

The people should prevail

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This is the problem we are up against. It is a letter published two days ago in a French newspaper by French investment adviser Edouard Carmignac, I presume, as a warning to those investing in his country. This version [has been taken from his website](#):

Paris, October 6, 2026

Dear investors,

There is one drawback to getting something for free: eventually, you get used to it.

For nearly 15 years, governments, companies and investors have lived in a world where money seemed almost endlessly available. Governments spent, companies invested, markets assigned value. Why choose when almost everything can be financed?

This era is coming to an end. Money has a price once again, and with it comes a discipline we may have been too quick to forget: the discipline of choice.

This shift is taking place at a time when capital needs have never been greater. The United States must simultaneously finance a staggering public debt and a technological revolution with an extraordinary appetite for investment. Data centres, semiconductors, digital memory, power generation: Augmented Intelligence requires infrastructure on a gargantuan scale. In my last letter, I discussed the upheavals it is set to bring. One question is now becoming more pressing: who will pay for it?

All of us, of course. Savers, investors and taxpayers are the ultimate providers of this capital. Governments and companies therefore find themselves competing for a finite pool of savings. There is nothing particularly new about this in economic terms, except that 15 years of easy money have almost made us forget that capital is scarce.

Europe must be careful not to cast itself as a victim of this new discipline. It needs to finance its defence, its energy independence and its infrastructure – and find the capital to plug its technological gap. After spending years regulating what it no longer knew how to produce, it will have to learn how to invest again. This awakening is welcome,

but sovereignty is easier to proclaim than to finance.

How can we escape the formidable debt trap? If it proves lasting, the rise in interest rates – the scale of which we underestimated – would by itself increase interest costs by around 50% by 2030, both in the United States and France. At the same time, assuming budget deficits remain unchanged, public debt would rise from 100% to 110% in the United States and from 119% to 132% in France over the same period. These estimates do not even take into account the increase in pension costs resulting from demographic trends.

Easy money is a powerful anaesthetic. It allows governments to defer painful choices, keeps mediocre companies on life support and sustains the illusion among investors that all assets will eventually appreciate. When capital has a price again, projects must prove their worth and companies their ability to deliver a return on it.

Should this concern us? Scarcer money favours the most promising companies, particularly those harnessing Augmented Intelligence, while crowding out governments suffering from fiscal incontinence. Our role is to ensure you share in the success of companies that do not merely prosper in the world as it is but help shape the world to come. To date, we have backed Mistral, SpaceX, Revolut and Lovable in fundraising rounds ahead of their potential public listings – investing in what we believe could be tomorrow's leaders and, where possible, giving our clients access to some of these opportunities through our funds. Augmented Intelligence, space exploration, new financial services, the software revolution: each, in its own way, is part of the profound transformation of our world.

When money was free, simply owning the market could be enough. When money becomes expensive again, choosing becomes essential. Choosing the companies to which we entrust your capital, with the conviction that they will continue to shape the future.

That should keep us busy.

Best regards,

I read this with interest because there is a fundamental error running through Edouard Carmignac's argument. Money is not scarce in the way he suggests.

People, skills, energy, raw materials, land and productive capacity are scarce. Money is not. It is created by governments when they spend and by commercial banks when they lend.

That makes the claim that governments and companies must compete for a "finite pool of savings" particularly misleading. Governments that issue their own currencies do not need savers to provide them with the money they spend. Government spending creates

new money. Bond issuance subsequently provides savers with an alternative asset in which to hold some of that money. That remains true in France even now.

The same mistake underpins the question “who will pay?” for AI infrastructure, defence, energy and everything else. The important question is not where the money will come from. Banks can create that for the right commercial proposition. It is where the engineers, electricity, semiconductors, construction capacity, land and other resources will come from. Those really are scarce resources, and choices about their use genuinely have to be made.

In addition, interest rates do not reveal some natural “price of money”. Central banks substantially determine interest rates as a matter of policy. Higher rates consequently redistribute income towards those who own financial wealth and away from borrowers. That is what has been happening. No force of nature has been involved.

But there is something more troubling about this letter than its mistaken economics.

Its timing matters. Across Europe, people are protesting against falling living standards, insecure housing, austerity, inequality and governments that increasingly appear unable or unwilling to meet their needs. In that context, a message saying that what its author describes as “the era of choice” has arrived because money is now scarce is not politically neutral.

The implicit message is that those protesting must accept the discipline of financial markets. Governments, we are told, have been guilty of “fiscal incontinence”. Public spending must therefore be constrained. Governments must compete for supposedly scarce savings. Private investors will decide which activities deserve funding, and the suggestion is that democratic governments must learn to live within the limits that financial markets impose upon them.

There is an implicit threat in that argument. It says, in effect: accept the world that markets have chosen for you because there is no alternative. Those who control capital will decide what can be afforded, what will be invested in and, ultimately, what governments are permitted to do.

That claim should be rejected.

What is most revealing is where Carmignac’s argument ends. He welcomes a world in which supposedly scarce capital flows towards companies such as SpaceX, Revolut and AI businesses while governments are “crowded out”. There is almost a sense of satisfaction in the way that prospect is presented. This, though, is not an economic necessity. It is a political preference dressed up as an unavoidable consequence of scarce money.

There is no economic law saying that resources must flow towards AI data centres

rather than social housing, private space companies rather than public transport, or financial technology rather than healthcare. Those are choices about who gets command of society's real resources and the purposes for which they are used.

And that is precisely why democracy matters.

The real conflict is not between governments and companies competing for a finite quantity of money. It is between competing claims on genuinely scarce resources. The question is whether their allocation should be determined primarily by those who own financial wealth and seek the highest financial return, or by democratic societies deciding what people need if they are to live secure, sustainable and fulfilling lives.

Carmignac appears to have made his choice.

The people protesting in the streets are entitled to make theirs.

And if they disagree, the people should prevail.