms.
- The new model involves long-term investments in infrastructure, robotization, and energy, which will allow the US to consolidate its technological and economic leadership.
- Globally, this will lead to a redistribution of economic and political alliances, with countries forced to choose between the US and China, reinforcing the bipolarity of the world.
- For investors, this means a need to significantly revise their investment strategies: increasing investments in industrial, infrastructure, and technology companies and reducing positions in financial assets and global multinational corporations.

Thus, the new economic reality requires investors to clearly adapt their long-term investment portfolios and make informed strategic choices.