

Good News and Creative Destruction

By John Mauldin | June 7, 2025



The Good Kind of Job Destruction
Creative Destruction
Human Steepener
Dallas, West Palm Beach, Dorado and DC

“We desperately as a country want to destroy more jobs. That is the only good outcome in the next 10 years...”

- Joe Lonsdale, Venture Capitalist and SIC speaker

(Joe is right, but it is critical you understand why he is right if you want to understand the future. -JM)

“The answer to the question “Where will the jobs come from?” is “I don’t know, but they will!”

- John Mauldin

Today we’ll continue our SIC highlight series featuring a relatively new face who is now indispensable, plus some new ones who were crowd favorites. It is always frustrating to try to pick and choose among the large group of speakers at the conference (44 this year) as to what to highlight. I could literally spend the summer, well, summarizing their thoughts. But as is my tradition, I will stop after a month or so and get back to our regular programming.

But you don't have to miss out. We have created a special [SIC transcript package](#) that includes every presentation along with their associated slides. It's a bargain at only \$249 (half the price of the conference) and will likely pay for itself many times over. [Click here to order.](#)

Now, on with the letter.

The Good Kind of Job Destruction

I'm honored to be friends with Joe Lonsdale, co-founder of Palantir and now a storied venture capital investor active in a wide variety of future-focused industries. He's deeply passionate about applying technology to solve our greatest societal challenges, along with the odd retail venture here there.

My SIC conversation with Joe touched on many different topics. I'll zoom in on only one of them: How AI will change the economy.

You've heard the fear of AI destroying jobs. Everybody is talking about how Dario Amodei, CEO of leading artificial intelligence startup Anthropic, warning that AI may eliminate half of all entry-level white-collar jobs and spike unemployment within the next five years. Here is Joe's optimistic answer.

Let's start with a quote which begins with provocative sentence (I have slightly edited this section for clarity):

"We desperately as a country want to destroy more jobs. That is the only good outcome in the next 10 years. And what does that mean? Why? Well, this is basic economics. We need productivity to go up. This is why our civilization is so much wealthier today than it was 150 years, 100 years, 50 years... During the Industrial Revolution, you actually had all sorts of destruction of all sorts of suboptimal jobs that were no longer needed and that allowed people to create more wealth, that allowed you to do more with less and it allowed our society to succeed.

"Now, we are in massive debt. We have all sorts of structural issues. If we do not get productivity up, that is going to be a zero-sum world where people are at war, where there's going to be another form of wokeness again. We're all going to be fighting each other. We're going to be tearing down our top builders [through taxes and regulations – JM] because there's no other source to go after. This will be terrible. The future is going to be dark. Our culture is going to be broken if productivity doesn't go up.

"If productivity does go up, the world we're going to be living in, first of all, it's very disinflationary. It's going to bring prices down. Second of all, you're going to cover all of the problems with the wealth creation for any kind of debt, any kind of medical costs the government needs to pay. [The income and taxes from wealth creation are] going to go up.

“And by the way, **every single time** this has happened, it creates more jobs. And this is where people, I think, are a little bit confused this time. They say, ‘Well, last time, it created more jobs, but this time, can't AI just do everything.’ Listen, if there's a world where AI becomes a God and it does everything, jobs are not our problem. So, let's put that aside for a second. That's like saying there's going to be this new all-powerful God and Messiah is here. If Messiah does come, let's have our religious conversations separately.

“But for now, what's happening is you are automating certain jobs. **There's still 5 million unfilled vocational jobs.** There's still massive numbers of things that people can do to serve and help and work with others and create value [that AI can't do].

“The problem right now is not that there's not enough jobs. The problem, John, is that certain communities in our country do not have enough agency and they don't have functional cultures. If you have a place where there's someone with agency and a functional culture, they will have a job right now.

“So it is just the opposite concern what we should have. The main concern is that productivity doesn't go up. I'm on the exact opposite side of this and I'm confident I'm correct. We want to destroy jobs in order to lift up society, in order to push things forward and then there will be lots of things for people to do.”

One thought before we continue. His point about agency is critical. Having agency means that a person has the capacity to act independently and make their own choices, influencing their life and circumstances. It reflects their ability to fulfill their potential and take control over their actions and decisions.

When Joe is talking about communities not having agency, he's not talking about physical locations or cities, but various groups frustrated at a lack of control over their own lives. One of the driving forces of economics, and one of the reasons we work, is to have more control of what we can do for our families and to feel that we have some sense of security in our day-to-day lives. When that security is threatened due to whatever circumstance (losing a job, a personal or financial setback) we feel anxious. We've all been there, and I'm sure many of us are there right now. Part of the legitimate role of government is to make sure that people have as much “agency” as possible.

Joe went on to talk about his experience with Waymo, the self-driving cab company.

“Let me give you a concrete example. Some of my friends who were very talented were at Waymo and building these cars a lot of people have been in now, with no one driving around in them. And in one of their next companies a group of them are creating is one that is doing construction automation. They're taking things like Caterpillar machines and automating them to build roads. They could build foundations and buildings now, requiring a lot fewer people. And the naive response is, ‘Oh my goodness, there are not going to be construction jobs.’

“No, no, no, no. When you could do these things much cheaper, it massively increases demand. If we can roll this out everywhere, they're going to have a lot more things being built and a lot more things being built economically, which means it's very, very good for economic activity. It's very disinflationary. It's very good for wealth creation, and there'll be so many more jobs created around that.”

I agree with Joe on this. Productivity is the golden key that unlocks economic growth. Particularly when population growth is slowing or even reversing, as is increasingly the case. Technology has always been the key to boosting productivity, going all the way back to the steam engine and cotton gin. AI is just the latest step in that process, which is now more about augmenting our brains than our muscles.

(By the way, I highly recommend that you subscribe to Joe's fabulous podcast series, [American Optimist](#)). This week he talks with the man who is bringing flying cars and taxis to our lives. Always a must listen!

Creative Destruction

We all intuitively understand something called Schumpeter's “creative destruction” principle. Automobiles decimated the horse carriage industry, including the people who took care of the horses, their drivers and all the things that went along with them. Automation took us from a time when 80% of the people were involved in agriculture to 2% today.

There were 235,000 telephone operators in 1930 and by 1940 AT&T employed 350,000 telephone operators, 98% of which were women, mostly between the ages of 16 and 24, and not at the upper end of the wage scale. Today there are a few thousand jobs still classified as telephone operators, and I'm sure they're not doing what was done in 1940.

As technology improved telecommunication, costs dropped precipitously even as services exploded. In 1984, I spent over \$1,000 a month for telecommunications and getting a small fraction of the capacity I have the day in my hand for \$100 a month.

Better telecommunication and the Internet created jobs even as certain jobs disappeared. That has been the case for every major technological advance. And almost every time a new technology comes along there are complaints jobs will be lost. They fail to see the importance of creative destruction. That we need to, as Joe says, destroy jobs so that we can grow and have more jobs.

The answer to the question “Where will the jobs come from?” is “I don’t know, but they will!” That has always been the answer, and it has always been the correct answer. Yes, I know robots are going to eat jobs, but people will use those robots to create more jobs and businesses. That’s what a free market does. Bureaucrats (and Congressional committees) have a perverse incentive to grow their turf, which means more people and more regulations and more prestige for them. The role of government oversight is to rein in this bureaucratic overreach and to allow as free a market as is reasonably possible.

If we have an open environment that rewards creativity and hard work, we will have all the jobs we need. Especially if we create a fluid system where people can relocate to where the jobs are or creative new entrepreneurs that build businesses where the people are. That is what has always happened since the dawn of the Industrial Revolution and democratic free market society.

All that said, AI still has a long way to go. It is not yet clear which specific technologies will prove most useful. But with the planet’s best minds working hard on the problem, we have good reason to share Joe’s optimism.

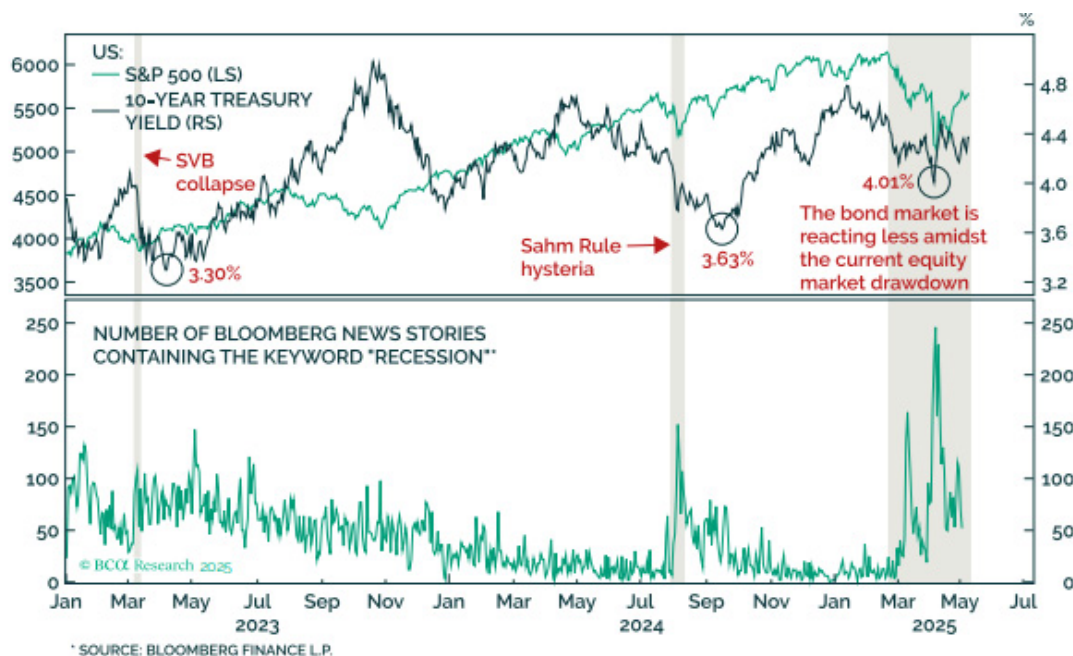
Human Steepener

One of those new faces I mentioned belonged to Marko Papic. I feel a little pride about this because Marko earned his current position at BCA Research when he met Martin Barnes at SIC years ago. He’s not just part of our event; he is a *product* of it.

Marko specializes in macro and geopolitical strategy for BCA. My partner Ed D’Agostino engaged him in a wide-ranging conversation on many topics, including the ongoing trade war. Marko believes we should avoid the guessing game of “What will Trump do next?” He says better to think about what is *possible*. Here’s Marko:

“I think what the investors should start doing is not trying to figure out based on his speeches and his rhetoric what he **wants**, but rather based on a study of the constraints, what he can **get**. And what can the U.S. get from his counterparts? Well, not much.

“First and foremost, the bond market has already spoken and it's not going to let the United States count tariff revenue as revenue for any sort of massive tax cuts. In fact, what's happening in the House and the Senate is quite extraordinary. The U.S. is going to have far less, far less fiscal thrust than it was expected because there was already a bond market riot at the end of last year, we had the Fed cut rates by 100 basis points. The bond market pretty much ignored it.



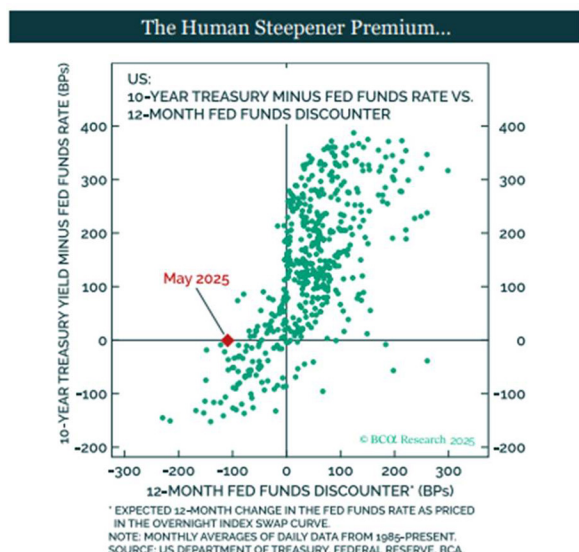
Source: BCA Research

“You can see on this chart something very important. With the Silicon Valley bank crisis in 2023, with a Sahm rule hysteria last summer, these were all recession triggers, and yet the bond market went down to three, three and a half. This time around with a much higher probability of a recession due to uncertainty, the bond market has not rallied.

“This is a very, very bad signal for the Trump administration. It means that borrowing costs to the U.S. are not going to come down. This is the number one constraint to President Trump, the slowdown that he could effectively create due to a trade war.

“There was [supposed to be] a silver lining for it; bond yields come down, he gets to pass even more new tax cuts. That's not happening, and it's not happening because the bond market does not believe the tariff revenue is genuine, and it's not. It's because of the Laffer curve, exactly like taxes. If I were to tax you at 100% of your income, guess what? You would stop working, and you wouldn't give me any tax revenue. Similarly, if you set tariffs too high, nobody can pay them, and then therefore there will be no imports, thus there will be no revenues. And the bond market is not stupid. In fact, it's very intelligent.

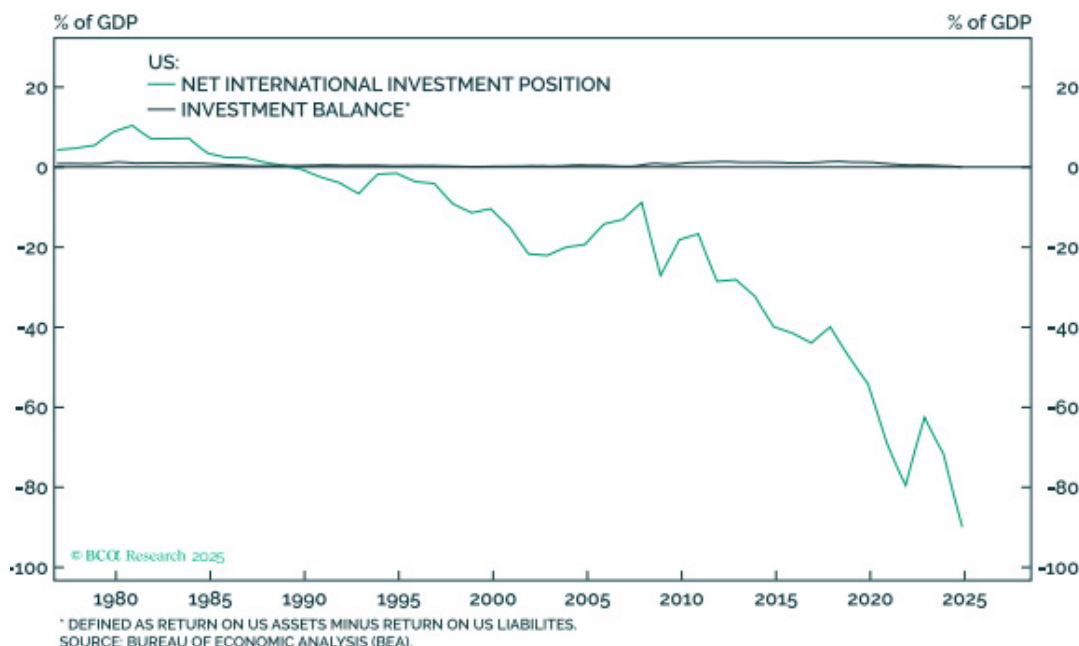
"So this is the constraint number one, the U.S. cannot set tariffs too high because the bond market will not count it as revenue. You can see the chart on the right.



Source: BCA Research

"This is a way to basically measure term premium. President Trump has effectively been a human steepener. He has steepened the yield curve, he's increased borrowing costs. That's why the housing market is right now effectively collapsing. I mean, it was already in the doldrums, but no one's buying a home or selling it. And you can see that that continues to be much elevated, much higher than where yields should be given the recessionary risks. This is going to continue as long as the trade war continues and is ultimately the main constraint in President Trump.

"The second constraint, the dollar is the reserve currency. This allows the U.S. to run this deeply negative net international investment position. You can see that with a green line. It's effectively 100% of GDP.



Source: BCA Research

"This means that foreigners own about \$20 trillion more of U.S. assets than Americans own abroad, and yet somehow magically American net investment balance is still positive. You can see that that's the black line, which is difficult to see because it's close to zero, but nonetheless it's pretty impressive. Despite having this massive amount of liabilities, Americans are able to effectively make a net positive return on their assets.

"There's only two ways to explain this chart. One is that all foreigners basically are children when it comes to investing, they just don't know how to invest. Or, more likely, foreigners are willing to keep very low yielding assets in the U.S. such as treasuries, and so that is the underpinning of the exorbitant privilege. This chart right here shows you what the reserve currency looks like. It allows the U.S. to have this very deep negative international investment position and yet to be perfectly fine with it. Of course, that can only work as long as foreigners are willing to buy American assets that yield very little, i.e., the treasuries.

"And as you can see over the course of the last couple of weeks, American allies have actually told America that their holding of treasuries is open to negotiation. In other words, they may not continue to service America's debt. This was the Japanese finance minister, Katō, who said, 'We obviously need to pull all cards on the table, and it (referring to Japan's holding of treasuries) is one of these cards.'

“Now, I find this absolutely shocking. Now, this was kind of a paradigm shift. China has never said anything like this, ever. China has very gradually allowed many of its treasuries to mature and replace them with gold, but it has never actively warned the U.S. that it could sell its hoard of treasuries.

“A lot of commentators are very glib about this. They say, ‘Well, this can never happen because the value of that treasury holding would collapse to any country that starts selling them.’ I disagree because the U.S. is at such a precarious fiscal position that even a small sell-off in treasuries will add to this term premium that is already very pernicious and causing the U.S. to spend way too much money financing its debt.

“And so even a small sell-off, even a marginal, symbolic one actually matters for the U.S. And so yes, the rest of the world does have something in its hands. It has a very powerful card as President Trump likes to say, the rest of the world does hold a lot of cards.”

All presidents, even Trump, are prisoner to circumstances. Trump can adeptly play every card available to him but, as Marko describes, other countries have cards, too. The 90-day pause to reciprocal tariffs, which was supposed to allow time for negotiation, is more than halfway over. So far, it has produced only a limited deal with the UK and a partial agreement with China.

On the other hand, Trump is pretty good at manufacturing new cards when his hand isn't working. Maybe more deals will come soon. I agree with David Bahnsen, who expects to see a number of very underwhelming trade deals in the next few months. Trump will declare victory and go home.

But personally, I wish he would turn his attention to solving our debt and entitlement spending problems.

Dallas, West Palm Beach, Dorado and DC

I will be flying tomorrow to Dallas where we will be doing a soft open of our new clinic and meet with Dr. Mike Roizen and the team. Then returning to Dorado Beach where we will do a soft open the next week and then on to West Palm Beach and Columbia, Maryland (DC) for soft opens as those clinics open, hopefully all this month. We are currently searching for a doctor in West Palm Beach. If you are one, we'd like to talk with you. Please drop us a note at Business@2000wave.com and someone will get back to you.

I continue to be overwhelmed timewise. It's all quite fun and enjoyable. I keep feeling more and more that the book I'm working on is important as events just keep unfolding that call for an explanation and solutions. As every entrepreneur knows, starting up a somewhat complex business is, well, complex. Thankfully we have a team.

And with that I will hit the send button. You have a great week and take time to seek out friends.

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