By John Dizard

As you've no doubt noticed, financial commentary is becoming more explicitly political by the week. There used to be a more general pretence of objectivity, now everyone in the trade is splitting into factions more shrill than you'd find among university Trotskyites.

The current phrase of accusation and denial among talk-show economists in America is "class warfare". The implication that maddened workers are being provoked into revolt is completely misleading. Actual working people are sitting on the sidelines, weary and annoyed. This is about screaming matches between middle-class people who make their living off the state, and middle-class people who depend on the financial system. Rich political players pay off both sides, in the expectation that they'll win no matter what the outcome.

The problem for real money investors is that data and information is being overcooked to the point of being turned into ashes.

Take the debate of the moment about whether fiscal austerity plans work. A cartoon image of "Europe" is being held up by the American left as an example of how fiscal austerity can never be part of the revival of a slack economy, and by the American right as an example of an endless low growth created by ineffectual government policy.

There is a refutation of both sets of talking points in the example of the Baltic countries. Estonia, now in the euro area, along with Lithuania and Latvia, which have a fixed exchange rate for their currencies with the euro, have emerged from harsh, but relatively short recessions with the highest growth rates in Europe. Estonia had real GDP growth at a rate of more than 8.4 per cent in the first half of this year.

Latvia and Lithuania should both grow at a rate of more than 6 per cent. Mind you, this was after very steep declines in 2009, (in Estonia's case minus 14.3 per cent, Latvia's minus 18 per cent, Lithuania's minus 14.7 per cent). Yet all had accelerating recoveries by the middle of last year.

Their cuts in government spending were far deeper, proportionately, than what would be necessary to fix the American fiscal problem, and what any of the Republican presidential candidates have proposed. Public and private sector wages and pensions were cut, but modest social safety net programmes were retained. Tax rates were kept low.

What really seems to annoy some people, such as Princeton's Paul Krugman, is that the Baltic states' recoveries did not follow the Argentine model of devaluation, inflation, and repudiation, or, alternatively, enormous tax or debt driven increases in the size of the public sector. Economics, for some, isn't even a dismal science; it's a cult, the leaders of which can admit no error.

Their muttered comeback is that the recoveries were accomplished on the backs of the working people, who did, in fact, suffer greater declines in income than those in the rest of Europe, or in America. But over the full cycle of the past decade they came out ahead. In Estonia, for example, from 2003 through the end of the recession in 2010, real per capita income rose by 18 per cent. In the US, households are struggling to get back to their income of the mid-1990s.

I had a chat last week with Toomas Ilves, the president of Estonia, about what he had learned from the recession and recovery. "Some German reporter asked me back in March how we could put up with the pain of internal devaluation. I told her that after [Stalin's] mass deportations it didn't seem that bad. I guess it's harder if you've been living the good life of bunga bunga parties..."

A currency devaluation, he argues, "would have led to massive defaults at the micro level for the middle class that had bought houses with euro- denominated loans. We would have ruined the most productive part of society. So we had to join the euro". It wasn't just for the protection of mortgage-payers.

After euro entry was finally assured in July of last year, Mr Ilves says, "the [foreign] investment flows increased immediately, since they knew their assets wouldn't be devalued".

By now, the country's level of production is back to 2006 levels, much faster than anyone had expected. Unfortunately, the hard currency, internal devaluation model probably won't work for countries with high debt levels and inflexible labour markets. Fixed costs lead to slow recovery.

Oddly, as the real economy has accelerated this year, traded equity investors have booked large losses; the Tallinn Exchange index has declined by more than 24 per cent. A New York hedge fund manager with Estonian positions says: "I don't think it reflects a rational assessment of the economy, it's just a liquidity thing and a fear of Europe imploding."

When the Greek default is answered by a global quantitative easing, equities in the countries that have already adjusted, such as Estonia, should outperform those with yet more devaluation and austerity in their future.