

## Macro Roundup Article

**Headline:** [Viva La Revolución!](#)

**Article Link:** <https://mailchi.mp/verdadcap/viva-la-revolucion?e=7b209e1099>

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**Tweet:** [.@verdadcap](#) quant argues that the European market, with a Price/Earnings valuation of 13X vs 22x in the Nasdaq, looks like the better buy, given the likelihood of long-term convergence in growth rates between European and American firms.

**Summary:** University of Chicago professors Luboš Pástor and Pietro Veronesi note that “the value of \$1 invested in the Nasdaq quadrupled between 1996 and March 2000, then fell back to the 1996 level by October 2002” after the internet bubble had burst and a critical threshold of widespread internet access had been reached in the United States in 2002. On the other hand, productivity growth in the US economy accelerated sharply after the internet revolution ended in 2002. According to Pástor and Veronesi’s analysis of data from the Bureau of Labor Statistics, total productivity growth in the US economy “averaged about 1% per year in the 1990s, but it increased sharply after 2002: from 1% per year in 2002 to 1.5% in 2003 and 2.5% in 2004 and 2005.” It appears most of the surprise productivity gains in the US after 2002 went to the old economy sectors. Rather than paying bubble prices today in hopes of a bubble extension through AI, we think investors could benefit most from this revolution over the long term by siding with Europe’s proletariat old-economy sectors that are undervalued by global capitalists today and could see an uprising of productivity in the future.

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