

Joe (00:01.144)

So James, about 15 years ago at a conference you had, you started talking about this idea of logarithmic decay as it relates to societies and especially finances in societies, saying that there's this slow downhill unraveling and that's the gradually phase and then there's a suddenly phase where things go really bad really quickly. So I wanted to ask if there's an update to whether or not you think we're in the suddenly phase of that decline.

James (00:27.832)

The year update. the mathematics logarithm decay is kind of the inverse of exponential growth. If you think about exponential growth, it's just, you know, it's a very short phase where there's not really much growth and then just kind of explodes higher. Logarithm decay is kind of the opposite. That's the inverse of that where you've got a very slow, almost just imperceptibly negligible looking decline. And then all of a sudden it just kind of falls off a cliff.

So it's almost like a horizontal line and then becomes a vertical line very, very quickly. If you go back to Hemingway's often quoted, the sun also rises, said, how did you go bankrupt? And he said, gradually, then suddenly, or slowly at first, then all at once. It's sometimes quoted as gradually, then suddenly. And we have been in the gradual phase for a long time. And 15 years ago, at literally the very first event that I ever did, I put a slide up and it was a logarithmic decay slide. And you know, the thing is I said, you never really know where you are on this curve. You know, you could be somewhere at the very beginning of the flat part or further along the flat part or maybe just standing at the precipice looking down at the vertical part. You don't really know until after the fact until you're looking backwards going, oh geez, yeah, we were actually a lot closer than anybody realized at the time, but you're already sliding down the vertical part, or I think decay. And we said, that's how... I mean, just again, like Hemingway's quote, how did you go bankrupt gradually, then suddenly? That's how nations go bankrupt, gradually than suddenly.

Joe (02:02.958)

So the idea being that you can continue to get credit, you're not going to notice how bad things are until suddenly somebody goes, I'm not lending you money. And you go, well, now I have zero dollars to spend. And yesterday I had what felt like infinite dollars to spend.

James (02:11.896)

All right. Yeah. Well, it's funny when you said I can keep getting credit because it's exactly the same for individuals as it is nations. As an individual, somebody who's flat broke can keep getting those credit card offers. know, Capital One

keeps sending those offers every month, You know, and it's like it's just it's another lifeline. It's another hey, transfer your balance and all that stuff. So you keep getting new offers of credit over and over and over again. But that doesn't mean your situation is improving. And in fact, in many respects, it means your situation is getting worse. But you might say, hey, it's all good. I keep getting new offers of credit.

And it's the same thing with a country that you might look at and say, people are still buying our bonds. Our bond market is very healthy. People are coming in, buying up all of our bonds. Therefore, we're a healthy country and everything's fine. No, no, it's not. Just because people keep buying your bonds doesn't mean that everything's okay. Doesn't mean that you're in a healthy fiscal situation. In fact, in many respects, it's a sign that you might actually be nearing the suddenly phase and who knows we might actually already be in the suddenly phase. It just depends on how steep that curve is.

Joe (03:22.84)

So this relates to a few different things. One of them is like I always think of the interest rates and how right now the US government is borrowing money just to pay interest on the debts it's already borrowed. And that is one point two trillion dollars last year was just the interest bill. But but all of that money is borrowed because the deficit is two trillion dollars. So that seems like a pretty quick spiral out of control when that interest just keeps getting.

James (03:53.634)

Right. The national debt increased by a couple trillion dollars last year. And an increase in the national debt means obviously that there's going to be an increase in the interest bill. Well, when the interest bill goes up, that means now the government has to borrow more money just to pay interest on the money they already borrowed, which means the national debt goes up even more, which means the interest bill goes up even more, which means they have to borrow even more money, which makes the national debt increase, which makes the interest bill. So it's just this, you do get to that point where it becomes a downward spiral very, very quickly. Mathematically, I mean, you're in a situation right now where, yeah, they spent more money on interest in the last fiscal year, which ended on September 30th, fiscal year 25 ended on September 30th, 2025. And they spent more money on interest than they did on national defense, on the military spending. You \$1.2 trillion is an enormous amount of money. You know, it's almost as much as they spend on like social security. And that's the number that's going up. It's going up. It's getting higher every single year. And to think about it, wasn't that long ago. I mean, you can go back

10 years ago and the amount of interest the federal government was spending was a couple hundred billion dollars. mean, even 200, 250 billion dollars, 300 billion dollars. So we're talking about a 4X increase in the annual interest bill. That's astonishing. It's really, really astonishing. And how that's not a five alarm fire is a sign of how really asleep at the wheel the United States Congress is because the Constitution says that Congress is supposed to have the power of the purse and Congress is supposed to deal with the budget. And it's just nobody cares. Nobody cares. I mean, it's amazing when you think about it. I'm convinced that not only does do most members of Congress and the Senate not care, but they actually specifically almost want to keep running these deficits because they're all addicted to government spending. mean, part of the grand bargain to reopen the government recently was that the Senate had to agree that all these planned cuts that the president wanted to make...

"No, no, no, we're not going to do those. We're not going to make any of these cuts." Because remember, the president was going around saying, we're going to like permanently lay off these workers. We're going to permanently get rid of some of these departments. We're going to permanently fire and bring down the federal workforce. And I'm looking at this going, yes, yes, tell me more. You had me to hello, give me more of that. And as part of the bargain, they said, no, just kidding. We're going to bring all those guys back. We're going to keep funding all that stuff.

Joe (06:11.7)
Yeah

James (06:19.88)
And it's like all the senators and all the people in Congress voted for this. And it makes me think these people are just, if nothing else, the entire, you know, both chambers of Congress are completely unserious about doing anything about the budget deficit. Completely unserious. And, you know, and it's sad because, you know, there are at least some signs that at least the White House is willing to do something about it. And of course, going into, excuse me, this year.

Speaking of logarithmic decay, it my health this weekend. I went from everything was fine to, you know, felt like I was dying in my bed in about 48 hours. And I'm kind of coming out of it now. Yeah, it was crazy. But I mean, then you had, you know, the richest guy in the world coming in saying, I'm going to roll up my sleeves on my own dime in my own time, and I'm going to try and cut the deficit and do all these things. And they chased this guy out of town. mean, it's just Congress clearly, not only are they not serious about wanting to cut the deficit.

James (07:19.33)

But I'm convinced that they actually want to maintain the deficits at these levels because, you know, everybody seems to have whatever special programs, special interests, and those special interests are so powerful. There is absolutely zero incentive to cut and every incentive to keep the deficits going exactly as they are. I mean, it's just going to be a runaway freight train because I'm sure as we'll talk about here, all this stuff, inflation starts and ends with reckless federal spending. And I just, want to make that point.

Abundantly clear today. The US is in this very bizarre, mean, you rightly, Joe, called at one point, it's the Charles Dickens economy. It's the best of times, it's the worst of times. And simultaneously, it's like stock market's an all-time high, know, America's the hottest economy in the world, which when you look at the amount of investment capital, trillions of dollars, you know, coming into the US for AI data centers and all these sorts of things, I mean, you could kind of make that argument that, well, there's a lot of things about that that are true, yet simultaneously, inflation keeps rising, the unemployment rate keeps rising. mean, it's like the labor market is stagnating. It seems like at least every week, I think it was Verizon was the one last week, that's, you another 10 or 15,000 jobs to be cut. Amazon's laying off a ton of people. Walmart has laid off a ton of people. I mean, it doesn't really even matter which industry. There's just a lot of layoffs, lots and lots of layoffs. And so, the labor market's getting soft, inflation is high. You know, economists have a term for that. It's called stagflation.

And so, It's weird to think that you're in a stagflationary episode or at least really getting near one. And yet, know, stock market's really great and you know, all this investment capital and you know, it is kind of the best at times, it's worse at times. you know, thing is, it's all fixable. the point really is it starts and ends with a budget deficit. And there is just no political will whatsoever, at least in Congress, to want to do anything about it at all.

Joe (09:15.726)

They're vowing not to do anything about it. The number one issue that's facing the United States and all the politicians are vowing that they will not solve that. It's the same thing they do with Social Security. But the other part, and what that leads to, one of the things this leads to is the loss of faith in the US government and then the US dollar as the global reserve currency. And I think that's the other part of this logarithmic decay as well, where we don't know, we've talked about this for a long time.

They're transferring a lot of their, strategic reserves from US dollars, a lot of that's going into gold. We have certain countries like Poland that says it's going

to do 30 % of its reserves in gold and it's actually almost there. A lot of other countries haven't barely even started to move their US dollar reserves into gold. And so they still have \$10 trillion, I think it is in total about floating around outside of the US in reserves. Could that also be the logarithmic decay that they start selling?

And then if they're looking around, seeing other people selling and then that just accelerates, accelerates, and you don't know when the bottom is going to drop out from under.

James (10:21.9)

Well, foreigners, if you look across the board, official and non-official, if you look at the tiniest individual investor overseas, all the way up to sovereign governments and central banks, commercial banks, big corporations, all these things. So if we think about like foreigners in general, over the past few years have been net sellers of U.S. Treasury securities, of U.S. government bonds, right? They've been net sellers. So if you think about this, the U.S. runs a budget deficit.

Let's call it \$2 trillion a year. More or less, okay? The U.S. has been running for the past few years a \$2 trillion annual budget deficit. How are they going to finance that, right? That means they got to go out and borrow an additional \$2 trillion on top of the, you know, the \$38 trillion that they've already borrowed. Now they got to borrow an additional \$2 trillion every year. That's just in new debt. That's just a new debt. So who do they borrow that money from? Well, let's break it down into two categories, foreign and domestic.

Foreigners, again, corporations, whether you're talking about like giant Toyota and Mitsubishi and Bank of China and IKEA and whatever, like all these kind of big foreign companies or foreign banks, foreign governments, foreign central banks, foreign hedge funds, foreign mutual funds, foreign individual investors, foreign rich guys, whatever the case may be, have been net sellers of you. If you look at inflows versus outflows, buyers versus sellers, they've been net sellers of US government debt over the past few years. It's not hard to understand why, right? Over the past few years, what have they seen? They've seen a guy who shakes hands with thin air. They've seen the disastrous withdrawal in Afghanistan. They saw a presidential candidate attempted assassination, not once, but twice. They saw the government shut down. They saw Liberation Day. They saw this just complete and total dysfunction in the US federal government.

And they saw multi-trillion dollar deficits, they saw the debt level rise to 30 trillion dollars and they see a Congress that is completely and totally unserious about

doing anything about it. And so who wants to own that stuff anymore? I mean, the US government bond used to be considered the safe haven asset. When the world was going to shit, people bought treasuries. They ran to treasuries because that was considered the safe haven asset, the risk-free asset. Not anymore. Now when there's chaos on the world, people are moving away; from treasuries. Treasury bonds are no longer considered as risk-free assets, especially the longer dated stuff. Who in their right mind thinks that loaning money to the federal government for 30 years at like 4.5%, that that's going to be a good investment for you? That's madness. mean, inflation has already run in at 4%. And you're barely getting 4 % return, pre-tax, by the way, on a US government bond, for three decades and you look at this kind of trend, mean, that's crazy. So people are like, no, I'm out. So they've been selling. So if foreigners are no longer like providing that pool of savings, right? Because you need a pool of savings that you can tap into to borrow that money from. So where's the pool of savings coming from? \$2 trillion a year. Well, we've got to get it from the private US economy. But there's a problem because the private economy in the US, the net savings rate, if you look at sort of the totality of corporate profits, various business profits, plus household savings after all consumption and expenses and all this stuff's been paid, that kind of hovers between one and \$2 trillion a year. So let's just pretend that's on the high side and say, and by the way, for 2025, the US economy is, think the net savings rate is on track for like well below a trillion dollars. But let's just pretend for a minute that it's like \$2 trillion in net savings.

What that means is that the federal government would have to tap into every single penny, new money that's saved in the U.S. economy for that year in order to fund the deficit. Every single penny that you save and that Apple saves and that Elon Musk saves and that everybody else saves, all of that has to be loaned to the federal government. And then you're okay. Now you're okay. Your deficit, you don't have to really have to worry about it because at least, we're borrowing today's savings.

right? And we're spending it on, you know, various investments and things like that. Maybe that makes sense, right? But that, of course, that's not going to happen. You have years like this where your savings rate falls way below what the government needs to borrow. But you also have, you know, like, let's even pretend that the economy is going to save \$2 trillion. It's not like all that money is going to be available to buy Treasuries. You know, people are going to have to spend it on something else. You know, some people are going to go, hell, I got to paint my garage. You know, I got to build a new factory.

James (15:14.572)

I gotta, you know, do whatever, like all these different things.

Joe (15:16.846)

And it wouldn't be available for mortgages either and other borrowers.

James (15:21.176)

And all sorts of other things, right? Exactly. So you take away that pool of savings from everything else in the economy and send it all to the government. And the likelihood of that happening is basically zero, right? So the question is, if you have to borrow \$2 trillion a year, every single year, and you have, foreigners aren't going to give it to you because they're actually net sellers of your debt, and then you'll get your domestic economy and say, you know, \$2 trillion is literally 100 % of the entire capacity, the savings capacity, of entire economy. And we know there's no way you're going to be able to mop up 100 % of the savings capacity of your economy. Then like, what are you going to do? Your only answer is to create more money. And this is what happens between the combination of the Federal Reserve, open market operations, and the commercial banking system, and the primary dealer window and all this stuff. And we don't want to get into like the inside baseball of how central banking works.

But even in times like this where we don't actually have a formal quantitative easing program in place, there's still a lot of new money that's being created and this happens practically every single day, trying to keep all my lungs inside of my chest right now. So the situation is this, and we can see this in the data. Every single time the US government borrows money, there's new credit created in the banking system between the Fed and the primary dealers, which is basically the largest banks, Bank of America, JP Morgan. These are the primary dealers that go out and buy treasuries from the government. And every time this happens, there's new credit that's created. How do we know this? Well, all you have to do is look at the M2 money supply.

And over the last 10 years, M2 money supply growth has averaged about 6.8 % per year. So essentially the amount of the money supply, the amount of US dollars in circulation so forth has been increasing by almost 7 % every single year, 6.8%. Meanwhile, the real economy in the US on average, if we want to be generous, has been growing at 2.3%. Right? So the amount of paper currency, it's not all papers, obviously a lot of it's digital, et cetera, but mean in electronic form, but the amount of the money supply in the US is growing 6.8%. The amounts of goods and services being produced is growing by 2.3%. That's a four and a half percent difference. Your money supply is, the growth in money

supply is outpacing the growth in goods and services by four and a half percent. Duh, of course you're going to get inflation. You reach a point where there's just, way more money chasing around goods and services, which means that the price of goods and services is going to increase. And one year, big deal. Two years, big deal. I mean, this was just over the last decade. So 10 years of 4.5 % compounding over and over and over, year after year after year, that's going to have a massive impact on inflation. Now, in years past, they used to be able to export that inflation overseas because China and Brazil and India and Indonesia...

And you know, whatever Sri Lanka and all these countries all over the world used to have to, you know, they'd have to hold all these dollars because they're doing all this business in us dollars and that's starting to decline. Right. So the us could, you know, they created all this, this new us dollar money supply, but they could export those dollars overseas because it, huh, look at all those sucker foreign countries over there that have to, they have to hold us dollars. Right.

Because when Brazil and India were doing a deal with each other. Now, a Brazilian company, an Indian company, that deal was settled in US dollars. When China and Russia were doing business with each other, a Chinese company and a Russian company were buying and selling stuff from each other, they would settle that trade in US dollars. Both of those places had to hold US dollars. Well, what happened over the last couple of years? I you know what? I don't think we want to use US dollars anymore. So all of sudden, the US government, the Treasury Department, the banking system, the Fed, they don't have...

Places they can just export those dollars anymore because the global demand for dollars has started to decline. And when the global demand for dollars starts to decline, you can't ship those dollars overseas anymore like a hot potato and say, here Russia, you hold onto these. Here China, you hold onto these. You hold onto these bags and bags and bags of dollars. So what happens? The dollars remain in the US. Now you have way more dollars chasing around the same amount of goods and services. That's inflation. That's why you have inflation.

And it starts with a budget deficit because whenever the government has to borrow money, i.e. to pay for the deficit spending, it ends up creating new money. There's a reserve credit creation process in the financial system. So you end up with more money. And again, the growth of new money has been outpacing the growth of new goods and services in the economy by four and a half percent, compounded over the past decade or longer.

And now that we can't ship those dollars abroad anymore, all those dollars remaining at home or you fewer dollars going overseas, you get more inflation. Duh, that's the natural consequence. Right? And like nobody seems to understand that. Then you've got the knock on effects of, well, now what happens? Now you've got inflation. So people are suffering, cost of living is going up. So it means people are a lot more spend thrift now. They don't spend as much money. They have less disposable income. They have less savings.

They have less disposable income. So they're not going out freewheeling as much as they used to buying in all these different things. man, I gotta, I gotta survive. I gotta focus on food. I gotta focus on the healthcare. I gotta focus on the essentials. First, housing, all those things. I don't have money to go buy a new Lamborghini or whatever, all these different, all the different things people used to buy in the past, discretionary items and so forth. So what happens? You know, a lot of different companies, especially those that tend to be focused on the consumer, they start seeing a slowdown.

Because they start seeing a slowdown, go, I guess I need to start getting rid of some employees because of the slowdown. So let's think of consumer companies that have, know, consumer oriented businesses that have said, you know what, maybe we need to start cutting our workforce. Well, you know, Walmart's cut like 200,000 people. Verizon just last week said we're going to cut like 10 or 15,000 people. Amazon, et cetera, all these things. These are, you know, these are consumer businesses, you know, and then, you know, businesses in general, because the economy writ large is starting to slow down.

So because consumers aren't spending and consumption is frigging the vast majority, 80 % plus of the US economy. So consumers aren't very healthy. So the companies start slowing down. So they start laying off workers. So the unemployment rate ticks up, which means now you have fewer people in the economy spending, right? And so all these, and it all starts with inflation. Inflation is the culprit and inflation is created by reckless government spending. It starts and ends with the budget deficit.

And so the solution to all this is let's try and centralize egg production and let's berate CEOs to have them get the prices down. I mean, the hilarious part, and this has been going on, mean, this has been going on since the Biden administration. They sent that, the head of the FTC, Lena Kahn, who by the way, is the communist's transition advisor, Mamdani's, like his transition coordinator is Lena Kahn. So, I mean, a fisherman always recognizes another fisherman. Mondani is a communist, Lena Kahn is a communist. And she used to run the FTC. What was her qualification? She has ovaries. She has ovaries. Joe Biden's look around and say, I need somebody who's got ovaries so I can put them in

this position of power because I'm a wokey leftist progressive guy and I want to make sure everybody knows it. So, he put somebody who was completely unqualified, who'd never run any kind of agency, never run anything before in her life. She was a university professor; and ran the FTC and the first thing she did was she went and targeted businesses. You have somebody who's in charge of America's preeminent business regulator who hates business. What could possibly go wrong? And so she starts looking at food prices. Food prices are too high. I'm going to go after the grocery store chains because it's corporate greed that's keeping food prices high.

Joe (23:37.034)

And it's the merger of two major supermarket chains that was like the culprit that she decided to go out.

James (23:43.928)

Albertsons and Kroger and you look at them and say, lady, you obviously understand nothing about the thing that you're supposed to regulate because the merger of these two was actually going to create synergies and efficiencies. It's going to allow them to reduce costs even more. And the crazy thing about it, what people don't realize, a lot of people don't realize is that grocery store chains are one of the lowest margin businesses in the world, in the world. So if a grocery store is selling something for a dollar, their cost to that product on the shelves is about 98 to 99 cents. They have one penny left over. And from that penny, they hope like hell that they generate enough volume, enough sales to make enough pennies that they can pay for their overhead. Cause they still got to pay for their rent. They got to pay for their, you know, all kinds of corporate salaries. They got to pay for all these other things. They got to pay off, you know, loans and interest expense, all these different things, all this stuff they have to do on one penny.

1%, 2 % gross margins. And you have the head of the FTC going after these grocery store chains. It's the most ridiculous thing. And again, foreigners are seeing this going like, I can't believe I'm watching this stuff unfold. And yet that's been the thing that's been happening over and over again. you start with a budget deficit. You have a Congress that is unwilling, unable, and uninterested in actually cutting the deficit. They're actually interested in keeping the deficit and even growing it.

That creates a situation where the government has to sell more bonds, more debt, but foreigners don't want it because of all these things. He's like, you guys are hiring communists. You're not serious about doing anything. You're dysfunctional. You have no government. It's chaos. So no, I don't want to do

this. So foreigners are net sellers of debt, not buyers, which means now you're left with a domestic private economy, which doesn't produce enough savings to buy the government bonds that are necessary to finance the deficit that year or any year. So what are you left with? You're left with this: we're just going to create new money out of thin air. And the difference between new money creation and the production of goods and services in the economy, the growth rate difference is four and a half percent, which you can suck that up for one year, two years, but after an entire decade, 15 years of a four and a half percent difference, you get a lot of inflation. And because the US can no longer export dollars overseas in the same way that it used to, all those dollars are stuck at home. And that makes the problem worse, more inflation, which means consumers pull back. Which means businesses lay off employees because their revenues are down and it just compounds, it just compounds and it starts and ends with deficit spending and nobody gives a shit about it.

Joe (26:24.994)

And to top it all off, there was just four years of a massive war on energy in the US to just drive the cost of everything up because energy is the necessary input into everything else in the economy. Hopefully Trump's starting to unravel that.

James (26:37.848)

Energy is everything. We can't record this podcast. Yeah, we can't record this podcast without energy. mean, you have to have electricity. I mean, energy is directly as a piece of the CPI is less than 10 % of the consumer price index. But energy is an input cost in almost everything in the CPI. They talk about manufacturing costs and this cost and that cost. Energy makes up roughly, on average, 50 % of the cost of production across the board for all goods and services in the economy, and some things with. You know, some cases might be more for certain products and services and certain things can be a lot less. But on average, energy makes about 50 percent. So if the cost of energy is going up a lot, then obviously the cost of everything else is going to go up a lot because energy is a major input cost in virtually every product, every good that is created in the economy and even a lot of services. And so, yeah, this is something from the Biden administration. You're right. I the Trump administration is trying to unwind this, but it's not something it's not a light switch. You can't just turn it on and off.

You can't just turn off the entire energy industry and say, know, during the Biden administration, let's go out and let's try and destroy this industry as much as possible. You know, they look at this like, hey, the US, you know, the US is one of the largest energy producers in the world. The US is a net exporter. Things are looking great. How can we destroy this industry? How can we go from being,

you know, completely self-sufficient to being a net importer in as short amount of time as possible? I know. Let's over-regulate, over-tax and over-burn the entire energy industry.

Let's go out and demonize all these people. Let's actually have all of our little NGOs that are funded by the slush money in Congress to go out and hire people to glitter bomb public property and threaten with violence corporate CEOs in the energy industry. And let's not lease federal land for offshore drilling and all these things to make sure that we have a supply crunch. Let's do all of these things. And wow, what a surprise. That actually happened.

And US energy production is down, and the U.S. is a net importer now, and all these things that happen as result of these idiotic Biden era policies that the Trump administration now is trying to just desperately unwind. But again, you can't just flip on the light switch because energy CEOs now are looking around going, well, how do I know that in 2028, there's not going to be some anti-energy idiots. So we're going to go and spend hundreds of billions of dollars on energy infrastructure and all these things.

Only to find out that all that stuff is gonna be canceled. Gavin Newsom is gonna become president. mean, one of the reasons why energy costs more, why electricity costs are higher is because of Gavin Newsom, because Newsom created these California regulations and a lot of countries went along, a lot of energy companies, CEO just said, well, if it's gonna be in California, we're just gonna do it everywhere. And he chased away oil refineries. mean, this is a guy who single-handedly destroyed so much of a state's energy industry. It's amazing that anybody takes this person seriously as a presidential candidate.

Joe (29:34.09)

It boggles my mind that he's the front runner. No results, like absolutely no paying attention to the results of a place, homelessness, rails that complete destruction.

James (29:43.714)

Yeah, I mean, you've got, I mean, people that have left, your fiscal deficit has increased, your crime is out of control, your homelessness is out of control, your cost of living is out of control. All these things you go fail, fail, fail, fail, fail, fail, fail, trans people can go to whatever bathroom they want. So I guess that makes it okay. You know, I mean, it's just, it's astonishing, you know, and this guy's going around doing all these podcasts.

James (30:14.956)

trying to show that he's the every man, trying to show that he's a guy, know,

cause he drops a lot of F bombs. So you can have a beer with him and that makes him relatable because he swears a lot and all this stuff. it's like, man, I, you know, there's just, there's, there's no dignity. There's no success. There's no results. It's just lies and deceit. And it's like, who is dumb enough to vote for somebody? This has been such a catastrophic failure. And yet, you know, there's a reasonable chance that that's what's going to happen.

That's mean, and that's man, that's game over. And so that, that's why, you know, energy CEOs are like, why the hell am I going to go and invest a bunch of money to, to, you know, to, you know, create, you know, drove more oil, produce more oil, produce more gas, do all these different things. When that, that nincompoop is going to become president in three years. And he's just, you know, he's going to turn the whole country into California. No more refineries, no more drilling, no more anything, high taxes, fart taxes, whatever it is going to be.

Joe (30:45.686)

And yeah, to penalize these energy companies and Greta Thunberg is going to become the honorary energy secretary, whatever. mean, this is like this crazy stuff that you look at this and so like, no, like energy companies don't want to do this. All that drives energy prices higher. And when energy prices go higher, it just drives inflation higher as well. So you got that going for you as well. Lest we forget, you also have just an era of really bad policy.

You have, know, Obamacare is the poster child for this. You had the so-called Affordable Care Act that just made healthcare unaffordable. mean, healthcare costs are double, triple what they were in 2015 when they passed Obamacare for the first time. In 10 years, you've got a complete disaster, but it was bad policy. Bad policy makes life more expensive. Bad energy policy, bad healthcare policy, all these things. They have an opportunity to fix a lot of this policy. They can fix immigration policy. They can fix some of the healthcare stuff. They can fix energy. They can fix a lot of these things.

My concern is anything that depends on Congress isn't going to get done. The White House is, I mean, I think probably hopefully the lasting legacy, and I hope it sticks, which could, for lack of better term, trump everything else that this administration has done, might actually be going nuclear, might actually be really going out of their way to try and streamline and help the nuclear industry. Because you want to talk about cheap energy, that's the way to get cheap energy.

Unfortunately, know, a future Gavin Newsom, AOC, whatever industry administrations could completely torpedo all that stuff and take everybody back

in the Stone Age in terms of, you know, from an energy sense. But, you know, we can we can remain hopeful that that the nuclear industry is going to continue to advance and develop very, very, very quickly. And that's kind of the highlight of this is that you look a lot of things and go it starts and ends with a deficit spiraling out of control, creates inflation, creates stagflation.

And that's, you know, that's, you know, that's, that's hard to fix if they don't, if they don't lick the deficit problem. I don't know that they're going to fix any of those issues. I don't think they're really going to fix the stagflation issue over the next several years. I think we're probably looking at a prolonged period, not necessarily a 1970s everything sucks, but I think we're going to see higher inflation, higher unemployment. I think we could see, you know, a five, six, seven percent unemployment, you know, four, four, five percent inflation for kind of a prolonged period of time. And I think that just becomes sort of the new norm until such time as the technology develops enough where suddenly you have combined cycle natural gas power plants, which eventually turn into nuclear power plants that power the robotics and the AI and all those things that you're able to do, that all those things create a much, much more productive private economy, which means now you have more savings. You started bringing down the debt, the deficits and all those things organically. But I think you've got a pretty difficult, you know, several years ahead until the pace of change of technology and productivity outpaces the destruction, you know, that, that, that downward spiral of the deficits and the inflation and the stagflation.

Joe (34:23.018)

And that's without any cuts, you're saying that you think that there could be enough growth in AI automation, whatever, in order to outpace that, or does it require both still?

James (34:38.6)

You're definitely going to want to the cuts at some point down the road. Yeah, for sure. But I think, I think if you don't, I don't, I just don't see that happening when I see how unserious Congress is. I just don't see that happening over the next, yeah. I don't think, yeah, I'm going to wake up the 2026 midterms and all of sudden go, we got to get the deficit down. I don't see, I mean, cause there's just, there's just too many, there's too many idiotic, you know, I mean, between the media and a lot of these political candidates.

Joe (34:49.516)

You think voters are going to wake up and prioritize the budget deficits?

James (35:07.308)

get all these, all these woke race griff that want to make everything about their identity nonsense. And, and, you know, I mean, like, that's the kind of stuff that too many voters are prioritizing right now. So no, like I don't, I don't hold out any hope that a plurality of Americans are going to wake up between now and the 2026 midterms in the next 11 and a half months ago, man, we got to get the deficit down. We really got to do something about this. I don't think the New York times or CNN, MSNBC or any of these guys also, I'm gonna start having deficit alert and want to do something about the deficit. It's just not going to happen. You know, I don't think it happens in 28. I don't think it happens in 30. I think the only time it happens maybe in 32. And the reason I say that is because at that point you're talking about social security is about to run out of money. The social security old age and survivors trust fund runs out of money.

And all of they go, sorry everybody, we got to cut your benefits by like 25 or 30 % in order to make ends meet now. And people are going to go nuts and they're to go, why didn't you do anything about this? Then suddenly fiscal restraint might become an issue. But until that happens, until it actually directly impacts people's pocketbooks, I don't think it's going to happen, which is why I think that this, this deficit spending trend is going to continue for the next, you know, at least five, six years.

Seven years, then we might actually get to the point where as well over that time period, then we've got to have rapid advances in small modular reactors and robotics. And a lot of the things that AI can actually really true where you can see the serious, serious economic benefit, the economy comes five, 10 % more productive over year after year after year, productivity levels increase so much as a result of these things. You start getting a lot more tax revenue. But I think that's like years five to 10. But I think you've got to go and wade through the mud for the first few years. my kind of analysis, my read on this situation is I think the future is bright, but I think there's definitely a lot of problems in the near term. And my concern is politically that when people are kind of wading through that mud of stagflation over the next few years, that their answer to that is they go and express their dissatisfaction in, you know, on the ballot and they elect more communists, you know. And my, one of my biggest concerns is that America is going to have to go through a communist phase before it gets to the other side of this. And this is, you know, it's funny, like this is not uncommon. I mean, these sorts of things happen. I mean, it's funny, like in Chile, where I used to live, they elected a communist. had their, alternating left wing, right wing, left wing, right wing phase. And then people said, no, let's just go full on commie because things weren't getting better. Things are getting worse. And people couldn't understand why. They couldn't understand the nuances of the vagaries of

central banking and the money printing and how the regulations impacted them and all this stuff. They just knew, you know what? My life is getting worse. So, hey, let's try something different. And they elected a communist, a communist with no experience. He was basically Mamdani.

He was a guy whose only experience was being an activist. And they elected this guy president of their country. And what happened? wow. They almost went into oblivion. mean, it just got so much worse. What a surprise. You elected communists and your economy tanks. Who could have possibly predicted that that would have happened? now all of sudden, after five years of this, and in Chile, don't have, you can't do successive terms. So after five years,

They overwhelmingly elected, and I think this just over the weekend, they're like right wing candidates. The only problem is there were like four of them. There were four like hardcore kind of right wing, limited government, know, fiscal hawk type guys, you know, hard on crime, hard on criminals, know, kind of, know, oh, that's the other thing, like crime rates went through the roof. You the economy went off a cliff and all these different things. People are like, where are we living right now? This is nuts.

And so they swung back hard in the other direction. And there's a part of me that thinks like these idiots in San Francisco that think, you know, like they're watching, you know, their homelessness and the drug needles and the crime and all this stuff. And they go, Oh, isn't this all wonderful? Maybe they just need to get slapped in the face, you know, I mean, figuratively from the results of their, of what's happened, that's what's going to make people wake up and say, let's never do this again. Let's never, never do this again. And like maybe every couple of generations.

Joe (39:51.266)

Well, Chile came back pretty quick, but there's been other places that, you know, it just went Argentina took decades and decades.

James (39:56.92)

Went from bad to worst. Well, yeah, but that's what happens when you have supposedly a democracy, you let, know, cause it's not he who votes that counts, but he who counts the votes, Joe. So when you let the government, you know, in charge of the elections, you know, what a surprise, Christina Kirchner won the election again. What a surprise, you know, all these guys in Venezuela, you know, one after another, appointing their successor.

James (40:21.448)

they have, I mean, it reminded me of like before the invasion of Iraq, we're all in the army, we're all in the desert waiting for the invasion and to try and create some political legitimacy to his regime. Saddam Hussein, who was the dictator of Iraq at the time, supposedly had this election and the results of the election were like, you know, was like, you want to keep Saddam as your president or not? And it was unanimous. It was like 30 million people in the country, 30 million to zero was the election, was the election, actually with a straight face, published this stuff in the same way that with a straight face, they claim that 80 million people voted for Joe Biden. And they actually said that with a straight face that we want to presume that Joe Biden is the most popular president to have ever been elected in the history of the United States was Joe Biden. The guy who couldn't get 15 people to show up in a nursing home for a political rally somehow got 80 million people to vote for him. And we're supposed to believe this with a straight face. And they actually put this stuff out. And so this is what happens in leftist regimes, you know, is that I really like any dictatorial regime is that they hijack the democracy. They hijack the, you know, who counts the votes and they take this over, you know, for themselves. And that's how they end up staying in power. But I mean, any, any remotely functioning democracy, these guys get voted out after one term because their results are so disastrous. This is why I think people should be very suspicious, you know, in San Francisco and Chicago, whatever it means, either there's something in the water there to keep people completely stupid out of their minds, or there's some kind of electoral issues going on there. Can you honestly imagine seeing such disastrous results and just keep going, you know, let's just keep going voting for the same guys. They seem to know what they're doing. It just defies any understanding of human nature whatsoever. So my concern is that the US is going to have to go through that phase that in 28 or 32 or whatever it is, they go through this communist phase. And I just hope that the technological productivity advances that can take place hit before then the people go, you know what, actually things are pretty okay. Things are pretty okay. And so I, I, I would imagine that we've got a pretty, you know, a fairly stagnant couple of years until a lot of the promise of AI and technology start to smooth that out a little bit. And then, you know, kind of one surpasses the other. And hopefully all that happens before 2032, before social security goes bust, and then it becomes a little bit of a non-issue, you know, there's a lot of uncertainty and you know, not to be cliché, but this is why we always, I mean, you know, we kind of invented this concept of having a plan B. I've been talking about this for 15 years. Have a plan B, it's kind of, you know, the popular thing du jour now about having a plan B. But I mean, we've been talking about this for 15 years before any of stuff was popular, before anybody realized what was going on. We've been talking about this for 15 years.

Joe (42:49.87)

There's a lot of uncertainty though.

James (43:14.636)

Peter had been talking about it even longer than that before he and I got together on this. I mean, we've been talking about this for a long time. And a lot of these things we predicted, taking it back to the beginning and that logarithmic decay, where you start with this very slow, imperceptibly tiny gradual decline that becomes very quickly a very fast-paced decline, where you look back and just look back over a couple of years and go, man, what the hell happened? How did we get from there? If you want to go back to, I mean, now it's been 10 years. I mean, look back over the last 10 years, 2015, and people were like, ah, Obama, oh, he pisses me off so bad. How we long for those days where the worst thing we had to worry about was Obama saying something that was irritating. You didn't build that, somebody else made that happen. You oh, he's a communist. You know, how we long for that communism, the Obama era communism. You know, now we have Mondani communism. You know, I mean, it's just, like, what happened?

James (44:12.76)

The national debt was \$15 trillion. It's \$38 trillion. Now, less than \$15 trillion. I mean, now it's \$38 trillion. The freaking deficit's \$2 trillion. You have like one problem after another, after another, after another, and in such a short period of time, then all this wokey stuff came out of the blue, guns blazing, in some cases, literally. Now they're shooting people, you know, and trying to indoctrinate your kid, all this stuff. mean, like, when the hell did that happen?

And that's all that's like fast happened over the last 10 years. That's to me, pretty clearly you're kind of in the suddenly phase of that logarithmic decay. And it's not to say you can't pull up out of it. You your planes in a nose dive and hear the electron thing on pull up, pull up, pull up. So it's like, yeah, you got to just like in the movies, you know, and Tom Cruise grabs a stick and starts pulling up, know, how did that out of that death spiral? Yeah. I, you know, I, I don't think the end of the world is nigh. I think the future is bright, but I think, you know, yeah, they got to get through the next few years. And I think it could be a little bit messy. And I, I, I rue to think that they could actually go through a communist phase in the United States of America. And that, that, I think that card is absolutely on the table. So I would just kind of leave people with a sense of it's not the end of the world. Like it's kind of a weird, uncomfortable feeling right now where again, it's like the best of times and the worst of times is things seem to going well. Things seem to be really annoying, irritating.

Get used to it is my message. I think this is going to be around for a while. I think it's going to be around for a while. This is kind of the new norm. You've got to find your kind of inner peace about this somehow. Figure out your plan B, the things that are important to you. And we can have a deeper discussion about what that means in another episode. But this is what I think we're in for. But I think longer term, I think there are a lot of things that turn very positive. think even with the United States,

You know, US is on the ropes in terms of global reputation, all that. But I guarantee you, there are very few people in the world who want the CCP to be the dominant superpower. And I mean, even Russia, you think like Russia and China are like best buddies. Putin and Xi do not trust each other far than they can throw each other. No chance. No chance. They do not trust each other. India and China don't like each other. China and Russia and India don't like each other. mean, like, there's just, there's no comity whatsoever in any of these entities. so even though people are going to ah, the US, they piss me off so bad, they would still prefer the United States to the world's dominant superpower. And the world is going to be willing to give the US a pass. So all these things with the dollar and US dominance, all these things, there's a way out of this. There really is. There really, really is. But there's a lot of uncertainty between now and then. I would plan on more of the same over the next few years. so, yeah, you just, you you want to think about this stuff very clearly, very rationally, think about, you know, your investments and the right things that you might want to be thinking about financially, think about your personal life and having a plan B and you know, you're going to be okay.

Joe (47:14.668)

Awesome. Good place to leave it for today. Thanks, James.