(postcards from the universal code)

the exponentialist.

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Postcards from the Universal Code is an occasional series. No schedule, no set format... just short essays sent from wherever the Code shows up. The premise is simple: when the same pattern appears in markets, cities, biology and machines, that's not coincidence, it's the architecture showing through. Each Postcard takes one thing I've noticed in the world and reads it through that lens.

Postcards normally live behind the paywall for paid subscribers. Occasionally we set one free. This is one of those.

The Reward Circuit

Something struck me this summer. I was in Spain and then London, and I've never seen London that busy... not in the dot-com years, not pre-GFC, not ever. The numbers back the feeling: Spain took a record 96.8 million foreign visitors last year, up 3.2%, and they spent a record €135 billion. The UK ran a record 45.5 million international visits worth £35.7 billion. Globally, 1.52 billion people crossed a border in 2025, an all-time high.

Everywhere is full...

The interesting question is who's filling it, because the guest list tells you how the world economy is quietly reorganising itself. Hat tip to a post by Aakash Gupta that crystallized this for me, though I've ended up somewhere rather different.

The Mirror Image

Cast your mind back to 2008. The euro was at $1.55, the dollar was on its knees, and the travel story of the year was Europeans flying to New York to shop because Manhattan looked like an outlet mall to anyone paid in euros. Eighteen years later the flow has completely reversed. Americans are the biggest and highest-spending visitors to London, up 20% by headcount since 2019 with spending up more than 70%.

American travellers put 52% of their holiday budget into accommodation against 33% for the average long-haul tourist... they aren't backpacking, they're buying the full experience.

Behind the flights sits the divergence. In 2008 the EU economy was 131% the size of the US economy at market exchange rates. Today it's 71%. Per person, Europe went from 76% of American income to roughly half.

Fuck me, that's one hell of a divergence in eighteen years...

Now, I have to be honest about that chart, because half of it is the dollar. Measured at market rates, a large slice of Europe's "collapse" is simply the euro falling from 1.55 towards parity, and the US side is juiced by nominal GDP running hot on 6% to 7% fiscal deficits. Adjust for purchasing power and the gap narrows a lot. But strip the currency out and a real divergence remains, and it has a single cause: the United States captured the production of intelligence. The platforms, the chips, the models, the capital markets that fund them... the entire monetisable layer of the AI build-out concentrated in one place, and the dollar became the equity claim on it. Europe opted out and specialised in something else entirely.

The Reward Circuit

Here's where it gets interesting...

As written in the Universal Code, the system optimises for intelligence per unit of energy. Capital, compute and the smartest labour flow to wherever intelligence compounds fastest, and right now that's America. But intelligence production is brutal work. It's high-energy, high-stress and experientially thin, and the humans doing it need somewhere to convert their surplus back into the feeling of being alive. That's what those record tourist numbers are. The engineer earning $170,000 in New York flies to Lisbon or Mallorca for two weeks a year to eat properly, walk streets built before his country existed, and feel human again.

Europe has become the reward circuit of the global intelligence economy. The winners do the work in one place and collect the payoff in another. And that's a far more stable role than the doom charts suggest, because a system doesn't abandon its reward circuitry... it maintains it, the way a body maintains its dopamine pathways. Europe doesn't get discarded. It gets preserved.

The proof of the mechanism is the country everyone leaves off the list: Japan.

The Japan Tell

Japan produces enormous amounts of intelligence. Robotics, precision manufacturing, materials science... world class, all of it. Yet Japanese outbound travel is running at 70% of pre-pandemic levels, 14.7 million trips in 2025 against 20 million in 2019, while inbound tourism hit a record 42.7 million as the whole world flew in to enjoy a cheap Japan. Japanese workers got locked out of the very reward system their own economy helps supply.

Why? Because Japan doesn't own the monetisable AI layer, and it debases its currency harder than anyone. The transmission mechanism of the reward circuit isn't producing intelligence... it's holding the appreciating claim on it. Access is rented, and the rent is priced in currency.

Which brings us to the live rotation. US-to-Europe bookings are down 7.3% this year, and the share of Americans interested in a European trip has slid from 45% in 2024 to 34% now, with a softer dollar doing the work. Meanwhile China is reclaiming its spot as the world's largest outbound market, with spending projected up 22.5% to nearly $280 billion, and Paris, Rome and London sit at the top of Chinese itineraries.

The circuit is permanent. The guest list rotates with relative currency strength, and the tourists will tell you who holds the appreciating claim on intelligence before the GDP tables do. Watch the departure boards, not the statistics office.

Selling the Inventory

So Europe is protected. But protected and vital are different things, and this is where I part company with the comfortable version of the story.

What tourists are actually buying in Florence or Seville is coherence... centuries of compressed cultural information, cities that make sense, food and wine traditions refined over a thousand years. That inventory was created when Europe was the intelligence producer. Florence wasn't built by a tourism economy; it was built by the most advanced financial and intellectual centre on earth, and the beauty was the exhaust. Culture of that density is a byproduct of intelligence production, never a substitute for it.

An economy that only sells the inventory stops adding to it. Venice is the preview: immaculately preserved, magnificently coherent, and generating nothing new. And record tourism strip-mines the asset it sells... locals priced out of Barcelona and Lisbon, the people who generate the authenticity displaced by the machinery that delivers it, the culture slowly becoming a performance of itself. Spain has noticed, which is why the official strategy has shifted to spend-over-headcount and the rental rules are tightening. Selling experience is fine. Selling it faster than you make it is a liquidation, dressed as a boom.

There's a version of the future where this reverses in Europe's favour. As we approach the Economic Singularity and intelligence becomes abundant and nearly free, the scarce asset flips to the one thing machines can't manufacture: authentic human experience, taste, the accumulated coherence of place. Europe holds the deepest inventory of that on earth. The open question is whether it converts that position into producing intelligence again, throwing off new culture as the exhaust, or settles for being beautifully maintained as the place the winners go in August.

I know which one I'd rather see... and I suspect the answer arrives at the departure gates first.

Raoul Pal

Raoul Pal has been publishing Global Macro Investor since January 2005 to provide original, high quality, quantifiable, and easily readable research for the global macro investment community, hedge funds, family offices, pension funds, and sovereign wealth funds. It draws on his considerable thirty-one years of experience in advising hedge funds and managing a global macro hedge fund. Global Macro Investor has one of the very best, proven track records of any newsletter in the industry, producing extremely positive returns since inception: www.globalmacroinvestor.com.

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